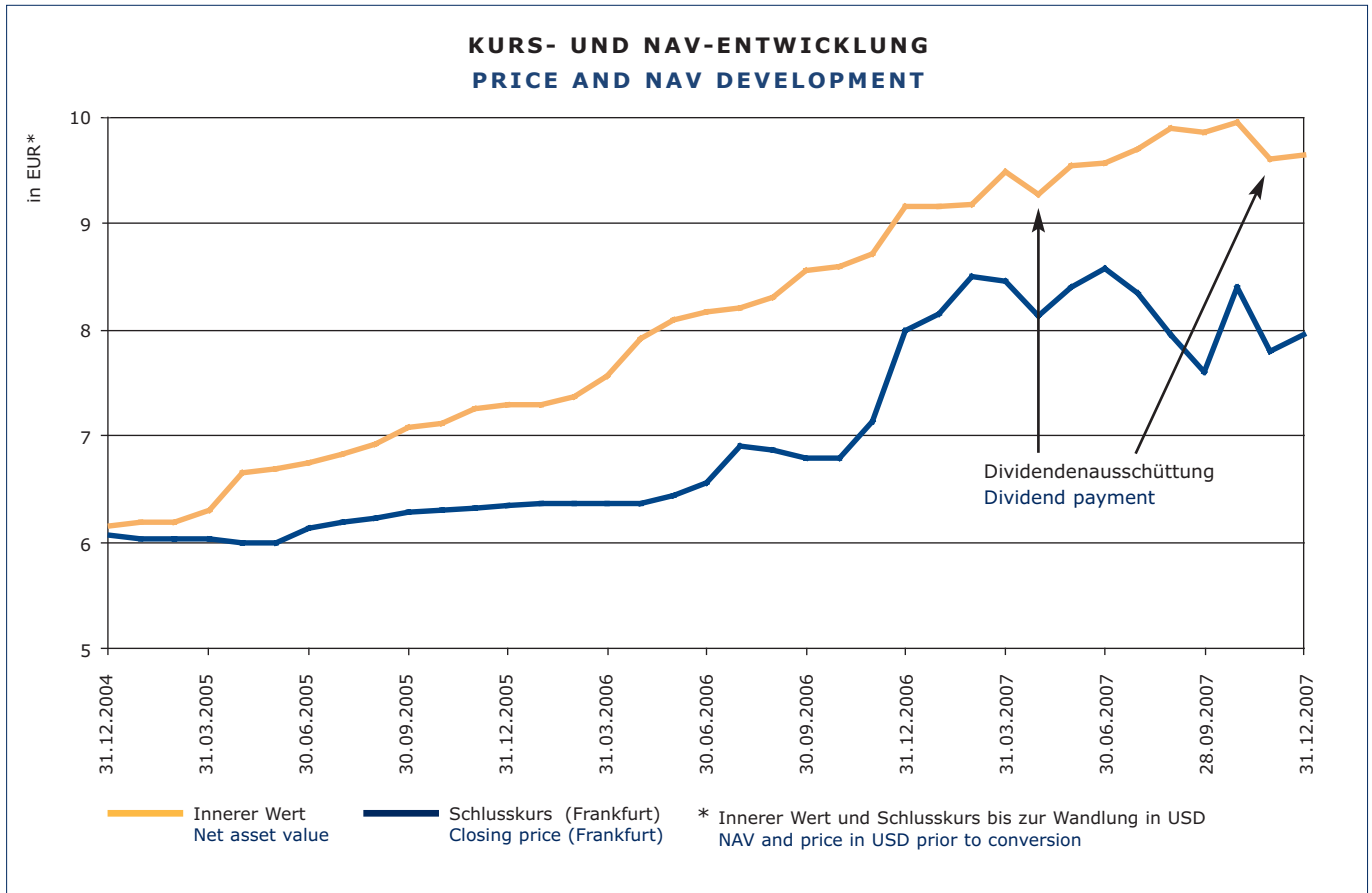


GESCHÄFTSBERICHT 2007
ANNUAL REPORT 2007



ÜBERSICHT 2007
OVERVIEW 2007



Firmenprofil

Princess Private Equity Holding Limited («Princess») ist eine Investment-Holding-Gesellschaft mit Sitz in Guernsey, die in Private Equity- und Private Debt-Anlagen investiert. Investitionen beinhalten Beteiligungen an Private Equity-Fonds in Form von Primär- und Sekundärbeteiligungen, Direktinvestments und börsennotierte Private Equity-Anlagen. Princess strebt danach, den Aktionären langfristig Kapitalwachstum und mittel- bis langfristig eine attraktive Dividendenrendite zu bieten. Die Aktien von Princess werden an der Frankfurter Wertpapierbörse sowie an der London Stock Exchange gehandelt.

Company profile

Princess Private Equity Holding Limited ("Princess") is an investment holding company domiciled in Guernsey that invests in private equity and private debt investments. These include primary and secondary fund investments, direct investments and listed private equity. Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long term. The shares are traded on the Frankfurt Stock Exchange and on the London Stock Exchange.

Kennzahlen Key figures	31.12.2007	31.12.2006¹⁾
Geprüfter Innerer Wert (NAV) pro Aktie Audited net asset value (NAV) per share	EUR 9.65	EUR 9.15 ²⁾
Schlusskurs (Frankfurt) Closing price (Frankfurt)	EUR 7.95	EUR 8.00 ²⁾
Prämie über NAV (Frankfurt) Premium over NAV (Frankfurt)	-17.62%	-12.56%
Schlusskurs (London) Closing price (London)	EUR 8.03	n.v. n.a.
Prämie über NAV (London) Premium over NAV (London)	-16.79%	n.v. n.a.
Flüssige und geldähnliche Mittel Cash and cash equivalents	EUR 80'258'529	EUR 214'374'106
Geprüfter Wert der Private Equity-Investitionen Audited value of private equity investments	EUR 596'406'876	EUR 430'576'071
Nicht abgerufene Zahlungsverprechen Undrawn commitments	EUR 408'170'641	EUR 196'160'746
Investitionsgrad Investment level	88.20%	67.14%
Over-commitment Over-commitment	48.56%	-2.27%

¹⁾ Princess änderte per 1. Januar 2007 die Berichtswährung von US-Dollar in Euro (verwendeter Umrechnungskurs: EUR/USD 0.7582) – Princess has changed its reporting currency from US dollar to euro with effect of 1 January 2007 (applied FX-rate: EUR/USD 0.7582)

²⁾ Unter Berücksichtigung des 1-zu-10-Aktiensplits – Adjusted for the 1:10 share split

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This document is not intended to be an investment advertisement or sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the product described herein. This report was prepared using financial information contained in the company's books and records as of the reporting date. The charts and figures detailed in the Investment Manager's Report have not been audited or IFRS adjusted. This report describes past performance, which may not be indicative of future results. The company does not accept any liability for actions taken on the basis of the information provided.

DATEN UND FAKTEN

Gesellschaft	Princess Private Equity Holding Limited	
Gründung	1999	
Struktur	Aktiengesellschaft mit Sitz in Guernsey	
Aktien	voll einbezahlte Stammaktien	
Stimmrecht	ein Stimmrecht pro gehaltener Stammaktie	
Währung	Euro	
Dividendenpolitik	Die Gesellschaft beabsichtigt, eine jährliche Dividende im Bereich von 5% bis 8% des Inneren Wertes auszuschütten	
Managementgebühr	0.375% pro Quartal auf das jeweils Höhere von (i) NAV oder (ii) Wert der Princess-Anlagen abzüglich kurzfristige Anlagen und zuzüglich ausstehende Kapitalabrufe, zuzüglich 0.0625% pro Quartal in Bezug auf Sekundäranlagen und 0.125% pro Quartal in Bezug auf Direktinvestments	
Erfolgsabhängige Gebühr	<ul style="list-style-type: none"> – keine erfolgsabhängige Vergütung für Primäranlagen – 10% erfolgsabhängige Vergütung in Bezug auf Sekundäranlagen – 15% erfolgsabhängige Vergütung in Bezug auf Direktinvestitionen unter Berücksichtigung einer Hürde von 8% pro Jahr und einem «Catch-up»-Mechanismus 	
Börsenzulassung	Frankfurter Wertpapierbörse	London Stock Exchange
Handelsinformationen	WKN: A0LBRM ISIN: DE000A0LBRM2 Börsenkürzel: PEY1 Bloomberg: PEY1 GR Reuters: PEYGz.DE / PEYGz.F	WKN: A0LBRL ISIN: GG00B28C2R28 Börsenkürzel: PEY Bloomberg: PEY LN Reuters: PEY.L
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA	JPMorgan Cazenove

FACTS AND FIGURES

Company	Princess Private Equity Holding Limited	
Incorporation	1999	
Structure	Guernsey Corporation	
Securities	Fully paid-in ordinary registered shares	
Voting rights	Each ordinary registered share represents one voting right	
Currency denomination	Euro	
Dividends	Princess intends to distribute an annual dividend of between 5% and 8% of the net asset value	
Management fee	0.375% per quarter of the higher of (i) NAV or (ii) value of Princess' assets less any temporary investments plus unfunded commitments, plus 0.0625% per quarter in respect of secondary investments and 0.125% per quarter in respect of direct investments	
Incentive fee	<ul style="list-style-type: none"> - No incentive fee on primary investments - 10% incentive fee per secondary investment - 15% incentive fee per direct investment subject in each case to a 8% p.a. preferred return (with catch-up)	
Listing	Frankfurt Stock Exchange	London Stock Exchange
Trading information	WKN: A0LBRM ISIN: DE000A0LBRM2 Trading symbol: PEY1 Bloomberg: PEY1 GR Reuters: PEYGz.DE / PEYGz.F	WKN: A0LBRL ISIN: GG00B28C2R28 Trading symbol: PEY Bloomberg: PEY LN Reuters: PEY.L
Designated sponsor	Sal. Oppenheim jr. & Cie. KGaA	JPMorgan Cazenove



BERICHT DES VERWALTUNGSRATSVORSITZENDEN CHAIRMAN'S REPORT

Sehr geehrte Investoren,

es freut mich sehr, Ihnen in meiner neuen Rolle als Verwaltungsratsvorsitzender von Princess Private Equity Holding Limited den Jahresbericht präsentieren zu dürfen. Ich habe grosses Vertrauen in das Portfolio von Princess sowie in den Investitionsberater Partners Group, welcher seit der Gründung des Unternehmens im Jahr 1999 massgeblichen Anteil an dessen Entwicklung hat. Die Qualität des Portfolios ist beeindruckend und bietet den Investoren eine breite Diversifizierung über verschiedene Sektoren, Industrien, Regionen und Gründungsjahre. 2007 war mit der zusätzlichen Notierung an der London Stock Exchange im November ein weiteres entscheidendes Jahr für Princess.

Nach einer umfangreichen Prüfung durch Partners Group stimmte der Verwaltungsrat von Princess der zusätzlichen Notierung der Aktien an der Londoner Börse zu und engagierte JPMorgan Cazenove als Listing Sponsor und Berater. Um gemäss den Notierungsanforderungen und den britischen Best Practice-Richtlinien der Corporate Governance eine Mehrheit von Non-Executive Directors zu haben, passte Princess die Besetzung des Verwaltungsrates entsprechend an. Graham Hall, welcher seit der Gründung als Verwaltungsrat tätig war, trat per 1. Oktober 2007 aus seinem Amt zurück. Zum gleichen Datum traten zwei neue, unabhängige Non-Executive Directors dem Verwaltungsrat von Princess bei, namentlich Jonathan Hooley und ich selbst.

Die ausserordentliche Hauptversammlung hat am 12. Oktober 2007 einer neuen Satzung sowie einem 1-zu-10-Aktien-split zugestimmt, welche am selben Tag in Kraft gesetzt wurden. Nach der Zulassung zum Handel am amtlichen Markt an der London Stock Exchange wurde Princess dort am 1. November 2007 zum ersten Mal gehandelt. Durch diese zusätzliche Notierung erhält Princess einerseits Zugang zum starken Finanzmarkt in London und andererseits breitere Beachtung, da dort das Interesse für Private Equity-Investitionsgesellschaften wie Princess deutlich grösser ist.

Es freut mich, Ihnen mitzuteilen, dass Ende April die erste Dividende in der Geschichte von Princess bezahlt wurde. Die Ausschüttung belief sich auf 27.4 Euro-Cents pro Aktie. Eine zweite halbjährliche Dividende im Ausmass von 30 Euro-Cents wurde im Dezember ausbezahlt. Zusammen ergibt dies eine Dividendenrendite von 7.2% basierend auf dem Aktienkurs Ende Dezember, was deutlich über dem Durchschnitt vergleichbarer Anlagen liegt.

Dear valued investor

I am pleased to have taken on a new role as Chairman of the Board of Princess Private Equity Holding Limited and to present this Annual Report to you. I have great confidence in the Princess portfolio, and in its strong investment advisor, Partners Group, who have played a key role in the development of Princess since its inception in 1999. The quality of the portfolio is impressive and offers investors the advantages of a broad diversification across various sectors, industries, geographies and vintages. 2007 proved to be a landmark year for Princess with the dual listing on the London Stock Exchange in November 2007.

After careful evaluation during the third quarter by Partners Group, the Board of Directors decided in October to make an application for the additional listing of the Ordinary Shares on the London Stock Exchange. JPMorgan Cazenove was mandated as the listing sponsor and financial adviser. In order to comply with certain listing requirements Princess restructured the Board of Directors in 2007 so as to have a majority of independent non-executive directors in line with UK best practice in corporate governance. Graham Hall, who has been a director of Princess since its incorporation, retired from the board with effect from 1 October 2007. On the same date two new independent non-executive Directors joined the Board of Princess, namely Jonathan Hooley and I.

The Extraordinary General Meeting on the 12 October 2007 approved the adoption of new Articles of Association and a 1:10 share split, which became effective on the same day. Princess was admitted to the Official List and commenced trading on the London Stock Exchange on the 1 November 2007. Through the listing, Princess has gained access to the strong financial market in London and the interest shown to private equity investment companies of this kind.

I am pleased to report that at the end of April, Princess paid its shareholders the first dividend in the history of the Company. This dividend amounted to EUR 27.4 cents per share. A second semi-annual dividend payment of EUR 30 cents was paid in December. This results in a dividend yield of 7.2% based on the share price as of the end of December, which is well above the average paid by similar investment vehicles.

Adjusted for the two dividend payments, the net asset value (NAV) has gained further 11.9% this year. This development was achieved during a period of buoyant commitment and investment activity in the portfolio, which may be expected to have a negative impact on the NAV in the short

Bereinigt um die Dividenden ist der Innere Wert (NAV) 2007 weitere 11.9% gestiegen. Diese erfreuliche Entwicklung wurde in einer Zeit von hoher Commitment- sowie Investitionsaktivität im Portfolio erreicht und ist vor dem Hintergrund der Unsicherheit an den Finanzmärkten im zweiten Halbjahr umso beeindruckender.

Der Aktienkurs von Princess stieg im abgelaufenen Jahr dividendenbereinigt um 6.5% und übertraf mit diesem Ergebnis deutlich den MSCI World Index (-1.4%) sowie den LPX50 Index (-14.8%), welche stark vom herausfordernden Marktumfeld in Mitleidenschaft gezogen wurden.

In den vergangenen zwölf Monaten hat Princess einen Schwerpunkt auf die substanzielle Erhöhung des Investitionsgrades gelegt, welcher bis Ende des Jahres auf 88% gestiegen ist und damit deutlich über den 67% zu Jahresende 2006 liegt. Dabei konnte Princess vom starken Dealfluss des Investitionsberaters auf der Direktinvestitionsseite – sowohl für Eigenkapital- wie auch für Mezzaninebeteiligungen an der Seite von führenden Private Equity-Investoren – profitieren.

Ich bin zuversichtlich, dass das kommende Jahr viele attraktive Möglichkeiten für Princess bieten wird und deshalb der positive Trend in der Entwicklung des Inneren Wertes anhalten dürfte. Die Reife und Qualität des diversifizierten Portfolios von Princess, welche in den vergangenen Jahren zur kontinuierlich starken Performance beigetragen haben, kombiniert mit den fortdauernd hohen Dividendenausschüttungen in Höhe von 5–8% des Inneren Wertes lassen erwarten, dass Princess sich auch weiterhin klar von den Mitbewerbern abheben wird.

Es darf erwartet werden, dass Princess 2008 weiterhin Commitments tätigen und auf Basis des starken Dealflusses des Investitionsberaters das Ziel eines vollen Investitionsgrades 2008 erreichen wird. Der hohe Anteil an offenen Zahlungsverprechen von unterliegenden Partnerships lässt weiterhin eine rege Investitionsaktivität im Portfolio erwarten.

Im Namen meiner Kollegen im Verwaltungsrat möchte ich mich auf diesem Weg bei allen Aktionären für deren Vertrauen in Princess bedanken. Die Entwicklung im Jahr 2007 stimmt zuversichtlich, dass sich Princess, sofern die Weltwirtschaft 2008 nicht von unerwarteten, negativen Ereignissen überrascht wird, weiterhin erfreulich entwickeln und wesentlichen Aktionärswert schaffen wird.

Colin Maltby
Verwaltungsratsvorsitzender

Guernsey, März 2008

term, and is all the more impressive against the backdrop of uncertainty in the financial market in the second half of the year.

The share price of Princess has increased by 6.5% in 2007 adjusted for dividends, and with this result clearly outperformed the MSCI World Index (-1.4%) and the LPX Index (-14.8%) which were both significantly hit by the uncertainties on the global financial markets.

Princess has placed an emphasis on substantially raising the investment level in 2007, reaching 88% at the end of the year, which is well above the 67% at year-end 2006. Additionally, Princess benefited from the investment adviser's strong deal flow on the direct investment side, both for equity and mezzanine participations, alongside other leading private equity investors.

I remain confident that 2008 will offer many attractive opportunities for Princess and thus a further positive trend in the Princess net asset value development can be expected. The maturity and quality of the diversified portfolio of Princess, which has led to the consistently strong performance, in combination with continued high dividend payments of 5-8% of the NAV, are expected to allow Princess to clearly differentiate itself from competitors in 2008.

In 2008, Princess is expected to continue its commitment activity. I expect that Princess will achieve its goal of being fully invested in 2008 based on the strength of the deal flow received by the investment adviser. Due to the high portion of unfunded commitments by the underlying partnerships, a continuous strong investment activity in the portfolio can be expected.

I and my fellow Directors would like to take this opportunity to thank investors for the confidence they have shown in Princess Private Equity Holding Limited. The development of the portfolio since its launch gives grounds for confidence that, provided there are no unexpected adverse developments in the global economy, Princess will continue to perform well in 2008 and beyond, and deliver significant shareholder value.

Colin Maltby
Chairman

Guernsey, March 2008

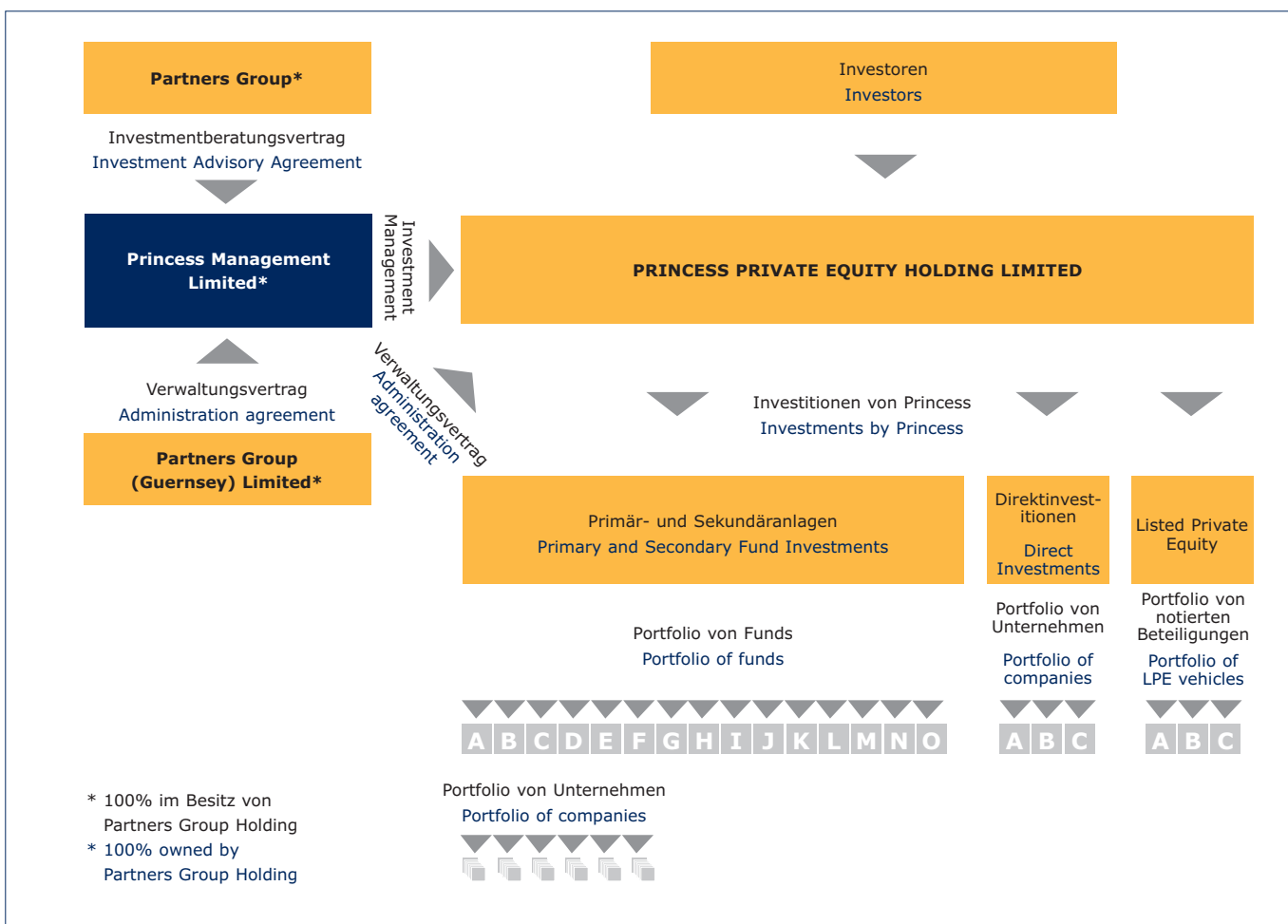
STRUKTURDARSTELLUNG STRUCTURAL OVERVIEW

Princess Private Equity Holding Limited ist eine in Guernsey domizilierte Private Equity-Beteiligungsgesellschaft, die im Mai 1999 gegründet wurde und in Private Market-Anlagen investiert. 1999 hat Princess über die Ausgabe einer Wandelanleihe USD 700 Mio. aufgenommen und dieses Geld über Zahlungsverprechen an Private Equity-Partnerships investiert. Die Wandelanleihe wurde im Dezember 2006 in Aktien gewandelt. Gleichzeitig wurden die Anlagerichtlinien angepasst und die Berichtswährung von US-Dollar in Euro umgestellt. Die Princess-Aktien werden seit dem 13. Dezember 2006 an der Frankfurter Wertpapierbörse (Börsenkürzel: PEY1) sowie seit 1. November 2007 an der London Stock Exchange (Börsenkürzel: PEY) gehandelt.

Princess strebt danach, den Aktionären langfristig Kapitalwachstum und mittel- bis langfristig eine attraktive Dividendenrendite zu bieten. Auf Grundlage der neuen Anlagerichtlinien kann Princess neu ausser in Primärfonds auch Sekundär- und Direktbeteiligungen erwerben sowie in börsennotierte Beteiligungsgesellschaften (Listed Private Equity) investieren.

Princess Private Equity Holding Limited is a Guernsey-registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700m through the issue of a convertible bond and invested the capital raised by way of commitments to private equity partnerships. The convertible bond was converted into shares in December 2006. Concurrently, the investment guidelines were amended and the reporting currency changed from the US dollar to the euro. The Princess shares were introduced for trading on the Frankfurt Stock Exchange (trading symbol: PEY1) on 13 December 2006 and on the London Stock Exchange (trading symbol: PEY) on 1 November 2007.

Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long term. Based on the new investment guidelines, besides primary fund investments, Princess also considers secondary fund investments, direct investments and listed private equity.



Die Investitionen von Princess werden auf diskretionärer Basis von Princess Management Limited, dem Investmentmanager von Princess, einer Tochtergesellschaft der Partners Group Holding, welche in Guernsey registriert ist, getätigt. Dieser ist unter anderem für die Selektion, Akquisition und Veräusserungen von Investitionen wie auch für Finanzierungsfragen und das Cash-Management verantwortlich.

Der Investmentmanager kann einen Teil oder auch seine gesamten Verpflichtungen Dritten übertragen. In diesem Sinn hat der Investmentmanager mit Partners Group einen Beratungsvertrag abgeschlossen. Partners Group ist ein führender unabhängiger Vermögensverwalter im Bereich alternativer Anlagen mit Sitz in Zug (Schweiz). Über den Beratungsvertrag profitiert Princess von Partners Group's weltweiter Präsenz, der Grösse und Erfahrung ihres Investmentteams, ihrem Netzwerk zu vielen der weltweit führenden Private Equity-Häusern und ihrem Fachwissen in den Bereichen Primär-, Sekundär- und Direktanlagen.

The investments of Princess are managed on a discretionary basis by Princess Management Limited, the Investment Manager of Princess, a wholly-owned subsidiary of Partners Group Holding, registered in Guernsey. The Investment Manager is responsible for, among other things, selecting, acquiring and disposing of investments and carrying out financing and cash management services.

The Investment Manager is permitted to delegate some or all of its obligations and has entered into an advisory agreement with Partners Group. Partners Group is a leading independent alternative asset manager, headquartered in Zug, Switzerland. Through the advisory agreement, Princess will benefit from the global presence, the size and experience of the investment team, relationships with many of the world's leading private equity firms across all financing stages and the experience in primary, secondary and direct investments of Partners Group.

BERICHT DES INVESTMENTMANAGERS
INVESTMENT MANAGER'S REPORT



RÜCKBLICK AUF DIE PRIVATE EQUITY-INDUSTRIE 2007

REVIEW ON THE PRIVATE EQUITY INDUSTRY IN 2007

Der Janus-Charakter des Jahres 2007

Janus, der Gott der Türen und Tore sowie des Anfangs und des Endes in der römischen Mythologie, wird üblicherweise doppelköpfig mit zwei Gesichtern dargestellt, die in entgegengesetzte Richtungen schauen. Der sogenannte Januskopf gilt daher als Symbol der Zwiespältigkeit und als ein zwiespältiges Jahr wird den Investoren das Jahr 2007 in Erinnerung bleiben. Die erste Jahreshälfte zeichnete sich bis auf die kurzfristigen Turbulenzen Ende Februar und Anfang März durch Euphorie und steigende Aktienkurse aus. Im Gegensatz dazu erwies sich die zweite Jahreshälfte als eine der schwierigsten Perioden der letzten zehn Jahre, gekennzeichnet von turbulenten Finanzmärkten und einem steigenden Risiko für das reale Wirtschaftswachstum in den USA. Durch Nichtzahlungen von Schulden bei Fälligkeit im Markt für minderklassige Hypotheken in den USA entstand eine globale Kreditkrise mit stark sinkender Liquidität und steigenden Risikoprämien im Zwischenbankengeschäft und auf den Kreditmärkten. Die Besorgnis über hypothekarisch gesicherte Wertpapiere und strukturierte Kreditprodukte führte zu einer allgemeinen Flucht Richtung Sicherheit und Liquidität. Die Risikoprämien für durch Vermögenswerte besicherte Wertpapiere stiegen dramatisch, die Syndizierung fremdfinanzierter Kredite kam zum Erliegen und Aktien verloren an Wert, zum einen durch Hedgefonds, welche im August gleichzeitig grössere Transaktionen durchführten, zum anderen aufgrund der weiterhin andauernden Kreditkrise in den USA sowie der signifikanten Abschreibungen im Finanzsektor im Laufe des Novembers. Die anhaltende Unsicherheit über die Situation an den Kreditmärkten und deren mögliche Auswirkungen auf die Realwirtschaft in den USA führten letztlich zu einer steigenden Befürchtung, dass die USA in eine Rezession verfallen könnte, was wiederum drastische Auswirkungen auf das globale Wirtschaftswachstum hätte.

Gesunde Gesamtwirtschaft trotz Krise

Ein Blick auf das gesamtwirtschaftliche Bild in 2007 zeigt ein reales globales Wirtschaftswachstum von 5%, ähnlich wie im Vorjahr. Die Markturbulenzen hatten definitiv einen Einfluss und haben die Wachstumsraten, besonders in den USA, auf ein normales Niveau zurückgebracht. Unterstützt durch das dynamische Wachstum in den Schwellenländern und in Europa erreichte die Weltwirtschaft dennoch das Wachstum des Rekordjahres 2006. Die Unternehmensbilanzen zeigten mit niedrigen Fremdkapitalquoten, viel liquiden Mitteln und anhaltend starken Anstiegen der Erträge im Grossen und Ganzen solide Werte. Der negative

The Janus character of the year 2007

In Roman mythology, Janus is the god of gates and doors as well as of beginnings and endings: he is usually depicted with two faces looking in opposite directions. For investors, the year 2007 had two faces as well and will be remembered as a Janus year. The first half was characterized by euphoria and buoyant equity markets, interrupted only briefly by turbulence in late February and early March. In contrast, the second half of 2007 proved to be one of the most difficult periods for investors in the past decade, characterized by financial market unrest and increasing risks to real economic growth in the US. This episode of a global credit crisis, dried-up liquidity and spread widening on the interbank and credit markets originated from rising delinquency rates on principal and interest payments in the US subprime mortgage market. Concerns about mortgage-backed securities and structured credit products led to a flight to safety and liquidity. Spreads on asset-backed commercial papers widened sharply, syndication of leveraged loans froze and equities declined due to simultaneous hedge fund action in August, the ongoing subprime crisis in the US as well as the heavy write-downs in the financial sector in November. Ongoing uncertainty about the situation in the credit market and its potential spillover effects on the real economy in the US led to mounting fears that the US might enter a recession, which would have a severe impact on global economic growth.

Overall healthy economic picture despite the credit crisis

A look at the overall economic picture for 2007 shows that the world economy expanded with a GDP growth of around 5% in real terms, which is in line with the previous year. The market turbulence definitely had an impact on economic growth during the year and brought growth rates back down to normal levels, especially in the US. Supported by dynamic growth in the emerging markets and in Europe, though, the world economy still reached the growth level of the record year 2006. Moreover, by and large corporate balance sheets were solid, with firms exhibiting low debt and high cash levels and continued strong earnings growth. So the negative effects of the events in the credit markets had not had an impact at the corporate level, albeit with the exception of the credit institutions, which were hit hard by the crisis and leading in some cases to posting losses due to major write-offs in the second half of the year.

Einfluss der Geschehnisse an den Kreditmärkten blieb auf Unternehmensebene somit aus; lediglich die kreditvergebenden Banken, die durch die Krise substanziell getroffen wurden, mussten in der zweiten Jahreshälfte aufgrund von signifikanten Abschreibungen teilweise Verluste hinnehmen.

Auswirkungen der Kreditkrise auf den LBO-Markt

Die Schlagzeilen des Vorjahres und der ersten Hälfte von 2007 waren geprägt von fremdfinanzierten Firmenübernahmen (LBOs) in Milliardenhöhe durch Private Equity-Unternehmen. Der RJR Nabisco-Rekord der 80er Jahre in Höhe von USD 32 Mrd. sah neben den USD 40 Mrd.-Deals von Bell Canada Enterprises und TXU nun vergleichsweise klein aus. Verständlicherweise war der Fremdkapitalanteil in diesen Transaktionen substanziell. Das notwendige Fremdkapital war während der ersten Jahreshälfte im Markt jedoch sehr günstig verfügbar und die Private Equity-Investoren konnten daher die steigenden Preise der Transaktionen dadurch aufbringen, dass sie ihre Übernahmen zu einem grossen Teil mit Fremdkapital finanzierten. Mit dem Anstieg der Transaktionsgrössen nahm also auch das benötigte Fremdkapital im Buyout-Segment auf ein rekordverdächtiges Niveau zu. Durch die immer grösser werdenden Deals gab es nur noch wenige börsennotierte Unternehmen, von denen man dachte, dass sie aufgrund ihrer Grösse nicht Ziel einer Private Equity-Übernahme sein könnten. Der steigende Fremdkapitalbedarf stellte auch kein Problem dar, so lange sich die Finanzierungskosten weiterhin auf so niedrigem Niveau bewegen würden wie in der ersten Jahreshälfte.

In der zweiten Jahreshälfte änderte sich jedoch das Bild: die liquiden Kreditmärkte kamen in Folge der Krise plötzlich zum Erliegen und sorgten für eine Abkühlung des Buyout-Marktes. Für grosse und Mega-Deals stand von einem auf den anderen Tag kaum noch Fremdfinanzierung zur Verfügung, da die Risikoprämien signifikant anstiegen und die Kosten in die Höhe trieben, was wiederum dazu führte, dass die grossen LBOs kaum noch zu realisieren waren. Aus ähnlichen Gründen sahen sich auch die grossen Public-to-Private-Transaktionen nach Jahren konstanten Wachstums auf einmal mit Schwierigkeiten konfrontiert: Die Unruhen am Markt liessen die Kapitalkosten für Buyout-Unternehmen in die Höhe schnellen und reduzierten die Preise, die für Public-to-Private-Deals bezahlt wurden, nach einer stetigen Expansion in den Jahren zuvor. Dies wiederum führte dazu, dass das Volumen von grossen Public-to-Private-Deals signifikant zurückging.

War diese Entwicklung schlecht für die Private Equity-Industrie? Diese Frage kann nicht einfach mit Ja oder Nein

Impact of the credit crisis on the LBO market

The headlines in the previous year and again in the first half of 2007 were dominated by announcements of multi-billion leveraged buyout (LBO) deals in the private equity industry. The record-breaking RJR Nabisco LBO in the late 1980s, which closed at USD 32 billion, suddenly appeared relatively small compared to the USD 40 billion plus deals of Bell Canada Enterprises and TXU. Obviously, the amount of debt financing that was used for these deals was substantial. Moreover, the debt necessary to realize investments of this size was available at low cost in the market during the first half of 2007 and private equity investors coped with rising prices for transactions by making use of a sufficient amount of debt in the LBOs. So as transaction sizes rose, leverage in the buyout sector also increased to record levels. As the average deal size grew, only a small number of public firms were still considered too large to be a target for a private equity takeover. Rising debt levels in the transactions was not a worry as long as the cost of the debt financing remained at the low levels of the first half of the year.

But the picture changed in the second half of the year when the liquid credit market ground to an abrupt halt in the wake of the subprime crisis, thereby slowing down the buyout market. The large- and mega-large LBOs suddenly had hardly any access to debt financing as credit spreads widened sharply and increased the cost of debt financing significantly, which in turn made multi-billion LBOs difficult to realize. For the same reasons, large public to private transactions also experienced difficulties after several years of continuous growth in total volume: the market turmoil sent capital costs for buyout firms higher and reduced the strike zone after years of steady expansion, causing a significant downturn in large-cap public to private volume as well.

Is this a bad thing for the private equity industry? This is definitely not a question that can be answered with a simple yes or no. Various statistics indicate that the credit crisis has certainly not disrupted the entire industry. On the contrary, there was a remarkable level of activity in the small- and mid-cap buyout universe up to an enterprise value of USD 1 billion during the second half of 2007. The number of mega deals in the buyout sector, though, decreased, indicating a shift from large- to mid-cap LBOs. Due to the increase in the number of smaller deals with enterprise values of below USD 1 billion and the contribution of the mega deals during the first half of the year, the total volume for 2007 still showed strong results.

beantwortet werden, aber wie verschiedene Statistiken zeigen, hat die Krise die Industrie als Ganzes nicht beeinträchtigt. Im Gegenteil: Während die Anzahl der Mega-Deals zurückging, waren die Aktivitäten im klein- und mittelständischen Buyout-Segment bis zu einem Unternehmenswert von USD 1 Mrd. in der zweiten Jahreshälfte bemerkenswert hoch, ein Indiz für den Wechsel von grossen zu mittelgrossen Transaktionen. Aufgrund dieser Zunahme kleinerer Deals und der noch in der ersten Jahreshälfte abgeschlossenen Mega-Deals blieb das Buyout-Investitionsvolumen auch 2007 auf einem weiterhin hohen Niveau.

Verschiebung von grossen zu mittelgrossen Deals

Der Paradigmenwechsel von grossen zu kleineren Deals im Laufe des Jahres spiegelt sich in allen Regionen wider. Übernahmen über USD 1 Mrd. haben sich in den USA im Vergleich zu 2006 zwar auf USD 451 Mrd. mehr als verdoppelt, allerdings nur getrieben durch die in den ersten sechs Monaten abgeschlossenen Mega-Transaktionen. Das mittlere Segment zwischen USD 100 Mio. und USD 1 Mrd. erfuhr einen Zuwachs von 23%, was auf die Verschiebung von grossen zu mittleren Deals in der zweiten Jahreshälfte zurückzuführen ist, während Unternehmenskäufe unter USD 100 Mio. um 50% auf USD 5 Mrd. zurückgingen.

In Europa stiegen Buyouts zwischen EUR 250 Mio. und EUR 1 Mrd. in 2007 um 38%, während das Segment zwischen

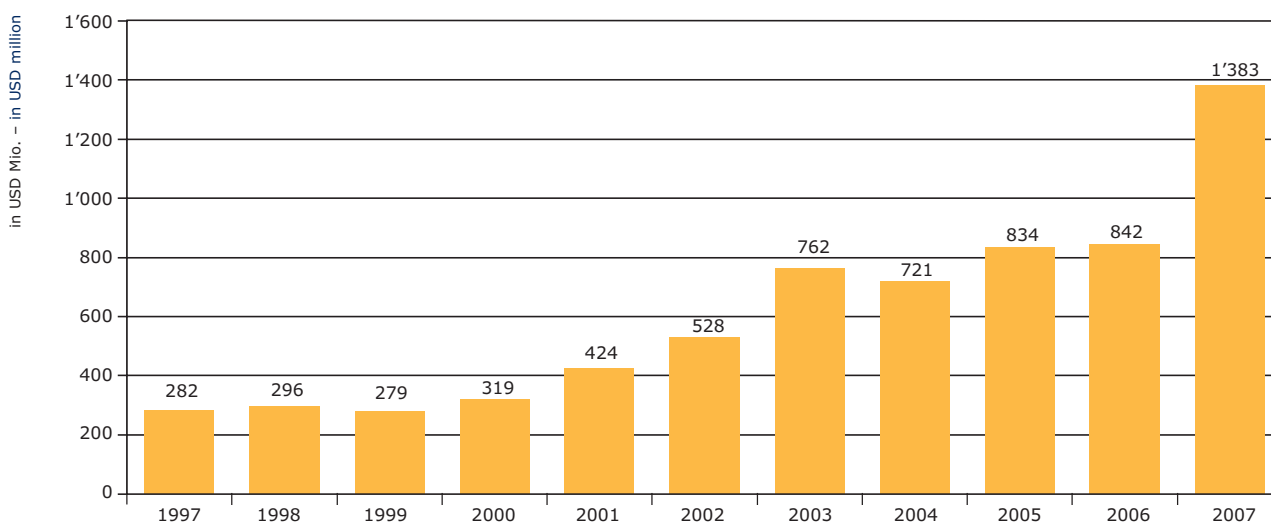
Shift from large- to mid-cap deals

The paradigm shift from large to smaller deals during the year is reflected in the annual figures for the different regions as well. Buyouts valued at more than USD 1 billion more than doubled in the US compared to 2006 to a total of USD 451 billion, but only driven by the mega transactions of the first six months. Middle-market deals valued at between USD 100 million and USD 1 billion were up by 23%, an increase that can be attributed to the shift from large to more medium-sized transactions in the second half of the year, while smaller deals worth less than USD 100 million declined by 50% to USD 5 billion.

In Europe, buyouts valued at between EUR 250 million and EUR 1 billion increased by over 38% in 2007, while deals in the EUR 250 million to EUR 500 million range were up by 43% for the same reasons that caused the jump in the middle market in the US. The value of EUR 1 billion plus buyouts in 2007 fell by 14% since the majority of the mega buyouts that boosted the numbers for this segment took place in the US. By value, EUR 1 billion plus deals still comprised half of the European buyout market in 2007, but down from 59% in 2006.

The value of Asian buyout deals decreased by 21% to USD 42 billion while the number of deals increased by 17%,

DURCHSCHNITTliche LBO-GRÖSSEN WELTWEIT
GLOBAL AVERAGE LBO SIZES



Quelle – Source: Standard & Poors LCD Computations

EUR 250 Mio. und EUR 500 Mio. sogar um 43% anwuchs, was in beiden Fällen auf die gleichen Gründe zurückzuführen ist, die auch in den USA in diesem Bereich für die Zunahme sorgten. Das Gesamtvolumen bei Transaktionen über EUR 1 Mrd. ging 2007 hingegen um 14% zurück, da die Mehrheit der Mega-Deals in den USA stattfand. Gesamthaft machten die Transaktionen über EUR 1 Mrd. weiterhin rund die Hälfte des europäischen Buyout-Marktes in 2007 aus, allerdings weniger als 2006, als sie noch für 59% des Volumens verantwortlich waren.

Asiatische Buyout-Deals gingen um 21% auf einen Gesamtwert von USD 42 Mrd. zurück, während die Anzahl der Transaktionen um 17% anstieg, was eine grössere Anzahl Deals mit geringerem Volumen impliziert. Insgesamt gab es 2007 in Asien lediglich vier Deals, deren Transaktionsvolumen die USD 1 Mrd.-Grenze überschritt, im Vergleich zu zwölf im Vorjahr. Diese Abnahme zeigt auch in Asien die Verschiebung von Mega-Deals zu kleineren Transaktionen.

Fundraising flacht ab

Das Fundraising im Buyout-Segment bleibt trotz Kreditkrise noch auf einem hohen Niveau. Dennoch hatte der Zusammenbruch der Kreditmärkte auch hier einen Einfluss, nachdem sich die Mittelbeschaffung in der ersten Jahreshälfte noch in rekordverdächtigen Regionen bewegt hatte. Über USD 200 Mrd. wurden 2007 von Buyout-Fonds eingeworben, leicht weniger als im Vorjahr. Zwei Drittel des Volumens stammen aus der ersten Jahreshälfte. Nach dem extrem starken Wachstum der letzten 24 Monate scheint sich das Fundraising nun auf einem normalen, aber soliden Niveau einzupendeln.

Gesunde Korrektur und die Flucht Richtung Qualität

Obwohl die Korrektur an den Fremdkapitalmärkten definitiv die dominierende Negativ-Schlagzeile des letzten Jahres war, so brachte sie auch einige gute Aspekte mit sich, die nicht ausser Acht gelassen werden sollten, da sie langfristig einen positiven Einfluss auf die Industrie haben werden. Die günstige Verfügbarkeit von Fremdkapital, wie sie vor der Krise zu beobachten war, hat nicht nur die Anzahl der Mega-Transaktionen erhöht, sondern zusätzlich zu hohen Renditen geführt, die allerdings vielfach auf Rekapitalisierungen beruhten. Private Equity-Häuser konnten Ausschüttungen über Fremdkapital finanzieren, was den Fokus von der eigentlichen Aufgabe, nämlich der Schaffung von Mehrwert in den Portfoliounternehmen, ablenkte. Der Anstieg der Kapitalkosten führt nun dazu, dass es wieder

implying a larger number of deals, but with a smaller value. There were only four buyout deals with a transaction value of over USD 1 billion in 2007, compared to 12 deals of that size in 2006, indicating a shift from mega deals to smaller transactions in Asia, too.

Fundraising flattens

The overall picture on the buyout fundraising side still showed high levels despite the credit crisis. However, after seeing record fundraising levels in the first half of the year, the credit crunch seemed to affect fundraising for buyout funds in the second half of 2007. Out of the slightly over USD 200 billion that were raised by buyout funds in 2007 – just below the 2006 volume – approximately two thirds came in during the first six months. After very strong growth over the past 24 months, fundraising volumes appear to be normalizing but remain at solid levels.

A healthy correction and a flight to quality

Although the correction in the debt markets was the dominating negative headline during the past year, it had several positive aspects which need to be taken into account as well, since they should have a positive impact on the industry in the long run. The ready availability of cheap debt before the crisis not only produced an increase in the number of mega deals, but also led to high returns that were often driven by recapitalizations. Private equity sponsors could finance distributions to their investors via leverage, a fact that took the focus off the core activity, namely value creation in their portfolio companies. The rising cost of capital necessitates a shift in focus towards value creation in the buyout segment and operational value add is gaining in importance as the opportunities for capital arbitrage become more limited. Private equity sponsors have to focus on their core competencies as a result of the credit crisis, with corporate restructuring, cost reduction and organic and external growth turning into key factors again, leading to a reinforcement of general partner qualities.

Record M&A volume supports private equity industry

The value of global mergers and acquisitions (M&A) hit a new record, despite the US subprime crisis and the liquidity problems in the credit markets, also driven by the mega buyouts of TXU, First Data, Alltel and Hilton in the first half of the year. Overall, announced takeover bids increased by 24% compared to the previous year to some EUR 4'500 billion. Transaction values decreased during the third and

mehr darum geht, Mehrwert zu schaffen und auf operativer Ebene zu optimieren, da die Arbitrage-Opportunitäten über Fremdkapital limitiert sind. Private Equity-Häuser müssen sich also in Folge der Krise wieder vermehrt auf ihre Kernaufgaben konzentrieren, Restrukturierungen, Kosteneinsparungen sowie organisches und externes Wachstum, was letztlich die Fähigkeit der General Partner wieder in den Vordergrund rücken lässt.

Rekord-M&A-Volumen treibt Private Equity-Industrie

Das weltweite Volumen von Fusionen und Übernahmen (M&A) hat trotz der Subprime-Krise in den USA und den Korrekturen an den Kreditmärkten einen neuen Höchststand erreicht, unter anderem unterstützt durch die Mega-Buyouts von TXU, First Data, Alltel und Hilton in der ersten Jahreshälfte. Gesamthaft stiegen die ausgewiesenen Übernahmeangebote im Vergleich zum Vorjahr um 24% auf etwa EUR 4'500 Mrd. Transaktionsvolumen sind allerdings im dritten und vierten Quartal gesunken, nachdem in den ersten sechs Monaten Rekordwerte erreicht wurden; so wurden vermehrt kleine und mittlere M&A-Transaktionen durchgeführt, da für die Mega-Deals kein Fremdkapital mehr zur Verfügung stand.

Die M&A-Aktivitäten mit Private Equity-Beteiligung erreichten mit einem Volumen von USD 791 Mrd. dennoch einen

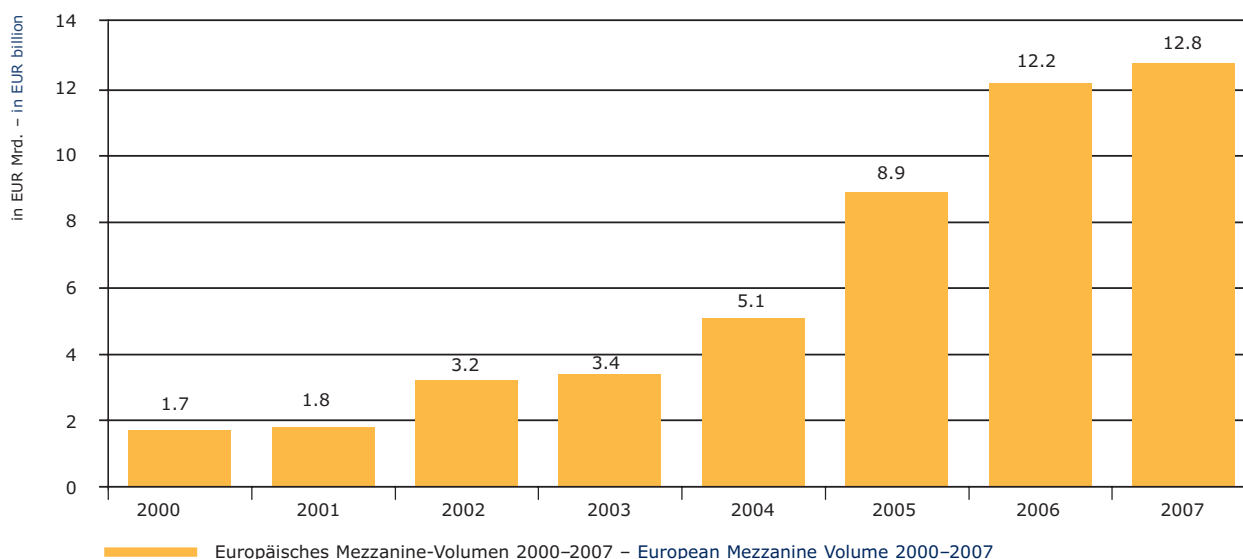
fourth quarters after the record-breaking first half of 2007, while the number of small- and mid-cap M&A transactions increased as financing for mega deals dried up.

M&A activity involving private equity firms nevertheless reached a record USD 791 billion, representing 18% of the overall market. During the first half of the year, private equity funds accounted for a large part of the M&A volume due to their participation in leveraged billion dollar transactions. In the wake of the credit crunch, the private equity sponsors have almost completely withdrawn from the M&A space and made room for the strategic investors who aim to acquire companies in their own segment.

Mezzanine's comeback in the aftermath of the credit crisis

Mezzanine debt lost market share relative to senior and second lien debt in the first half of 2007 as financial sponsors were, to a certain extent, able to substitute mezzanine with senior debt due to the favorable credit market environment and the low level of risk aversion. This trend went into reverse in the summer, with mezzanine again coming to the fore: the use and the terms and conditions of mezzanine tranches improved significantly. Mezzanine lenders returned to favor, supported by rising demand for loans that have fixed interest rates and warrants tied to a company's equity, making them less susceptible to credit mar-

EUROPÄISCHES MEZZANINE-VOLUMEN 2000–2007
EUROPEAN MEZZANINE VOLUME 2000–2007



Quelle – Source: Standard & Poor's LCD European Mezzanine Review Q4, 2007

neuen Rekord und machten damit 18% des gesamten Marktvolumens aus. Während der ersten sechs Monate des Jahres waren Private Equity-Fonds durch ihre Beteiligungen in fremdkapitalfinanzierten Milliarden-Transaktionen gar für einen Grossteil des gesamten M&A-Volumens verantwortlich. Im Anschluss an die Kreditkrise haben sich die Private Equity-Häuser dann fast komplett von Fusionen und Übernahmen zurückgezogen und so Platz für strategische Investoren geschaffen, die zum Ziel haben, Unternehmen ihres Segmentes zu akquirieren.

Kreditkrise bringt Mezzanine zurück

Mezzanine-Fremdkapital verlor in der ersten Jahreshälfte im Vergleich zu vorrangigen Verbindlichkeiten Marktanteile, da Finanzinvestoren Mezzanine aufgrund der günstigen Kreditmärkte und der allgemein geringen Risikoaversion zu einem gewissen Teil durch vorrangige Verbindlichkeiten ersetzten. Diese Entwicklung erfuhr im Laufe des Sommers eine Kehrtwende und Mezzanine gewann wieder an Bedeutung: Bedingungen und Konditionen von Mezzanine verbesserten sich signifikant und die Präsenz nahm dadurch deutlich zu. Die Anbieter von Mezzanine waren wieder im Geschäft, unterstützt durch die gestiegene Nachfrage nach Krediten mit festen Zinsen und Eigenkapitaloptionen, die dazu führen, dass die Kredite weniger anfällig gegenüber Fluktuationen im Kreditmarkt sind. Auch die Preisgestaltung profitierte vom Anstieg der Risikoprämien, wodurch sich das Renditepotenzial von Mezzanine-Fremdkapital wieder erhöhte. Ausserdem entstanden durch die Krise Möglichkeiten, Equity-Kicker in die Mezzanine-Transaktionen einzubauen, was zusätzliche Renditequellen schafft und für die Investoren eine höhere Absicherung mit sich bringt. Zu guter Letzt wurde das Transaktionsrisiko durch einen geringeren Fremdkapitalanteil bei den Deals reduziert. Aus diesen Gründen hat Mezzanine von den Schwierigkeiten an den Kreditmärkten stark profitiert. Das Mezzanine-Volumen in Europa konnte daher wiederum einen leichten Anstieg im Vergleich zum Vorjahr und somit einen Rekord für 2007 verbuchen. In den USA, wo der Markt im Wesentlichen von unabhängigen Mezzanine-Anbietern kontrolliert wird, deutet der Anstieg des gesamten neu aufgelegten LBO-Kreditvolumens, das Mezzanine beinhaltet, auf ein solides Wachstum auch in dieser Region hin.

Venture Capital ist gereift

Das Venture-Segment hat sich seit dem Platzen der Technologie-Blase in 2000 stark weiterentwickelt und die Qualität der Investitionen hat sich im Laufe der letzten Jahre deutlich verbessert, was für den Investor ein enormes

ket fluctuations. Pricing started to profit from rising credit spreads which increased the return potential for mezzanine debt. Moreover, the credit crisis generated possibilities to include equity kickers in mezzanine transactions again, generating additional returns and increased investor protection. Finally, transaction risks were reduced through lower leverage levels. Mezzanine debt thus profited significantly from the difficulties in the credit market. As a consequence, mezzanine volume again set an annual record in Europe with a solid increase as compared to the previous year. In the US, where the market is based on independent mezzanine providers, the total new-issue sponsored leveraged loan volume, which includes mezzanine, indicated healthy growth in this region as well.

Venture capital: trend to maturity

The venture segment has matured since the bursting of the technology bubble in 2000 and the quality of the investments has improved, providing great potential for investors. In addition, a new growth segment has emerged within venture which offers highly attractive opportunities. Growth investments are typically made in fast-growing companies that demonstrate a strong history of expansion and are typically profitable or demonstrate a clear view to profitability.

Global venture capital fundraising activity was relatively stable over the past twelve months and in line with the previous year. Total US fundraising volume increased from USD 32 billion by 229 funds in 2006 to USD 35 billion by 235 funds in 2007. In Europe, 64 venture funds raised USD 5.5 billion in 2007, a slight increase on the USD 5.3 billion in the previous year. Established venture capital and growth funds turned their focus to investing the capital that had been recently raised, as demonstrated by the record number of investments last year. The pace of venture investing in the US continued to pick up throughout 2007, whereas in Europe it remained broadly constant. Deal sizes increased in Europe, though, confirming the trend towards larger, later-stage deals.

The exit environment for venture-backed companies was benign over the past 12 months, as can be seen by the increase in M&A value and IPO offerings: the disclosed value of venture-backed M&As climbed by almost 50% over the previous year to USD 25.4 billion, while the number of venture-backed IPOs enhanced by the same percentage to a total of 86 in 2007. Significant growth in the IPO market led to a situation where going public was a viable alternative to an M&A exit. As a result, companies could afford to

Potenzial bedeutet. Zusätzlich ist das Wachstumssegment aus dem Venture-Bereich hervorgetreten, welches äusserst interessante Möglichkeiten bietet. Wachstumsinvestitionen werden üblicherweise in schnell wachsende Unternehmen getätigt, welche in der Vergangenheit stark expandiert haben und bereits profitabel sind oder unmittelbar vor der Profitabilität stehen.

Die globalen Fundraising-Aktivitäten im Venture Capital-Bereich bewegten sich im abgelaufenen Jahr auf dem Niveau des Vorjahres. Das Gesamtvolumen in den USA wuchs von USD 32 Mrd. aufgenommen von 229 Fonds auf USD 35 Mrd., die von 235 Fonds eingeworben wurden. In Europa sammelten 64 Venture-Fonds Neugelder in Höhe von USD 5.5 Mrd. in 2007, was einem leichten Anstieg gegenüber den USD 5.3 Mrd. des Vorjahres entspricht. Die bekannten Venture Capital- und Wachstumsfonds legen ihren Fokus derzeit darauf, das in den letzten Jahren gesammelte Kapital zu investieren, was die rekordverdächtigen Zahlen für 2007 auf der Investitionsseite belegen. So verzeichneten die USA erneut einen Anstieg, während das Investitionsvolumen in Europa relativ konstant blieb. Dabei ist die Grösse der Deals in Europa angestiegen, was den Trend hin zu grösseren Spätphasenfinanzierungen bestätigt.

Das Exit-Umfeld für durch Venture Capital unterstützte Unternehmen erwies sich in den letzten zwölf Monaten als freundlich, was im Anstieg des M&A-Volumens und der Börsengänge zu erkennen ist: das Gesamtvolumen bekanntgegebener M&A-Transaktionen, die Venture Capital beinhalten, stieg um nahezu 50% im Vergleich zum Vorjahr auf USD 25.4 Mrd., während die Gesamtzahl der Börsengänge von Unternehmen, bei denen Venture Capital involviert war, um den gleichen Prozentsatz auf 86 IPOs in 2007 stieg. Der signifikante Anstieg stellt unter Beweis, dass der Börsengang wieder eine interessante Alternative zu einem Exit durch eine Fusion oder Übernahme ist. In Folge konnten es sich die Unternehmen nun leisten, Übernahmeangebote abzulehnen, was wiederum zu einer Erhöhung der Preise führte. Im Rahmen der Marktturbulenzen haben auch Verkäufe an strategische Investoren wieder an Bedeutung gewonnen: Für etablierte Marktführer, die bahnbrechende Technologien oder Produkte entwickelt haben, zahlten strategische Investoren hohe Preise. Ein Beispiel hierfür ist das führende global agierende Unterhaltungsunternehmen Viacom, welches bereit war, für Firmen der nächsten Generation, wie etwa XFire, einen Aufpreis zu zahlen, um so an neuen Trends, wie in diesem Falle dem Networking unter Computerspielern, teilzunehmen. XFire wurde von den Princess-Partnerships Draper Fisher Jurvetson, New Enterprise Associates und Granite Globale Ventures unterstützt. Das mit Wachstumsfinanzierungen verbundene

resist M&A offers, which often elicited even higher bids from potential acquirers. As a consequence of the most recent market downturn, trade sales became the flavor of the day with significant prices being paid for established market leaders that have developed disruptive technologies and products. For example, the leading global entertainment content company Viacom demonstrated its willingness to pay up for next-generation companies such as XFire in order to be able to participate in new trends such as social networking within the gaming space. XFire was backed by Princess partnership Draper Fisher Jurvetson, New Enterprise Associates and Granite Global Ventures. Growth opportunities have therefore been very interesting and offer significant upside potential.

Another characteristic of venture capital, namely the importance of a long-term investment horizon, is illustrated by Swiss technology company u-blox. Since the J-curve for venture capital investments is pronounced and requires a strong conviction and perseverance, it is essential to have a clear understanding of the quality and the upside potential of the investment. In the case of u-blox, an investment period of ten years was necessary between founding the company in 1997 and the IPO on the SWX Swiss Exchange in October 2007.

Market turmoil supports secondary buyers

In the first half of 2007, sellers' pricing expectations in the secondary market were at an unreasonably high level. However, by the end of the first half of 2007 the market correction had caused sellers to lower their pricing expectations to more realistic levels thanks to the basic function of supply and demand. Many holders of private equity portfolios, especially banks, entered the market to sell their portfolios driven by an increased need for liquidity. At the same time, the number of potential buyers in the secondary market remained relatively stable. Because the supply increased but the demand remained more or less constant, the prices for portfolios dropped to balance the disequilibrium – a favorable dynamic for secondary buyers. Analogous to the case of mezzanine financing, the credit crisis can therefore be said to have had a positive impact for secondary buyers.

Turbulent year for the listed private equity asset class

After a solid performance in the first half of 2007, the listed private equity stocks suffered disproportionately in the second half amid the global financial market turmoil. Concerns about the debt financing of private equity in gen-

Wertsteigerungspotenzial hat sich im abgelaufenen Jahr erneut deutlich unter Beweis gestellt.

Ein weiteres Merkmal von Venture Capital – die Wichtigkeit eines langfristigen Investitionshorizontes – hat weiterhin Bestand und wird am Beispiel des Schweizer Technologieunternehmens u-blox deutlich. Da es bei Venture-Investitionen einen J-Kurven-Effekt gibt und starke Überzeugung und Ausdauer gefragt sind, ist es von essenzieller Bedeutung, ein genaues Verständnis von der Qualität und dem Wertsteigerungspotenzial der Investition zu besitzen. Im Fall von u-blox war ein Investitionszeitraum von zehn Jahren zwischen Gründung des Unternehmens und dem erfolgreichen Börsengang an der SWX Swiss Exchange im Oktober 2007 notwendig.

Marktturbulenzen unterstützen den Sekundärmarkt

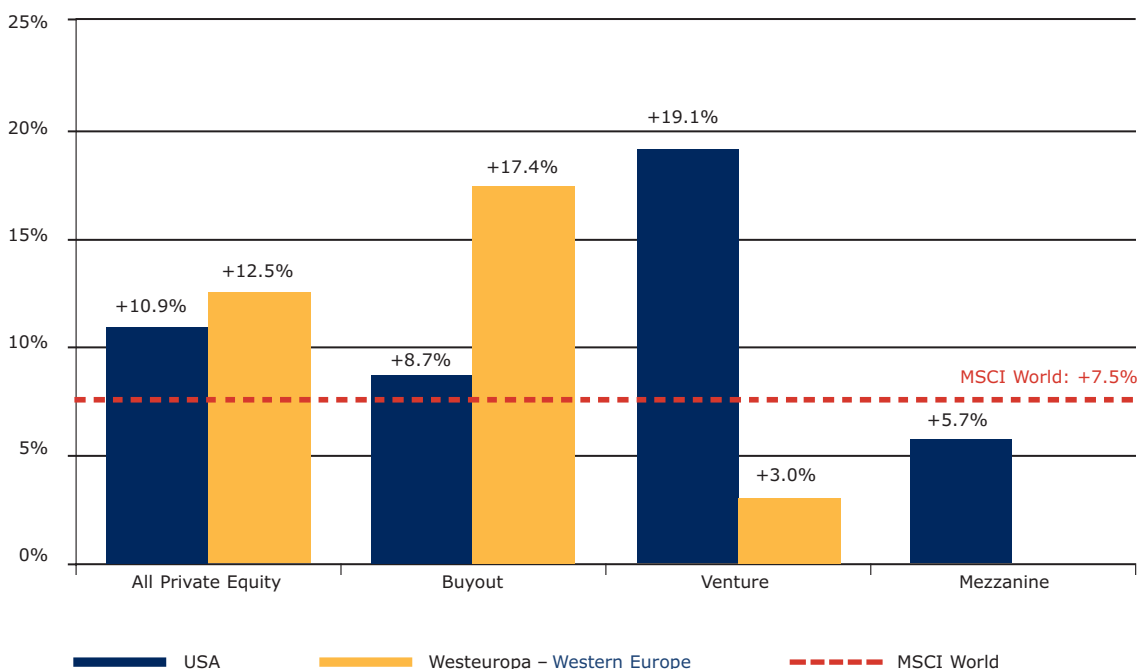
Während der ersten Jahreshälfte waren die Preisvorstellungen der Verkäufer am Sekundärmarkt auf einem unangemessen hohen Niveau. Die Marktkorrektur führte allerdings dazu, dass die Preisvorstellungen sich nach unten

eral und the negative performance of the stock markets led to a significant increase in volatility. In many cases, the market seemed to overreact and ceased to differentiate between the portfolio qualities of individual listed private equity companies: the fundamental data of the companies was no longer reflected in the actual stock prices. Overall, as measured by the LPX50 Index, the listed private equity asset class closed 2007 down 15%.

European and US private equity outperform MSCI

The 10-year performance figures for the private equity asset class remained stable in 2007. While returns for US private equity declined slightly to 10.9%, European private equity returns increased from 11.3% to 12.5%. The best performance came from US venture capital funds, which posted an IRR of 19.1% in the ten-year period from June 1997 to June 2007. Private equity has thus again proved to be a valuable asset class for enhancing portfolio returns. US and European private equity funds both outperformed the MSCI World Index, which posted a 7.5% gain over the same 10-year period.

LANGFRISTIGE PRIVATE EQUITY-PERFORMANCE LONG-TERM PRIVATE EQUITY-PERFORMANCE



Quelle - Source: Thomson Venture Economics 10Y Investment Horizon Performance per 30.06.2007, Bloomberg (GDDUWI Index Return in USD): 01.07.1997-30.06.2007 / Für Westeuropa-Mezzanine sind keine Daten verfügbar - No data available for Western Europe Mezzanine

orientierten, was im Wesentlichen durch das Zusammenspiel von Angebot und Nachfrage zu erklären ist. Getrieben von Liquiditätsengpässen versuchten viele Besitzer von Private Equity-Portfolios, insbesondere Banken, ihre Anlagen am Sekundärmarkt zu veräußern. Gleichzeitig blieb die Anzahl der potenziellen Käufer aber unverändert. Das Angebot stieg also, während die Nachfrage mehr oder weniger identisch blieb, was dazu führte, dass die Preise der Portfolios fielen, um das Ungleichgewicht am Markt auszugleichen – sehr zum Vorteil der Käufer von Sekundärportfolios. Ähnlich wie bei Mezzanine hatte die Kreditkrise demnach auch für den Sekundärmarkt einen positiven Effekt für die Käuferseite des Segments.

Turbulentes Jahr für Listed Private Equity

Nach einer äusserst soliden Entwicklung in der ersten Jahreshälfte erlitten die Aktien börsennotierter Private Equity-Unternehmen im Rahmen der globalen Korrekturen überproportionale Verluste in der zweiten Hälfte von 2007. Die Sorgen um die Fremdfinanzierung im Private Equity-Bereich generell sowie die negative Entwicklung der Aktienmärkte führten zu einem drastischen Anstieg der Volatilität. In vielen Fällen hatte es den Anschein, dass die Märkte überreagierten und die unterschiedliche Qualität der Portfolios der verschiedenen börsennotierten Unternehmen nicht mehr in Betracht zogen: Die Fundamentaldaten spiegelten sich in den Aktienkursen nicht mehr wider. Gesamthaft betrachtet verlor die börsennotierte Private Equity-Anlageklasse im abgelaufenen Jahr gemessen am LPX 50 etwa 15%.

Private Equity besser als Aktienmärkte

Die Gesamtperformance über die letzten zehn Jahre blieb für die Anlageklasse Private Equity in 2007 stabil. Während die Rendite (IRR) von Private Equity über den 10-Jahres-Zeitraum vom Juni 1997 bis Juni 2007 in den USA mit einem Plus 10.9% leicht rückläufig ist, stieg sie in Europa von 11.3% auf 12.5%. Die grösste Rendite verbuchen US Venture Capital-Fonds mit einer internen Verzinsung von 19.1%. Private Equity erweist sich somit weiterhin als wertvolle Anlageklasse, um Portfoliorenditen zu erhöhen. Sowohl amerikanische als auch europäische Private Equity-Fonds rentieren langfristig besser als der MSCI World Index, der im gleichen Zeitraum von zehn Jahren eine Rendite von 7.5% aufweist.

WERTENTWICKLUNG DES PRINCESS-PORTFOLIOS PERFORMANCE OF THE PRINCESS PORTFOLIO

Ereignisreiches Jahr für Princess

Der Investmentmanager freut sich, über ein weiteres erfolgreiches Jahr für Princess Bilanz ziehen zu dürfen. Bedeutende Fortschritte wurden 2007 insbesondere in der Investitionstätigkeit sowie der Unternehmensumstrukturierung erzielt. Zu den Höhepunkten des Jahres zählt das nachhaltige Wachstum des Inneren Wertes (NAV), die Ausschüttung der ersten Dividende sowie die zusätzliche Notierung von Princess an der London Stock Exchange. Durch die kontinuierlich hohen Ausschüttungen der Partnerships im Portfolio konnten ein grosser Teil der Kapitalabrufe der Primär- und Sekundärfonds sowie die Direktinvestitionen finanziert werden. Zusätzlich wurde ein Teil der umfangreichen Cash-Reserven für neue Investitionen eingesetzt. Ende des Jahres erreichte der Investitionsgrad somit wieder 88%. Princess befindet sich auf Kurs, 2008 einen vollen Investitionsgrad zu erreichen.

Innerer Wert steigt um 12%

Der NAV von Princess stieg von EUR 641 Mio. in 2006 auf EUR 676 Mio. Ende 2007. Bereinigt um die ausbezahlten Dividenden in Höhe von EUR 40 Mio. legte der NAV um 11.9% zu. Dieser Anstieg wurde in einer Phase aktiver Commitment- und Investitionsaktivität im Portfolio erreicht, die kurzfristig eigentlich eher einen negativen Einfluss auf das Portfolio erwarten lässt, da es durchaus einige Zeit dauern kann, bis getätigte Investitionen nach dem typischen Durchlaufen der J-Kurve Wert schaffen können. Wie auch in den vergangenen drei Berichtsjahren ist es Princess auch 2007 wiederum gelungen, einen Anstieg des NAVs im zweistelligen Bereich zu erzielen. Seit 2004 legte der Innere Wert insgesamt um über 60% zu.

Die erneut starke Performance des Portfolios wurde hauptsächlich durch die von einer grossen Anzahl von Partnerships im Portfolio gemeldeten Wertanpassungen beeinflusst. Insbesondere Buyout-Fonds in Nordamerika und Europa, unter anderem Silver Lake Partners, Segulah II, Terra Firma III und Nordic IV haben deutliche Wertaufschreibungen gemeldet. Des Weiteren haben, wenn auch deutlich weniger markant, IFRS-Wertanpassungen, welche zur Bewertung des Portfolios nach fairen Marktwerten vorgenommen wurden, zum Anstieg des NAV beigetragen. Princess sichert konsequent einen Teil des Portfolios, der nicht in Euro denominiert ist, gegen den Euro ab, um die Performance nicht unnötig Währungsrisiken auszusetzen. Dennoch hatte die starke Abwertung des US-Dollars einen ungünstigen Einfluss auf den NAV. Auch

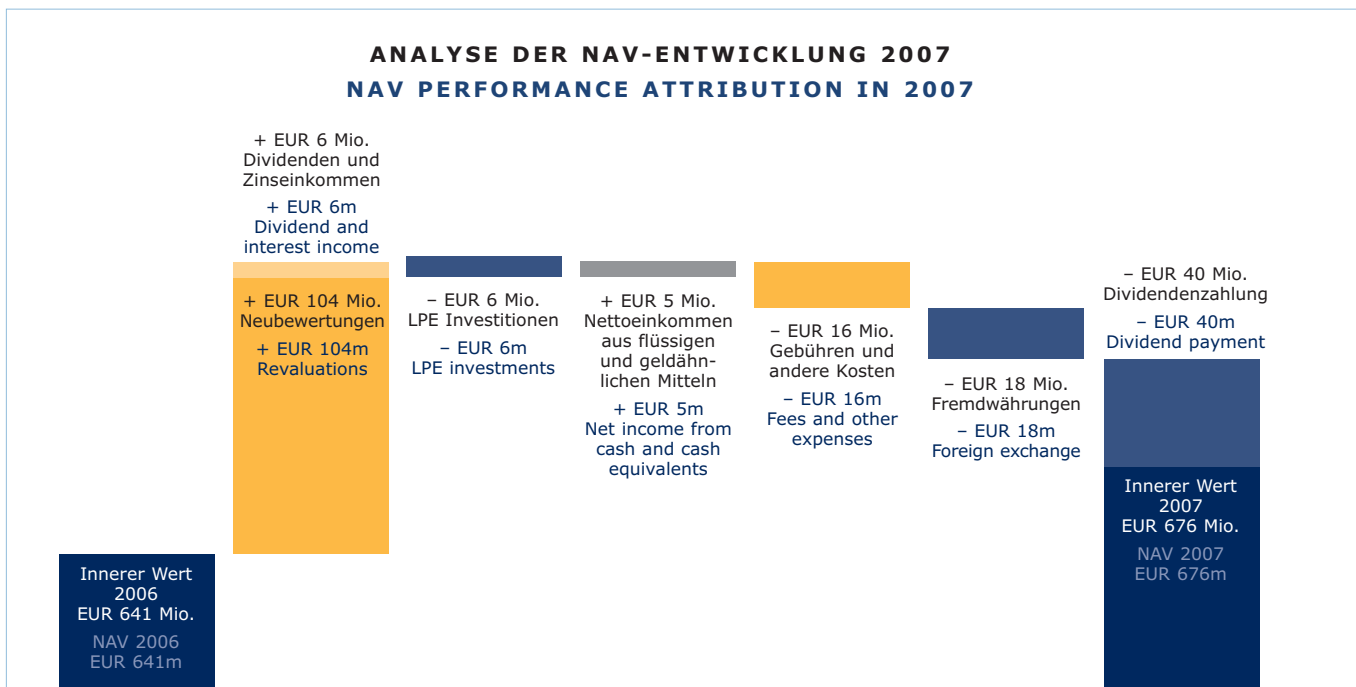
Busy year for Princess

The Investment Manager is pleased to report that 2007 was another successful year for Princess. There was considerable progress in terms of both investment activity and corporate restructuring. Highlights included the continued growth in the net asset value (NAV), the declaration of the first dividend for the company and the additional listing of Princess on the London Stock Exchange. The continued strong level of distributions received funded a significant part of the capital calls, both for companies within the portfolios of the primary and secondary fund investments and for direct investments. In addition, some of the substantial cash reserves have been drawn down to fund new investments. The investment level reached 88% and the portfolio is on course to being fully invested in 2008.

Net asset value up 12%

The NAV rose from EUR 641 million at the end of 2006 to EUR 676 million at the end of December 2007. When adjusted for the two dividend payments of EUR 40 million, the NAV per share gained 11.9% in 2007. This increase has been achieved during a period of buoyant new commitment and investment activity in the portfolio, which can usually be expected to have a somewhat negative impact in the short term as it takes time for the value of the new investments to be realized while passing through the typical J-curve. In 2007, as in the past three reporting years, the Princess NAV again increased at a double-digit rate, translating into a more than 60% NAV rise since 2004.

The continued strong performance of the portfolio has been driven mainly by revaluations reported by a large number of partnerships in the portfolio. In particular, buyout funds in North America and Europe, among others Silver Lake Partners, Segulah II, Terra Firma III and Nordic IV reported substantial increases. In addition, but to a much smaller extent, IFRS valuation adjustments made to ensure the Princess NAV was reported on the basis of fair market values contributed to the increase in the NAV. Although Princess has adopted a consistent policy of hedging the non-euro exposure back to euros so as to ensure that the portfolio's exposure to currency risk is minimized, the strong depreciation of the US dollar had an adverse impact on the NAV. The development of the listed private equity investments in the portfolio, which was directly influenced by the high volatility in the financial markets, also had an unfavorable impact on the NAV during this period.



die Entwicklung der börsennotierten Private Equity-Investitionen im Portfolio, welche direkt von den hohen Marktschwankungen an den Finanzmärkten betroffen waren, beeinflussten den NAV in ungünstiger Weise.

Performance von Princess übertraf Aktienmarkt

Der Aktienpreis von Princess stieg 2007 dividendenbereinigt um 6.5% und übertraf mit diesem Ergebnis deutlich den MSCI World Index (-1.4%) sowie den LPX50 Index (-14.8%), welche beide wesentlich von den Unsicherheiten und hohen Schwankungen an den globalen Finanzmärkten in Mitleidenschaft gezogen wurden. Während des Jahres erhöhte sich der Abschlag der Princess-Aktien im Vergleich zum NAV von 12.6% auf 17.6% per Ende 2007 und schliesst so fast identisch zu ähnlichen Unternehmen, deren Abschlag zu Jahresende bei 18.0% lag (gemessen am UK-DS INV. TRUSTS PRIVATE EQ.X3).

Princess share price outperforms stock market

The share price of Princess, adjusted for dividends, increased by 6.5% in 2007, and with this result clearly outperformed the MSCI World Index (-1.4%) and the LPX50 Index (-14.8%), which were both hit significantly by uncertainty and high volatility in the global financial markets. During the year, the discount at which of the Princess share was trading widened from 12.6% to 17.6% as at the end of 2007. However, relative to comparable companies (UK-DS INV. TRUSTS PRIVATE EQ.X3) which closed at 18.0%, Princess was trading at a discount that was in line with the market.

INVESTITIONSAKTIVITÄT INVESTMENT ACTIVITY

Hohe Investitionsaktivität im Princess-Portfolio

Die hohen Ausschüttungen von EUR 174 Mio., welche Princess während 2007 erhielt, spiegeln die gute Verteilung nach Investitionsjahren im Portfolio wider. Investitionen, die im 2000 und früher getätigt wurden, erzielten den höchsten Anteil an Ausschüttungen, und es ist davon auszugehen, dass dieser Trend kurz- bis mittelfristig weiter anhalten wird. Die Ausschüttungen, die von über 100 Partnerships aus allen Finanzierungsstadien, Regionen und Investitionsarten stammen, bestätigen einmal mehr die breite Diversifikation des Portfolios. Beispiele für sehr erfolgreiche Veräusserungen in den letzten zwölf Monaten sind der Verkauf von UGS Corp. im Januar durch Silver Lake Partners und Bain Capital zu einem 2.5x-Multiple, die Veräusserung der Maximilianhöfe im April durch Doughty Hanson & Co European Real Estate Fund, wobei Doughty Hanson 5.7-mal das ursprünglich investierte Kapital erhielt, sowie der Verkauf von Invitel, wo GMT Communications einen 3.0x-Multiple im Oktober erzielte. Im gleichen Monat erzielte Polish Enterprise Fund IV 10-mal die ursprünglichen Investition durch die Notierung der Portfoliogesellschaft Magellan an der Warschauer Börse.

Im Zusammenhang mit der regelmässigen Portfolioüberprüfung verkaufte Princess die verbleibenden Anteile an sieben grossteils Venture-Beteiligungen, die nur noch geringes zusätzliches Wertschöpfungspotenzial bieten, um die Gelder für Investitionen zu verwenden, die grösseres Aufwärtspotenzial versprechen.

Neue Zahlungsverprechen an Fonds für EUR 361 Mio.

Während des Jahres war Princess bestrebt, den Investitionsgrad durch weitere Fondsinvestitionen, Direktinvestitionen und Investitionen in notierte Private Equity-Beteiligungen wesentlich zu erhöhen. Insgesamt wurde mit einem Fokus auf westeuropäische und nordamerikanische sowie auf einige asiatische Buyout-Fonds EUR 361 Mio. an Zahlungsverprechen an 31 hauptsächlich 2006/2007-Vintage Partnerships abgegeben.

Primärinvestitionen in Europa entfielen auf unter anderem Advent International GPE VI, welcher in mittelständische Unternehmen im Wachstum- und Buyout-Segment investiert, August Equity Partners IIA, der in mittelständische Gesundheitsunternehmen sowie in Medien- und Technologieunternehmen in Grossbritannien investiert, Bridgepoint Europe IV «A», welcher sich auf opportunistische Mehrheitsbeteiligungen in mittelgrossen Transaktionen spezialisiert hat, und Industri Kapital 2007 Fund, der in Mehr-

Buoyant activity in the portfolio

The high level of distributions received by Princess in 2007, totaling EUR 174 million, reflects the portfolio's good balance across investment years. Investments made in 2000 and earlier generated the bulk of the distributions and are expected to continue to do so in the short to medium term. Proceeds in 2007 stemmed from distributions from over 100 partnerships from all stages, regions and types of investments and indicates once more the broad diversification of the portfolio. Very successful realizations in the portfolio included the sale of UGS Corp. in January by Silver Lake Partners and Bain Capital for a reported 2.5x multiple, the sale of Maximilianhöfe in April by Doughty Hanson & Co European Real Estate Fund, generating a 5.7x return on the fund's equity investment, and the sale of Invitel by GMT Communications in October, which produced a 3.0x multiple. The same month, Polish Enterprise Fund IV generated a return multiple of 10x its original investment when it floated Magellan on the Warsaw Stock Exchange.

In the context of a regular portfolio review, Princess sold its remaining interests in seven mainly venture partnerships with limited additional value creation potential in order to invest the proceeds in promising opportunities with greater upside potential.

EUR 361 million in new fund commitments in 2007

In 2007, Princess placed an emphasis on substantially raising the investment level by adding new fund investments, direct investments and listed private equity investments to the portfolio. A total of EUR 361 million was committed to 31 mainly vintage 2006/2007 partnerships. New commitments to partnerships during the reporting period were primarily made to funds focused on the Western European and North American buyout sectors and to some Asian focused funds.

New primary fund commitments in Europe include: Advent International GPE VI, which will primarily invest in the upper middle-market buyout segment and in growth capital in Europe; August Equity Partners IIA, a UK mid-market fund specialized in healthcare, media and technology; Bridgepoint Europe IV "A", which will target opportunistic control-oriented mid-market transactions throughout Europe; and the Industri Kapital 2007 Fund, which will focus on control buyout investments in mid-market companies in Scandinavia and Continental Europe. New primary fund commitments in the North American region include: Sun Capital Partners V, a significantly oversubscribed fund that will focus on acquiring controlling stakes in turnaround situations in the US; Apollo Overseas Partners VII, which will focus on large-cap buyouts

heitsbeteiligungen von mittelständischen Buyout-Unternehmen in Skandinavien und Kontinentaleuropa investiert. Neue Primärinvestitionen in Nordamerika betreffen unter anderem Sun Capital Partners V, einen stark überzeichneten Fonds, welcher auf die Akquisition von Mehrheitsbeteiligungen von Unternehmen, in Turnaround-Situationen, fokussiert. Weiter gehören Apollo Overseas Partners VII, welcher auf grosse, umfassende Buyout-Akquisitionen im Bereich notleidender Kredite sowie Corporate Partner-Buyouttransaktionen spezialisiert ist, und Warburg Pincus Private Equity X, welcher in ein breites Universum von Unternehmen in verschiedenen Industriesektoren investiert, dazu. Investitionen in Asien beinhalten Affinity Asia Pacific Fund II, ein bekannter Buyout-Spezialist mit Fokus auf mittel- bis grosskapitalisierte Unternehmen in der Asien- und Pazifikregion, und Navis Asia Fund V, welcher überwiegend Mehrheitsbeteiligungen mittelständischen Unternehmen in Süd- und Südostasien tätigt. Die beiden letzten Zahlungsverprechen wurden durch das Zugangsvehikel Partners Group Emerging Markets 2007 getätigt, wobei keine zusätzlichen Gebühren für Princess anfallen.

2007 gab Princess zudem ein Zahlungsverprechen an den Sekundärfonds Aksia Capital III, welcher auf kleine und mittelständische Transaktionen in Italien fokussiert.

Aufbau eines diversifizierten Direktportfolios

Princess konnte während des Jahres zudem vom starken Dealfluss an Direktinvestitionen beim Investitionsberater sowohl für Eigenkapital- wie auch für Mezzaninebeteiligungen profitieren. Dies erlaubte es Princess, ein breit diversifiziertes Portfolio von Investitionen in 16 private Unternehmen aufzubauen. Unter diesen Anlagen im Portfolio befinden sich bekannte Namen wie AWAS, eines der weltweit grössten Flugzeugfinanzierungsunternehmen, Ferretti, ein führender Hersteller von Hochleistungs-Luxus-motoryachten, Universal Hospital Services, der führende amerikanische Spezialist für Auslagerung von medizinischen Geräten, sowie the Reader's Digest Association, ein Publikations- und Direktmarketingunternehmen. Alle Direktinvestitionen wurden an der Seite von führenden Private Equity-Häusern getätigt, so Apax Partners, Terra Firma Quadriga Capital Management. Des Weiteren gab Princess im Januar ein Zahlungsverprechen von EUR 50 Mio. an den Partners Group Direct Investments 2006 Fonds ab, welcher zusätzliche Investitionen in private Unternehmen ermöglicht. Da Partners Group als Investitionsberater agiert, erhebt dieser Fonds keine zusätzlichen Gebühren oder Kosten auf Fondsebene für Princess.

as well as complex distressed and corporate partner buyout transactions; and Warburg Pincus Private Equity X, which will target companies at all stages of development and will have a diversified industry focus. New primary fund commitments in the Asian region include: Affinity Asia Pacific Fund II, a renowned mid- to large-cap buyout specialist with a focus on transactions in the Asia-Pacific region; and Navis Asia Fund V, which will primarily seek majority or control positions in mid-sized companies in South and South East Asia in particular. The latter two commitments were made through the Partners Group Emerging Markets 2007 pooling vehicle at no additional fee.

On the secondary side, Princess made one new commitment in 2007, namely to Aksia Capital III, a fund that focuses on small and mid-cap deals in Italy.

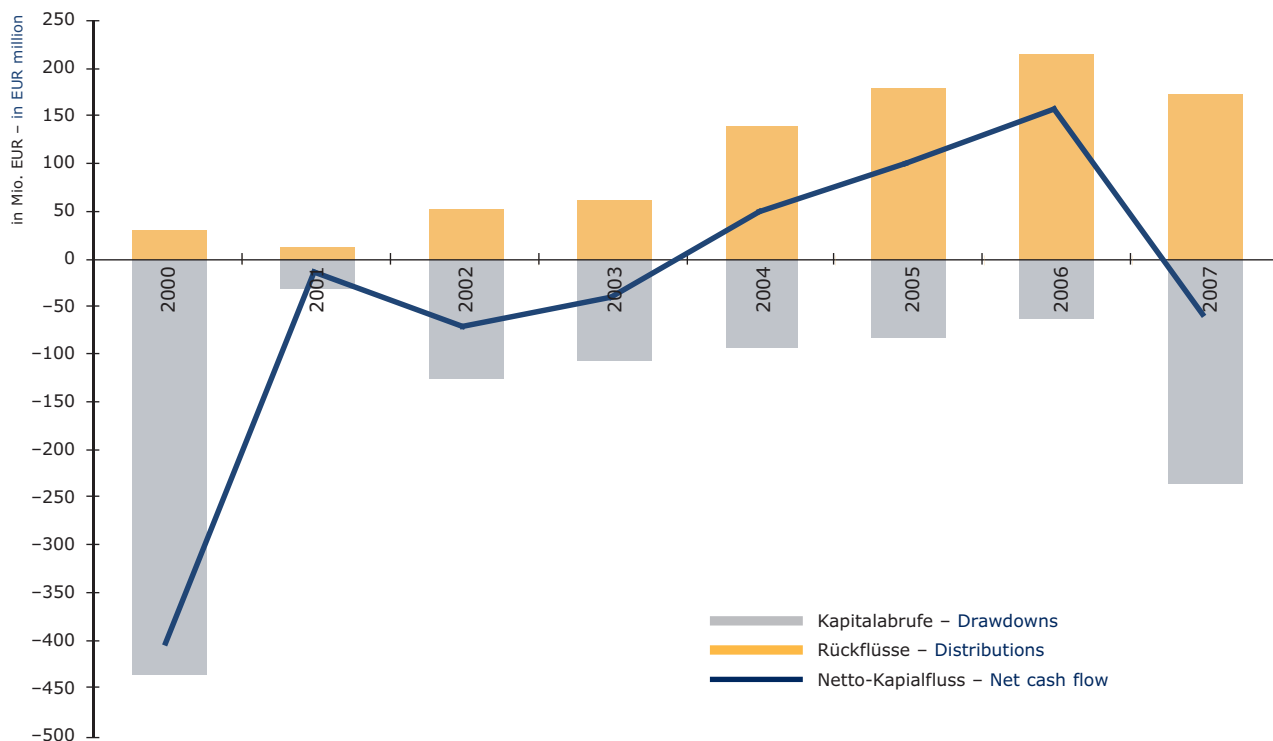
Building up of diversified direct portfolio in 2007

Additionally, Princess benefited from the Investment Advisor's strong deal flow on the direct investment side, both for equity and mezzanine participations, which allowed Princess to build up a well-diversified direct portfolio with investments in 16 private companies. Among these direct investments are renowned names such as AWAS, one of the world's leading aircraft leasing companies; Ferretti, a leading manufacturer of high-performance luxury motor yachts; Universal Hospital Services, the leading national medical equipment outsourcing company in the US; and the Reader's Digest Association, a publisher and direct marketing company. All the direct investments were made alongside leading private equity firms including Apax Partners, Terra Firma and Quadriga Capital Management. Furthermore, Princess committed EUR 50 million to Partners Group Direct Investments 2006 in January, which allows Princess to gain additional direct exposure to private companies. As Partners Group acts as its Investment Advisor, this fund does not levy any additional fees and costs at the fund level for Princess and its investors with respect to the investments made by the fund. The fund has already called EUR 32 million to invest in over 30 companies.

Princess funds EUR 151 million in Capital calls in 2007

The building-up of the direct investment portfolio accounted for more than one third of all capital calls from Princess in 2007. In addition, Princess funded EUR 151 million in capital calls from existing partnerships during the year. Larger transactions by Princess partnerships included: the acquisition of Claire's Stores, the leading international spe-

ENTWICKLUNG DER NETTO-KAPITALFLÜSSE DEVELOPMENT OF NET CASH FLOWS



Partners Group Direct Investments 2006 hat bereits EUR 32 Mio. abgerufen und in über 30 Unternehmen investiert.

EUR 151 Mio. an Kapitalabrufen

Der Aufbau des Portfolios von Direktinvestitionen war für ein Drittel aller Kapitalabrufe im Portfolio von Princess verantwortlich. Zusätzlich bediente Princess während des Jahres EUR 151 Mio. an Kapitalabrufen von bestehenden Partnerships. Größere Transaktionen von Partnerships im Portfolio waren der Kauf von Claire's Stores, des führenden, international tätigen Einzelhändlers von preiswertem Schmuck und Accessoires, durch Apollo Overseas VI für 3.1 Mrd. im Mai, die Übernahme von Melita Cable, des führenden Kabelfernsehanbieters in Malta, für EUR 167 Mio. durch GMT Communications Partners III und die Akquisition des Finanzdienstleistungsunternehmens BestInvest für GBP 165 Mio. durch 3i Eurofund V.

cialty retailer of jewelry and accessories, by Apollo Overseas VI for 3.1 billion in May; the takeover of Melita Cable, the leading cable TV provider in Malta, for EUR 167 million by GMT Communications Partners III; and 3i Eurofund V's acquisition of the financial advisory company BestInvest for GBP 165 million.

Investment level rises to 88%

In line with the goal of becoming fully invested in 2008, the investment level of Princess reached 88% at the end of the year, which is well above the 67% at year-end 2006. Due to the new direct investments and the high level of investment activity by the partnerships in the portfolio, drawdowns exceeded distributions for the first time in three years and Princess was therefore able to deploy existing cash, which led to the significant increase in the investment level. At year-end, cash equivalents stood at EUR 80 million, against EUR 214 million in 2006, and led to the significant increase in the investment level.

Investitionsgrad steigt auf 88%

Im Einklang mit dem Ziel, Ende 2008 einen vollen Investitionsgrad zu erreichen, steigerte Princess diesen bis Ende 2007 auf 88%, was deutlich über den 67% vor Jahresfrist liegt. Die neuen Direktinvestitionen sowie die starke Investitionsaktivität der Partnerships im Portfolio sorgten dafür, dass die Kapitalabrufe zum ersten Mal seit drei Jahren die Rückflüsse überstiegen: Dadurch konnte Princess einen Teil der Barbestände nutzen, was zum Anstieg des Investitionsgrades beitrug. Zum Jahresende beliefen sich die Barbestände und kurzfristigen Anlagen auf EUR 80 Mio., deutlich weniger als die EUR 214 Mio. Ende 2006.

Erste Dividendenausschüttungen

Im Zusammenhang mit der angepassten Investitionsstrategie und der erfolgreichen Restrukturierung Ende 2006 setzte sich Princess das Ziel einer jährlichen Dividendenausschüttung in Höhe von 5–8% des Inneren Wertes. Dieses Versprechen konnte Princess einlösen und bezahlte im April die erste Dividende in der Geschichte des Unternehmens. Diese Halbjahresdividende belief sich (nach 1-zu-10-Aktiensplit) auf 27.4 Euro-Cents pro Aktie. Eine zweite Halbjahresdividende von 30 Euro-Cents wurde am 13. Dezember 2007 bezahlt, womit sich eine Gesamtdividende von 57.4 Euro-Cents pro Aktie für 2007 und, basierend auf dem Schlusskurs Ende Dezember, eine Dividendenrendite von 7.2%, ergibt.

First dividend payments

In line with the amended investment policy and successful restructuring at the end of 2006, Princess has stated that its objective is to pay a yearly dividend of 5–8% of the NAV and complied with its promise. At the end of April, Princess paid its shareholders the first dividend in the history of the Company. This semi-annual dividend amounted to EUR 27.4 cents per share (after 1:10 share split). A second semi-annual dividend of EUR 30 cents was paid on 13 December 2007. This brings the total dividend paid in 2007 to EUR 57.4 cents per share, resulting in a dividend yield of 7.2% based on the share price as at the end of December. The dividend yield compares favourably with similar investment vehicles.

PORTFOLIO-ALLOKATION

PORTFOLIO ALLOCATION

Um den Aktionären mittel- bis langfristiges Kapitalwachstum kombiniert mit einer attraktiven Dividendenrendite zu bieten, verfolgt Princess eine Relativ Value-Anlagestrategie. Ziel dieses Ansatzes ist die systematische Identifizierung von Private Equity- und Private Debt-Investitionen, welche Partners Group, der Investitionsberater von Princess, zu einem bestimmten Zeitpunkt als besonders attraktiv ansieht. Dabei kann Princess von der weltweiten Präsenz, der Grösse und dem Fachwissen des Investitionsberaters und seinen Beziehungen zu führenden Private Equity-Häusern aller Finanzierungsstadien sowie seiner Erfahrung bei Primär-, Sekundär- und Direktinvestitionen profitieren.

Um die globale Reichweite und internationale Präsenz auszubauen, eröffnete Partners Group im Jahr 2007 neue Büros in Tokio und San Francisco, welche die bestehenden Büros in Zug, London, Guernsey, New York und Singapur ergänzen.

Neue Investitionen in Direkt- und Notierte Private Equity-Anlagen

Die Investitionsrichtlinien, die im Zusammenhang mit der Restrukturierung Ende 2006 angepasst wurden, erlauben es Princess, in ein breiteres Spektrum an Private Equity-Investitionsarten zu investieren. Neben Primärinvestitionen (79% des Wertes der Private Equity-Investitionen) und Sekundärinvestitionen (3%) konnte Princess 2007 einen substantziellen Teil an Direktbeteiligungen (13%) sowie eine kleinere Position von notierten Beteiligungsgesellschaften (5%) aufbauen.

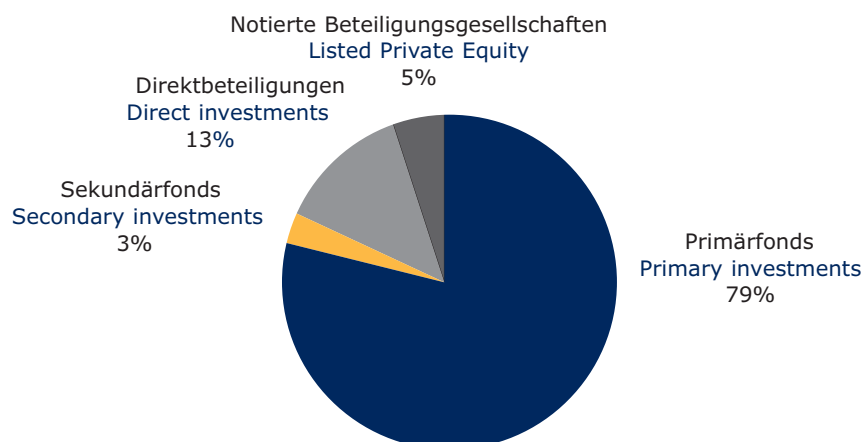
To provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long term, Princess purses a relative value investment strategy. The goal of the relative value investment strategy is to systematically identify and invest in private equity and private debt investments which Partners Group, the Investment Advisor to Princess, believes are particularly attractive at a given point in time. By following this approach, Princess benefits from the global presence, the size and experience of the Investment Advisor's investment team, its relationships with many of the world's leading private equity firms across all financing stages and its experience in primary, secondary and direct investing.

To further strengthen its global reach and international presence, Partners Group opened in 2007 new offices in Tokyo and San Francisco which complement the existing offices in Zug, London, Guernsey, New York and Singapore.

New exposure to direct and listed private investments

Under the amended investment policy established in the context of the restructuring at the end of 2006, Princess can invest in a wide range of private equity investment types. Besides the primary investments (79% of the value of total investments) and the position in secondary investments (3%), substantial direct exposure was built up during 2007 (13%), and a small portion was invested in listed private equity (5%).

WERT DER INVESTITIONEN NACH INVESTITIONSARTEN
VALUE OF INVESTMENTS BY INVESTMENT TYPES



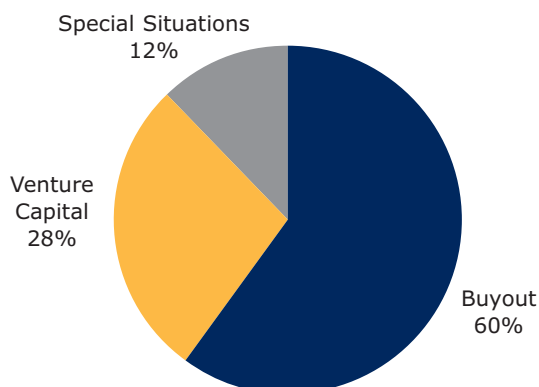
Erhöhter Fokus auf Buyout-Anlagen

Wie in den angepassten Investitionsrichtlinien vorgesehen, hat der Investitionsberater 2007 ein erhöhtes Augenmerk auf Buyout-Anlagen gelegt und damit einen Anstieg von 49% zu Jahresende 2006 auf 60% per Ende 2007 in diesem Bereich bewirkt. Zusätzlich trugen gemeldete Wertanpassungen von Buyout-Fonds zu dieser Verschiebung bei, sodass das Venture-Exposure im Portfolio von 39% auf 28% sank. Der Anteil von Special Situations im Portfolio bleibt unverändert.

Shift towards buyout exposure

As indicated in the amended investment guidelines, the Investment Advisor has put greater emphasis on the buyout stage in 2007 and thus the exposure to buyout investments rose from 49% at the end of 2006 to 60%. In addition to the intentional focus on buyout commitments in 2007, the increase in valuations by underlying buyout funds supported the shift towards greater exposure to the buyout segment. During the reporting period, there was a relative decrease in venture exposure from 39% to 28% due to the greater focus on buyouts, while the allocation to special situations was maintained at the same level as in 2006.

WERT DER INVESTITIONEN NACH FINANZIERUNGSTADIEN
VALUE OF INVESTMENTS BY FINANCING STAGES



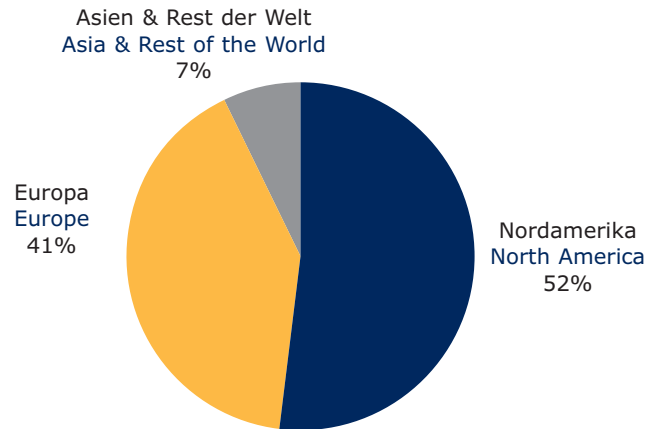
Erhöhter Anteil des Europa-Portfolios

Das investierte Portfolio teilt sich zu 41% in Europa, 52% Nordamerika und 7% in Asien & Rest der Welt auf. Der verstärkte Fokus auf europäische Investitionen ist verantwortlich für die Verschiebung von Nordamerika nach Europa. Langfristiges Ziel ist die Beibehaltung eines Anteiles von je 35–65% in Europa und in Nordamerika, während Asien & Rest der Welt progressiv erhöht werden soll, da diese Region als besonders attraktiv erachtet wird.

Inceased european exposure

The current value of investments can be divided into a 41% European, a 52% North American and an 7% Asia & Rest of the World exposure. The focus on new European investments in 2007 is responsible for the shift towards Europe away from North America. The longer term objective is to maintain an allocation of between 35% and 65% to both the North American and European regions, while the allocation to Asia & the Rest of World will be progressively increased as the region is seen as having attractive potential.

WERT DER INVESTITIONEN NACH REGIONEN VALUE OF INVESTMENTS BY REGIONS



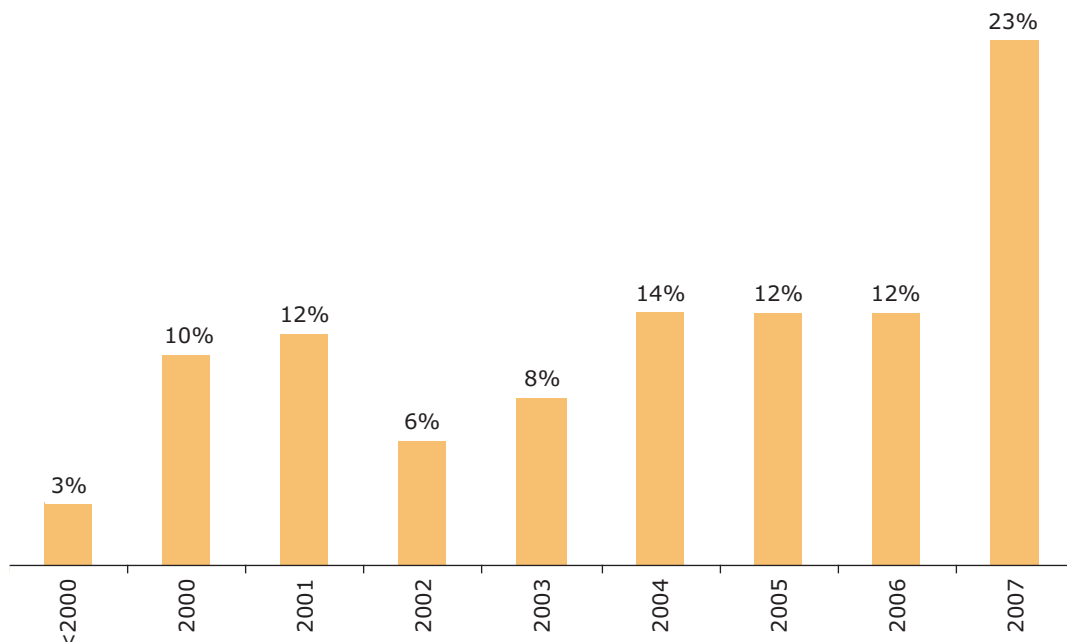
Über 50% zwischen 2001 und 2005 investiert

Princess ist auch bezüglich Investitionsjahren breit diversifiziert. Über 50% der Investitionen des aktuellen Portfolios wurden zwischen 2001 und 2005 getätigt, als die Preise relativ tief waren. Die meisten dieser Investitionen haben sich in der Zwischenzeit sehr erfreulich entwickelt. Der hohe Anteil von im Jahr 2007 getätigten Investitionen ist auf den Aufbau des Direktportfolios zurückzuführen.

Over 50% of investments made during 2001–2005

The current Princess portfolio is broadly diversified by investment year. Over 50% of the investments in the current portfolio were made between 2001–2005, when prices were quite favorable, and most of these investments have made very pleasing progress. A significant proportion of the 2007 vintage investments reflects the ramping-up of the allocation to direct investment.

WERT DER INVESTITIONEN NACH INVESTITIONSDATUM VALUE OF INVESTMENTS BY INVESTMENT YEAR



PORTFOLIO-ÜBERSICHT

PORTFOLIO OVERVIEW

in EUR

Manager	Partnership	Fondsvolumen Fund size	Zahlungs- versprechen Amount committed	Beteiligung in % % owned	Abrufe in % % Drawn down	Lancierungs- jahr Vintage year
PRIMÄRINVESTITIONEN						
PRIMARY INVESTMENTS						
Europa – Buyout						
Europe – Buyout						
3i Investments plc	3i Eurofund Vb, L.P.	1'167'100'000	10'000'000	0.9	35.0	2006
3i Investments plc	3i Europartners IIIA, L.P.	995'000'000	20'000'000	2.0	89.9	1999
Apax Partners	Apax Europe VII - B, L.P.	10'700'000'000	20'000'000	0.2	22.5	2007
Astorg Partners	Astorg II, FCPR	185'925'000	9'400'000	5.1	97.0	1998
August Equity	August Equity Partners II A, L.P.	176'198'251	9'517'178	5.4	7.0	2007
B & S Investments Limited	Italian Private Equity Fund III, L.P.	300'006'000	4'000'000	1.3	100.0	2000
BC Partners Limited	BC European Capital VIII, L.P.	5'850'000'000	10'000'000	0.2	24.4	2005
Botts & Company Limited	Botts Capital Partners, L.P.	209'988'331	27'191'936	13.0	100.0	1998
Bridgepoint	Bridgepoint Europe I "D", L.P.	1'360'998'529	27'191'936	2.0	95.3	1998
Bridgepoint	Bridgepoint Europe III, L.P.	2'500'000'000	7'500'000	0.3	66.6	2005
Bridgepoint	Bridgepoint Europe IV "A", L.P.	4'000'000'000	10'000'000	0.3	0.0	2007
Candover Partners Ltd.	Candover 2005 Fund, L.P.	3'000'000'000	10'000'000	0.3	52.5	2005
Cinven	Fourth Cinven Fund, L.P.	6'500'000'000	7'500'000	0.1	35.1	2006
Doughty Hanson & Co	Doughty Hanson & Co V	3'000'000'000	20'000'000	0.7	19.7	2006
GMT Communications Partners Limited	GMT Communications Partners III	307'911'272	10'000'000	3.3	51.7	2006
Graphite Capital Management Limited	Graphite Capital Partners V, L.P.	249'146'111	13'595'968	2.5	88.8	1999
Industri Kapital	Industri Kapital 2000, L.P.	2'100'000'000	10'000'000	0.5	100.0	1999
Industri Kapital	Industri Kapital 2007 Fund, L.P.	1'675'000'000	15'000'000	0.9	13.0	2007
Magenta SGR SpA	Magenta, L.P.	276'450'000	1'500'000	0.5	83.7	2006
Mercapital Servicios Financieros	Mercapital Spanish Private Equity Fund II, L.P.	608'000'000	7'000'000	1.2	98.4	2000
Nordic Capital	Nordic Capital IV, L.P.	653'627'366	14'301'409	2.2	93.9	2000
Nordic Capital	Nordic Capital VI, L.P.	1'900'000'000	7'500'000	0.4	72.9	2005
Palamon Capital Partners	Palamon European Equity C, L.P.	439'679'000	10'000'000	2.3	100.0	1999
Partners Group	Partners Group European Buyout 2008 (B)	n/a	25'000'000	n/a	0.6	2007
Partners Private Equity Management Inc.	Partners Private Equity, L.P.	90'506'069	6'468'167	7.2	100.0	1998
Permira Advisers Limited	Permira Europe II, L.P.	3'300'000'000	20'000'000	0.6	97.5	2000
Quadriga Capital Limited	Quadriga Capital Private Equity Fund II, L.P.	265'871'932	8'173'977	3.2	98.2	1999
Quadriga Capital Limited	Quadriga Capital Private Equity Fund III, L.P.	525'403'000	10'000'000	1.9	52.4	2006
Segulah Management Limited	Segulah II, L.P.	90'045'909	9'004'591	10.0	91.1	1999
Terra Firma Capital Partners Holding	Terra Firma Capital Partners III, L.P.	5'384'094'580	20'000'000	0.4	42.9	2006
Ventizz	Ventizz Capital Fund IV, L.P.	450'000'000	3'333'333	0.7	0.0	2007
Warburg Pincus, LLC	Warburg Pincus International Partners, L.P.	1'714'324'900	3'428'650	0.2	100.0	2000
Europa – Venture Capital						
Europe – Venture Capital						
Abingworth Management Limited	Abingworth Bioventures III, L.P.	154'289'241	1'714'325	1.1	92.5	2001
EEP Managers Limited	European Equity Partners (III), L.P.	52'595'075	3'000'000	5.7	100.0	1999
EEP Managers Limited	European Equity Partners (IV), L.P.	10'500'000	600'000	5.7	92.5	2004
Zouk Ventures Limited	European E-Commerce Fund	51'978'331	3'428'650	6.6	99.8	1999
Elderstreet Investments Limited	Elderstreet Capital Partners	77'495'657	9'517'178	12.3	91.8	1999
Galileo Partners	Galileo III, L.P.	157'956'250	4'200'000	2.7	90.3	2000
GMT Communications Partners Limited	GMT Communications Partners II, L.P.	367'500'000	14'000'000	3.8	100.0	2000
Index Ventures	Index Ventures I (Jersey), L.P.	123'396'760	6'857'300	5.6	100.0	1998
Merlin Capital Partners	Merlin Biosciences Fund, L.P.	246'949'000	5'000'000	2.0	100.0	2000
Partners Group	Partners Group European Growth 2008	n/a	10'000'000	28.9	2'889'830	2007
SVLS Management Advisers Inc.	SV Life Sciences Fund II, L.P.	191'979'703	13'714'599	7.1	100.0	1998
Wellington Partners Verwaltungs GmbH	Wellington Partners II, L.P.	111'000'000	4'000'000	3.6	100.0	2000
Europa – Special Situations						
Europe – Special Situations						
Apollo	AP Investment Europe Limited	400'000'000	5'000'000	1.3	100.0	2006
Coller Capital Limited	Coller International Partners III, L.P.	343'550'710	8'228'760	2.4	99.0	1999
Doughty Hanson & Co	Doughty Hanson & Co. European Real Estate Fund	247'788'521	4'020'256	1.6	100.0	1999
Intermediate Capital	ICG European Fund 2006, L.P.	1'246'146'250	15'000'000	1.2	29.6	2006
Intermediate Capital	ICG Mezzanine Fund 2000 L.P. No. 2	307'500'000	10'000'000	3.3	97.6	2000
Mezzanine Management Limited	Mezzanine Management Fund III, L.P.	362'701'022	10'285'949	2.8	97.3	1999
Partners Group	Partners Group Global Real Estate 2008, L.P.	71'767'677	20'000'000	27.9	0.0	2008
Penta Management Limited	Penta CLO I S.A.	400'000'000	2'850'000	0.7	100.0	2007
Rutland Fund Management Limited	The Rutland Fund	285'082'973	8'837'379	3.1	85.5	2000
Nordamerika – Buyout						
North America – Buyout						
American Securities Associates	American Securities Partners III, L.P.	445'724'474	3'428'650	0.8	88.3	2001
Apax Partners	Apax US VII, L.P.	587'216'624	6'857'300	1.2	56.4	2006
Apollo	Apollo Investment Fund V, L.P.	2'565'967'910	6'857'300	0.3	100.0	2001

in EUR

Manager	Partnership	Fondsvolumen Fund size	Zahlungs- versprechen Amount committed	Beteiligung in % % owned	Abrufe in % % Drawn down	Lancierungs- jahr Vintage year
Nordamerika – Buyout (Fortsetzung)						
North America – Buyout (continued)						
Apollo	Apollo Overseas Partners VII, L.P.	6'860'728'250	13'714'599	0.2	0.0	2007
Apollo Management, L.P.	Apollo Overseas Partners VI, L.P.	6'874'442'849	17'143'249	0.3	49.2	2005
Avista Capital Holdings	Avista Capital Partners (Offshore), L.P.	1'371'459'920	13'714'599	1.0	59.7	2005
Bain Capital	Bain Capital Fund X, L.P.	6'857'299'600	10'971'679	0.2	0.0	2007
Bain Capital	Bain Capital X Co-Investment Fund, L.P.	3'428'649'800	2'742'920	0.1	0.0	2007
Bruckmann, Rosser, Sherrill & Co., Inc.	Bruckmann, Rosser, Sherrill & Co. II, L.P.	526'092'025	10'285'949	2.0	100.0	1999
Carlyle Group	Carlyle Partners III, L.P.	2'605'773'848	6'857'300	0.3	100.0	1999
Clayton, Dubilier & Rice, Inc.	Clayton, Dubilier & Rice Fund VII L.P.	1'824'041'694	6'857'300	0.4	78.1	2005
Fenway Partners, Inc.	Fenway Partners Capital Fund II, L.P.	623'390'873	20'914'764	3.4	100.0	1998
Heritage Partners, Inc.	Heritage Fund III, L.P.	578'368'198	6'857'300	1.2	83.0	1999
INVESCO Private Capital, Inc.	INVESCO U.S. Buyout Partnership Fund II, L.P.	60'273'862	20'571'899	34.1	90.5	2000
Kohlberg Management	Kohlberg TE Investors IV, L.P.	395'010'801	6'857'300	1.7	89.5	2000
Kohlberg Management	Kohlberg TE Investors VI, L.P.	960'021'944	8'571'625	0.9	11.4	2007
Leonard Green & Partners, L.P.	Green Equity Investors Side V, L.P.	838'647'741	8'571'625	1.0	13.6	2007
Providence Equity Partners, Inc.	Providence Equity Partners IV, L.P.	1'889'536'463	7'117'896	0.4	100.0	2000
Providence Equity Partners, Inc.	Providence Equity Partners VI-A, L.P.	8'228'759'520	17'143'249	0.2	32.2	2007
Silver Lake Partners	Silver Lake Partners III, L.P.	5'990'780'396	10'285'949	0.2	10.4	2007
Silver Lake Partners	Silver Lake Partners, L.P.	1'541'479'806	20'571'899	1.3	93.8	1999
Sterling Investment Advisers Management L.L.C	Sterling Investment Partners II, L.P.	373'379'963	6'857'300	1.8	27.6	2005
Texas Pacific Group	T3 Partners, L.P.	333'842'218	4'800'110	1.4	77.0	2000
Texas Pacific Group	TPG Partners III, L.P.	2'340'865'536	2'742'920	0.1	92.1	2000
The Blackstone Group	Blackstone Communications Partners I, L.P.	1'384'214'497	6'857'300	0.5	98.4	2000
Thomas H. Lee Company	Thomas H. Lee Parallel Fund V, L.P.	4'192'579'943	6'857'300	0.2	92.5	2000
Thomas H. Lee Company	Thomas H. Lee Parallel Fund VI, L.P.	1'853'282'030	17'143'249	0.9	35.7	2006
Vestar Capital Partners	Vestar Capital Partners IV, L.P.	1'700'850'306	3'428'650	0.2	94.9	1999
Warburg Pincus, LLC	Warburg Pincus Private Equity IX, L.P.	5'485'839'680	10'285'949	0.2	88.4	2005
Warburg Pincus, LLC	Warburg Pincus Private Equity X, L.P.	6'308'715'632	13'714'599	0.2	12.0	2007
Nordamerika – Venture Capital						
North America – Venture Capital						
Advanced Technology Ventures	Advanced Technology Ventures VI, L.P.	274'291'984	3'428'650	1.3	100.0	2000
Apax Partners	Apax Excelsior VI, L.P.	722'163'693	3'428'650	0.5	95.7	2000
Austin Ventures	Austin Ventures VII, L.P.	565'727'217	3'428'650	0.6	97.0	1999
Battery Ventures	Battery Ventures VI, L.P.	582'870'466	2'885'209	0.5	100.0	2000
Cardinal Health Partners	Cardinal Health Partners II, L.P.	80'555'954	3'428'650	4.3	93.0	2000
Catterton Partners	Catterton Partners IV Offshore, L.P.	274'291'985	10'285'949	3.8	100.0	1999
Columbia Capital	Columbia Capital Equity Partners III (Cayman), L.P.	586'762'422	6'857'300	1.2	98.3	2000
Dolphin Communications	Dolphin Communications Fund, L.P.	86'131'839	6'857'300	8.0	100.0	1998
Draper Fisher Jurvetson	Draper Fisher Jurvetson Fund VII, L.P.	440'979'777	3'428'650	0.8	92.1	2000
EnerTech Capital Partners	EnerTech Capital Partners II, L.P.	160'594'254	3'428'650	2.1	97.0	2000
Infinity Capital Ventures	Infinity Capital Venture Fund 1999, L.P.	136'469'353	6'857'300	5.0	98.0	1999
INVESCO Private Capital, Inc.	Chancellor V, L.P.	154'796'839	13'714'599	8.9	89.3	1999
INVESCO Private Capital, Inc.	INVESCO Venture Partnership Fund II, L.P.	234'435'696	41'143'798	17.6	90.1	1999
Lightspeed Venture Partners	Lightspeed Venture Partners VI, L.P.	604'017'228	5'485'840	0.9	86.3	2000
Menlo Ventures	Menlo Ventures IX, L.P.	1'038'984'788	6'857'300	0.7	90.0	2000
Morgan Stanley Dean Witter & Co	Morgan Stanley Dean Witter Venture Partners IV, L.P.	333'950'491	3'428'650	1.0	97.7	1999
Morgenthaler Partners	Morgenthaler Partners VII, L.P.	595'842'780	2'175'643	0.4	89.9	2001
Partners Group	INVESCO Venture Partnership Fund II-A, L.P.	27'706'261	23'657'684	85.4	91.8	2000
Prism Venture Partners	Prism Venture Partners IV, L.P.	294'067'331	1'371'460	0.5	82.5	2001
Sevin Rosen Funds	Sevin Rosen Fund VIII, L.P.	411'730'440	2'352'054	0.6	96.0	2000
Sierra Ventures	Sierra Ventures VIII-A, L.P.	339'554'826	6'857'300	2.0	100.0	2000
Summit Partners	Summit Ventures VI-B, L.P.	1'375'082'029	3'428'650	0.3	100.0	2000
SVLS Management Advisers Inc.	SV Life Sciences Fund IV, L.P.	392'237'537	3'428'650	0.9	22.0	2006
TA Associates, Inc.	TA IX, L.P.	1'371'528'493	6'857'300	0.5	97.0	2000
Tailwind Capital Partners	Thomas Weisel Capital Partners, L.P.	734'239'514	6'857'300	0.9	99.8	1999
TH Lee Internet Partners	TH Lee Putnam Parallel Ventures, L.P.	296'248'108	6'857'300	2.3	85.4	1999
Vortex Partners	Vortex Corporate Development Fund, L.P.	31'701'570	2'002'331	8.7	95.1	2000
Worldview Technology Partners	Worldview Technology Partners III, L.P.	250'049'006	3'428'650	1.4	100.0	1999
Worldview Technology Partners	Worldview Technology Partners IV, L.P.	351'704'331	2'072'050	0.6	89.5	2000
Nordamerika – Special Situations						
North America – Special Situations						
Ares Management, L.P.	Ares Corporate Opportunities Fund II, L.P.	1'416'032'367	13'714'599	1.0	56.3	2006
The Blackstone Group	Blackstone Mezzanine Partners, L.P.	782'417'884	2'742'920	0.4	64.6	1999
Canterbury Capital Partners	Canterbury Mezzanine Capital II, L.P.	166'757'058	6'857'300	4.1	86.9	1999
Levine Leichtman Capital Partners, Inc.	Levine Leichtman Capital Partners II, L.P.	239'631'763	20'571'899	8.6	100.0	1998
MatlinPatterson Global Advisors LLC	MatlinPatterson Global Opportunities Partners III, L.P.	3'428'649'800	6'857'300	0.2	10.0	2007

in EUR

Manager	Partnership	Fondsvolumen Fund size	Zahlungs- versprechen Amount committed	Beteiligung in % % owned	Abrufe in % % Drawn down	Lancierungs- jahr Vintage year
Nordamerika – Special Situations (Fortsetzung)						
North America – Special Situations (continued)						
Oaktree Capital Management, LLC	OCM Mezzanine Fund II, L.P.	857'162'450	10'285'949	1.2	89.5	2005
Oaktree Capital Management, LLC	OCM Opportunities Fund III, L.P.	1'424'199'411	2'742'920	0.2	100.0	1999
Oaktree Capital Management, LLC	OCM/GFI Power Opportunities Fund, L.P.	307'962'011	2'742'920	0.9	84.7	1999
Pegasus Capital Advisors	Pegasus Partners II, L.P.	384'728'794	2'742'920	0.7	100.0	1999
Peninsula Capital Partners, LLC	Peninsula Fund IV, L.P.	229'961'966	6'857'300	3.0	42.3	2005
Sun Capital Partners, Inc.	Sun Capital Partners V, L.P.	4'114'379'760	6'857'300	0.2	5.9	2007
TCW/Crescent Mezzanine, LLC	TCW/Crescent Mezzanine Partners III, L.P.	803'768'087	6'857'300	0.9	97.5	2001
Asien & Rest der Welt – Buyout						
Asia & Rest of World – Buyout						
Advent International	Advent Latin American Private Equity Fund II, L.P.	87'430'570	3'428'650	3.9	97.0	2001
Advent International	Advent Latin American Private Equity Fund IV, L.P.	178'289'790	4'679'299	2.6	17.0	2007
Affinity Equity Partners Limited	Affinity Asia Pacific Fund III, L.P.	1'920'043'888	1'684'548	0.1	18.8	2007
Archer Capital Pty Limited	Archer Capital Fund 4, L.P.	814'955'137	1'312'749	0.2	11.5	2007
CCMP Capital Asia Ltd	Asia Opportunity Fund III L.P.	1'721'182'200	1'871'720	0.1	0.0	2007
ChrysCapital Management Companies	ChrysCapital V, LLC	857'162'450	935'860	0.1	15.0	2007
DLJ Investment Partners, Inc.	DLJ SAP International, LLC	168'003'840	374'344	0.2	25.5	2007
Enterprise Investors	Polish Enterprise Fund IV, L.P.	148'574'824	3'428'650	2.3	99.6	2000
GP Investimentos	GP Capital Partners IV, L.P.	891'448'948	1'871'720	0.2	43.6	2007
India Value Fund Advisors Private Limited	IVF III (Mauritius) Holdings Limited	274'291'984	467'930	0.2	27.0	2007
Navis Investment Partners (Asia) Limited	Navis Asia Fund V, L.P.	661'743'126	1'871'720	0.3	34.3	2007
PEP Management (Jersey) Limited	Pacific Equity Partners Fund IV, L.P.	1'611'160'942	1'181'474	0.1	0.0	2007
Southern Cross	Southern Cross Latin America Private Equity Fund III, L.P.	514'983'200	1'871'720	0.4	18.6	2007
Texas Pacific Group	TPG Asia V, L.P.	1'721'182'200	2'058'891	0.1	9.3	2007
The Exxel Group S.A.	Exxel Capital Partners VI, L.P.	302'669'386	3'428'650	1.1	98.5	2000
TPG Asia	Newbridge Asia III, L.P.	496'468'491	3'428'650	0.7	100.0	2000
Asien & Rest der Welt – Venture Capital						
Asia & Rest of World – Venture Capital						
Baring Private Equity Asia Group Ltd	Baring Asia Private Equity Fund IV, L.P.	914'215'183	1'497'376	0.2	6.4	2007
Carmel Ventures	Carmel Software Fund (Cayman), L.P.	117'348'968	6'857'300	5.8	94.0	2000
Crimson Capital	Crimson Velocity Fund, L.P.	227'010'903	3'428'650	1.5	100.0	2000
Genesis Partners	Genesis Partners II LDC	180'626'603	6'857'300	3.8	91.8	1999
Jerusalem Venture Partners	Jerusalem Venture Partners III, L.P.	100'390'866	3'428'650	3.4	100.0	1999
Pitango Venture Capital	Pitango Venture Capital Fund III	342'864'980	8'228'760	2.4	97.0	2000
SEKUNDÄRINVESTITIONEN						
SECONDARY INVESTMENTS						
Affinity Equity Partners Limited	Affinity Asia Pacific Fund II, L.P.	455'994'857	752'397	0.1	97.9	2003
Aksia Capital	Aksia Capital III, L.P.	147'000'000	2'322'222	3.7	100.0	2005
Axcel III K / S 2	Axcel III K / S 2	404'325'584	461'541	0.1	21.1	2008
CapVis Equity Partners AG	CapVis Equity II, L.P.	340'000'000	531'653	0.1	86.0	2003
Chase Capital Partners	Chase 1998 Pool Participation Fund, L.P.	173'164'131	13'714'599	7.9	98.7	1998
Cinven	Second Cinven Fund (No.2), L.P.	1'230'435'090	6'967'934	0.6	97.5	1998
Coller Capital Limited	Coller International Partners III NW1, L.P.	154'503'974	17'674'758	11.4	82.3	1994
Coller Capital Limited	Coller International Partners III NW2, L.P.	156'434'937	21'073'750	13.5	93.2	1996
DFJ Esprit Capital Partners	Esprit Capital I Fund, L.P.	318'561'005	2'305'791	1.0	80.0	2000
Doughty Hanson & Co	Doughty Hanson & Co. Fund III, L.P.	1'824'041'694	4'652'177	0.3	92.1	1997
Partners Group	Partners Group SPP1 Limited	212'726'462	27'429'198	12.9	93.7	1996
William Blair & Company LLC	William Blair Capital Partners VI, L.P.	184'910'512	1'371'460	0.7	99.1	1998

in EUR

Unternehmen / Company	Zahlungs- versprechen Amount committed	Abrufe in % % Drawn down	Lancierungs- jahr Vintage year	Finanzierungs- stadium Financing stage	Region
DIREKTINVESTITIONEN					
DIRECT INVESTMENTS					
AHT Cooling Systems GmbH	4'000'000	100.0	2007	Special Situations	Europe
Arcos Dorados Limited (aka: McDonald's Latin American Operation)	371'505	100.0	2007	Buyout	Asia & Rest of World
AWAS Aviation Holding	4'500'000	100.0	2006	Buyout	North America
Cengage (fka: Thomson Learning, Inc.)	5'142'975	100.0	2007	Buyout	North America
Essmann Group	2'705'065	100.0	2007	Special Situations	Europe
Ferretti S.p.A.	3'600'000	100.0	2007	Special Situations	Europe
<i>Foodservice and distribution company*</i>	1'714'325	100.0	2007	Buyout	North America
General Nutrition Centers, Inc.	4'783'446	100.0	2007	Buyout	North America
<i>Healthcare company*</i>	79'132	100.0	2007	Buyout	Asia & Rest of World
<i>Information service company*</i>	3'428'650	100.0	2007	Buyout	North America
Lifeways Community Care Limited	2'763'217	100.0	2007	Buyout	Europe
<i>Media company*</i>	246'334	100.0	2007	Buyout	Asia & Rest of World
Partners Group Direct Investments 2006, L.P.	50'000'000	64.3	2006	Buyout	Europe
Plantasjen ASA	3'402'226	100.0	2007	Buyout	Europe
The Readers' Digest Association, Inc.	2'742'920	100.0	2007	Buyout	North America
Universal Hospital Services, Inc.	2'742'920	100.0	2007	Buyout	North America
Xanit Hospital Internacional	1'840'000	100.0	2007	Venture Capital	Europe
Marktkapitalisierung					
Unternehmen / Company	Market capitalisation	Marktwert Market Value	Beteiligung in % % owned	Finanzierungs- stadium Financing Stage	
NOTIERTE BETEILIGUNGSGESELLSCHAFTEN					
LISTED PRIVATE EQUITY					
Partners Group Private Equity Performance Holding Limited (P3)	342'108'210	5'842'850	0.1%	Buyout	
Partners Group Listed Investment - Listed Private Equity	149'597'090	25'441'000	0.1%	Buyout	

Einige Investitionen wurden über Partners Group-Zugangsmittel getätigt, ohne zusätzliche Gebühren
Some investments have been made through Partners Group pooling vehicles at no additional fees

* Aus Vertraulichkeitsgründen können wir die Namen nicht veröffentlichen

* Names may not be disclosed for confidentiality reasons

AUSGEWÄHLTE ZAHLUNGSVERSPRECHEN IM 2007

SELECTED COMMITMENTS IN 2007

Partners Group Emerging Markets 2007, L.P.

Im Januar gab Princess ein Zahlungsverprechen in Höhe von USD 50 Mio. an Partners Group Emerging Markets 2007 ab. Der Fonds wird Private Equity-Investitionen in Schwellenländern im asiatischen Raum, Lateinamerika, Russland und Südafrika tätigen. Partners Group ist überzeugt, dass diese Regionen attraktive Risiko/Rendite-Profile aufweisen. Die Bruttoinlandsprodukte dieser Regionen weisen ein hohes Wachstum auf, das durch eine Reihe von demografischen, politischen, sozialen und ökonomischen Trends unterstützt wird. Da Partners Group als Investment-Berater von Princess tätig ist, fallen für diese Investition auf Ebene von Partners Group Emerging Markets 2007 keine zusätzlichen Gebühren an.

Doughty Hanson & Co V

Im Februar investierte Princess EUR 20 Mio. in den Doughty Hanson & Co. V Fonds. Der Fonds wird die erfolgreiche Anlagestrategie seiner Vorgängerfonds fortsetzen und sich auf Investitionen in europäische Buyout-Transaktionen von mittelständischen und Grossunternehmen konzentrieren. Doughty Hanson ist in Europa ein etablierter und angesehener Investor, welcher sich von seinen Konkurrenten durch ein breites Netzwerk im europäischen Buyout-Markt, seiner umfassenden Erfahrung in der Industrie, sowie seinem Schwerpunkt auf Familienunternehmen abhebt.

GMT Communication Partners III, L.P.

Im April gab Princess ein Zahlungsverprechen von EUR 10 Mio. an GMT Communications Partners III ab. Der Fonds wird ein Portfolio aus Unternehmen aufbauen, die in der Kommunikationsbranche und Medienindustrie tätig sind. Der Schwerpunkt wird dabei auf mittelständische und grosskapitalisierte Buyout-Investitionen in Zentraleuropa liegen. Seine Positionierung als Kommunikationsspezialist trägt positiv zur erfolgreichen Wertschöpfung von GMT bei.

ICG European Fund 2006, L.P.

Im Februar hat Princess ein Zahlungsverprechen über EUR 15 Mio. an ICG European Fund 2006 abgegeben. ICG wurde 1989 in London gegründet und ist heute Europas führender Anbieter von Mezzanine-Finanzierungen. ICG European Fund 2006 ist Europas grösster, unabhängiger Mezzanine-Fonds mit einer Grösse von EUR 2.25 Mrd. Der Fonds investiert primär in Mezzanine-Tranchen von westeuropäischen Buyout-Transaktionen. ICG strebt eine breite Sektordiversifikation an und wird nicht mehr als 25% der Zahlungsverprechen in einen Sektor investieren.

Apax Europe VII – B, L.P.

Im März gab Princess eine Zahlungszusage in Höhe von EUR 20 Mio. an den neuesten, durch Apax Partners aufgelegten Fonds ab, der sich auf europäische Mehrheitsbeteiligungen konzen-

Partners Group Emerging Markets 2007, L.P.

In January, Princess made a USD 50 million commitment to Partners Group Emerging Markets 2007, which will make private equity investments in Emerging Markets in the Asia-Pacific region, Latin America, Russia and South Africa. Partners Group believes that Emerging Markets offer investors attractive risk/reward profiles. GDPs are growing strongly, supported by a variety of complementary demographic, political, social and economic trends. Since Partners Group acts as the Investment Adviser to Princess, no additional fees will be levied with respect to the investment in Partners Group Emerging Markets 2007.

Doughty Hanson & Co V

In February, Princess invested EUR 20 million in Doughty Hanson & Co V. This fund will continue the investment strategy successfully applied by its predecessor funds, i.e. focusing on control investments in European mid- and large-cap buyout transactions. Doughty Hanson, a reputable and long-established player in Europe, differentiates itself from its competitors through its strong network within the European buyout community, its extensive industry experience, and its focus on family businesses.

GMT Communication Partners III, L.P.

In April, Princess committed EUR 10 million to GMT Communications Partners III. The fund aims to build a portfolio of companies in the communication and media industry mainly in Central Europe. It will concentrate its investment efforts on mid- and large-cap buyout opportunities. GMT is uniquely positioned as a communication specialist, resulting in successful value creation.

ICG European Fund 2006, L.P.

In February, Princess committed EUR 15 million to ICG European Fund 2006. ICG was established in London in 1989 and is today one of Europe's leading specialist arranger and provider of mezzanine or intermediate capital. ICG's 2006 fund is Europe's largest independent mezzanine fund, with a total investment capacity of EUR 2.25 billion. The fund invests primarily in mezzanine tranches of buyout situations broadly across the Western European markets. ICG is mindful of sector diversification, and will not invest more than 25% of commitments into any one sector.

Apax Europe VII – B, L.P.

In March, Princess made a EUR 20 million commitment to Apax Partners' latest Europe-focused fund. Apax Europe VII is a refinement to Apax's balanced fund strategy, as the fund will be principally focused on making control investments in large-cap buyouts, a strategy that was largely pursued by its predecessor fund, Apax Europe VI. Apax

trieren wird. Die vormals ausgeglichene Investitionsstrategie wurde für Apax Europe VII verfeinert und der Fonds wird sich vornehmlich auf Investitionen in grosskapitalisierte Buyout-Transaktionen konzentrieren. Diese Strategie wurde weitestgehend bereits vom Vorgängerfonds Apax Europe VI angewendet. Apax Partners ist einer der führenden europäischen Private Equity-Investoren mit einer hervorragenden Reputation und der fachlichen Kompetenz, die den Fonds auch in einem wettbewerbsreichen Marktumfeld gut positioniert.

Sun Capital Partners V, L.P.

Im April gab Princess ein Zahlungsverprechen in Höhe von USD 10 Mio. an Sun Capital Partners V ab. Der Fonds ist bereits das fünfte Investitionsvehikel von Sun Capital, welches auf die Akquisition von Mehrheitsbeteiligungen bei Turnaround-Situationen spezialisiert ist. Etwa 80% des Fonds wird in den USA investiert, der Rest hauptsächlich in Europa. Durch den Fokus auf Turnaround-Situationen, durch das starke Netzwerk und die intensive Marketingaktivität konnte sich Sun Capital erfolgreich im Markt positionieren und sichert sich einen differenzierten Dealfluss. Die Fähigkeit, Transaktionen innerhalb eines kurzen Zeitrahmens abzuschliessen, ermöglicht es Sun Capital zudem, Investitionen zu attraktiven Einstiegspreisen zu tätigen. Der Fonds schloss im April bei USD 6 Mrd. und war stark überzeichnet.

August Equity Partners II A, L.P.

Im Juli erteilte Princess ein Zahlungsverprechen über GBP 7 Mio. an August Equity Partners II A. Der Fonds stellt Eigenkapital sowohl für Unternehmenserwerbe mit neuem Management als auch für Unternehmenserwerbe durch das Management zur Verfügung. Der Fonds investiert in mittelständische Unternehmen in Grossbritannien mit einem Unternehmenswert zwischen GBP 10 Mio. und GBP 100 Mio. in den Sektoren Gesundheitswesen, Medien und Technologie, Industrieprodukte- und -dienstleistungen wie auch in der Verbrauchsgüterindustrie. 1990 startete August Equity seine Tätigkeit als Private Equity-Arm von Kleinwort Benson, wurde 2001 vollständig unabhängig und hat seither die sektorfokussierte Investitionsstrategie weiterentwickelt.

Apollo Overseas Partners VII, L.P.

Im August gab Princess ein Zahlungsverprechen über USD 20 Mio. an Apollo Overseas Partners VII ab. Der Fonds wird die Investitionsstrategie der Vorgängerfonds fortführen und den Schwerpunkt auf grosse Buyouts sowie komplexe Transaktionen im Bereich Sondersituationen an der Seite von strategischen Käufern legen. Der Fonds wird Investitionen zwischen USD 200 Mio. und USD 1.5 Mrd. tätigen und zielgerichtet in Unternehmen investieren, die eine führende Marktposition, eine solide Kundenbasis und eine relativ hohe EBITDA-Marge aufweisen.

Partners is one of Europe's leading private equity investment groups and its positive reputation and deep expertise put the fund in a strong position in a highly competitive market environment.

Sun Capital Partners V, L.P.

In April, Princess committed USD 10 million to Sun Capital Partners V. The fund is Sun Capital's fifth investment vehicle focusing on the acquisition of controlling stakes in turnaround situations. Sun Capital Partners V's primary focus will be on the US, with the remainder of the funds being allocated mainly to Europe. Thanks to its focus on turnarounds, its strong network of contacts and aggressive marketing efforts, Sun Capital has positioned itself well and attracts a differentiated deal flow. Further, its ability to close deals relatively quickly enables the firm to purchase businesses at attractive multiples. The fund held a single closing in April at USD 6 billion; the closing was significantly oversubscribed.

August Equity Partners IIA, L.P.

In July, Princess committed GBP 7 million to August Equity Partners II, a fund that provides development capital, replacement capital and equity capital for management buy-outs and buy-ins in growing businesses. The fund invests in UK mid-market companies valued between GBP 10 million and GBP 100 million in the healthcare, media and technology, industrial products and services as well as consumer products and services sectors. Starting its private equity practice in 1990 as the captive investment arm of Kleinwort Benson, August Equity became fully independent in 2001 and continued to develop its current sectorfocused investment strategy.

Apollo Overseas Partners VII, L.P.

In August, Princess committed USD 20 million to Apollo Overseas Partners VII. The fund will pursue the same investment strategy as its predecessor funds, focusing on large-cap buyout as well as complex distressed and corporate partner buyout transactions. The fund will pursue investments in the order of between USD 200 million to USD 1.5 billion, targeting companies with strong market positions, solid customer bases and relatively high EBITDA margins.

Bain Capital Fund X, L.P.

In October, Princess committed USD 16 million to Bain Capital X. Established in 1984, Bain Capital is one of the world's leading private investment firms with over USD 50 billion in assets under management. Bain X will follow the same strategy as its predecessors, targeting control investments within the upper mid- and large-cap markets, prima-

Bain Capital Fund X, L.P.

Im Oktober hat Princess ein Zahlungsverprechen über USD 16 Mio. an Bain Capital X abgegeben. Bain Capital wurde 1984 gegründet und ist heute ein weltweit führendes Private Equity-Unternehmen, das über USD 50 Mrd. an Vermögen verwaltet. Bain X verfolgt dieselbe Strategie wie seine Vorgängerfonds: kontrollorientierte Investitionen im oberen Segment der mittel- und grossständischen Unternehmen, vorwiegend in den USA. Der Fonds wird einen Mix aus Leveraged Buyouts (LBO) und Investitionen in Turnaround- und Wachstumssituationen beinhalten und in Unternehmen mit starken strategischen Positionen sowie klaren Bestrebungen zur Wachstums- und Gewinnmaximierung investieren. Bain Capital wird auf seine Ressourcen und Erfahrungen im Bereich der Sorgfaltsprüfungen bauen und bietet jedem seiner Portfolio-Unternehmen wertsteigernde, operative Unterstützung an.

Warburg Pincus Private Equity X, L.P.

Im Oktober gab Princess ein Zahlungsverprechen in der Höhe von USD 20 Mio. an den zehnten globalen Fonds von Warburg Pincus, Warburg Pincus Private Equity X, ab. Warburg Pincus ist eines der ältesten amerikanischen Private Equity-Unternehmen. Der Fonds wird dieselbe Strategie wie seine Vorgängerfonds verfolgen und gezielt Investitionen in Unternehmen aller Entwicklungsstadien tätigen. Zu diesem Zweck verwendet der Fonds verschiedene Transaktionstypen und wird Venture Capital-Investitionen, Wachstumsfinanzierungen, Buyouts, Rekapitalisierungen sowie Finanzierungen für Spezial-Situationen tätigen. Warburg Pincus Private Equity X strebt eine Fondsgrösse von USD 12 Mrd. an und wird seine Investitionen in verschiedene Sektoren, insbesondere aber in den Segmenten Energie, Finanzdienstleistungen, Gesundheitswesen, Biowissenschaften und Technologie tätigen, um den Fonds breit zu diversifizieren. Investitionen werden primär in Nordamerika getätigt und durch solche in Europa und Asien ergänzt.

rily in the US. The fund will consist of a mix of leveraged buyouts (LBO), turnaround and growth investments in businesses with strong strategic positions and clearly defined plans for growth and profit improvement. Bain Capital will leverage its resources and due diligence capabilities to develop operational "blueprints" for and provide value-added support to each of its portfolio companies.

Warburg Pincus Private Equity X, L.P.

In October, Princess made a USD 20 million commitment to Warburg Pincus Private Equity X, the tenth global fund raised by Warburg Pincus, one of the longest-standing US private equity firms. The fund will follow the same strategy as its predecessors, targeting companies at all stages of development and therefore pursues a variety of transaction types, including venture, growth, buyouts, recapitalizations and special situations. Warburg Pincus Private Equity X has a target fund size of USD 12 billion and will broadly diversify its investments in different sectors, mainly focussed on energy, financial services, healthcare, life sciences and technology. Investments are primarily made in North America, complemented by Europe and Asia.

AUSGEWÄHLTE DIREKTINVESTITIONEN IM 2007

SELECTED DIRECT INVESTMENTS IN 2007

The Reader's Digest Association, Inc.

Im November 2006 verkündete eine von Ripplewood Holdings angeführte Investorengruppe, The Reader's Digest Association, Inc. für USD 2.4 Mrd. zu übernehmen. Im Februar 2007 wurde Princess das Angebot unterbreitet, direkt in das Eigenkapital von Reader's Digest, einem Verlagshaus und Marketingunternehmen, welches Inhalt und Produkte für Zeitschriften, Bücher, Tonträgerkollektionen, Heimvideos und Webseiten kreiert und liefert, zu investieren. Die Zeitschrift Reader's Digest, die Vorzeigepublikation, wird in 21 Sprachen mit einer Auflage von 18 Mio. Kopien veröffentlicht.

AHT Cooling Systems GmbH

Princess beteiligte sich im März an der Mezzaninefinanzierung von AHT Cooling Systems. Das Unternehmen ist in den Bereichen industrielle Kühlung und Tiefkühlung tätig, die Hauptgeschäftsfelder sind Kühl- und Tiefkühltruhen für Supermärkte, Eiscremetruhen sowie Getränkekühlung, wo AHT der weltweit führende Hersteller ist. AHT beschäftigt rund 650 Mitarbeiter, 150 davon sind temporär angestellt, um während den Spitzenproduktionszeiten auszuweichen.

Ferretti SpA

Im März wurde Princess von der Royal Bank of Scotland eingeladen, sich an der Mezzanine-Finanzierung für Ferretti SpA zu beteiligen. Ferretti ist der führende Hersteller von Luxusyachten und wurde im Oktober 2006 von Permira an Candover verkauft. Das Kapital für die Mehrheitsbeteiligung wurde damals vom Candover 2005 Fund – auch eine Princess-Partnership – bereitgestellt, während Permira, der Vorstandsvorsitzende Norberto Ferretti, und das Managementteam im Unternehmen investiert blieben. Mit den neuen Investoren kann Ferretti weiterhin – sowohl organisch als auch durch Akquisitionen – international expandieren, um seinen Platz an der Weltspitze aufrechtzuerhalten.

General Nutrition Centers, Inc. (GNC)

Im März wurde Princess von Ares Management eingeladen, sich an der Eigenkapital-Direktinvestition in GNC zu beteiligen. GNC ist der weltweit grösste Detailhändler von Nahrungsergänzungsprodukten für die Bereiche Sport, Wellness, Diät und Fitness. Das Unternehmen zählt über 4'800 Verkaufsstandorte in den USA und hat Franchisen in 46 Ländern vergeben. Ares Management und andere Investoren haben GNC für USD 1.65 Mrd. von Apollo erworben. Die Private Equity-Investoren glauben, dass GNC ein grosses Wachstumspotenzial aufweist.

The Reader's Digest Association, Inc.

In November 2006, an investor group led by Ripplewood Holdings, announced that it had entered into a definitive merger agreement to acquire The Reader's Digest Association, Inc., in a USD 2.4 billion transaction. In February 2007, Princess was invited to invest directly into the equity transaction as well. Reader's Digest is a publisher and direct marketing company that creates and delivers content and products for magazines, books, recorded music collections, home videos and online websites. Reader's Digest Magazine, its flagship publication, is published in 21 languages with a monthly circulation of approximately 18 million copies.

AHT Cooling Systems GmbH

In March, Princess completed a direct mezzanine investment in AHT Cooling Systems. The company is active in industrial refrigeration and deep freezing, with its main areas of business being fridges and deep freezers for supermarkets, ice cream freezers and drink cooling systems. AHT Cooling Systems is a leading global manufacturer in the sector. It employs around 650 people, including 150 temporary employees to cope with peak production levels.

Ferretti SpA

In March, Princess was invited by Royal Bank of Scotland to participate in the mezzanine financing for Ferretti SpA, a leading manufacturer of high-performance luxury motor yachts that was sold by Permira to Candover last October. Majority equity funding was provided at the time by the Candover 2005 Fund – which is also a Princess partnership – with Permira, the Chairman Norberto Ferretti and his management team re-investing into the company. With the backing of the new investors, Ferretti can continue to expand its business internationally, both organically and through acquisitions, in order to sustain its position as the world's leading manufacturer of high-performance luxury yachts.

General Nutrition Centers, Inc. (GNC)

In March, Princess received an invitation from Ares Management to participate in a direct equity investment related to the buyout of GNC, the largest global specialty retailer of nutritional products, vitamin, mineral, herbal and other specialty supplements and sports nutrition, diet and energy products. The company has more than 4'800 retail locations throughout the US and franchise operations in 46 international markets. Ares Management and the other investors have acquired GNC from Apollo for a total enterprise value of USD 1.65 billion. The private equity investors believe GNC is well positioned for future growth.

Plantasjen ASA

Im Dezember 2006 hat Apax Partners die führende nordische Gartencenterkette Plantasjen erworben. Das Unternehmen zählt 72 Niederlassungen in Norwegen, Schweden und Finnland und verkauft eine breite Auswahl an Garten- und Balkonprodukten sowie Schnittblumen und Heimpflanzen. Die Transaktion wurde durch eine Kreditfinanzierung unterstützt, und Princess wurde eingeladen, sich an der Mezzanine-Finanzierung zu beteiligen. Die Private Equity-Investoren werden mit dem Management zusammenarbeiten, um Plantasjen zügig zu expandieren, sowohl in Skandinavien als auch in anderen Teilen der Welt.

Essmann Gruppe

Im Mai 2007 investierte Princess an der Seite von Quadriga Capital Management in die deutsche Essmann Gruppe. Der Hersteller von Lichtkuppeln, Dachlichtbändern, Entrauchungs- und Entlüftungsanlagen bietet seinen Kunden auch Beratung, Ingenieursdienstleistungen sowie Wartung und Reparaturservices an. Die breite Produktpalette, die langjährige technologische Erfahrung und die anerkannte Marke trugen zur führenden Marktposition in Deutschland bei. Dies und das sehr freundliche Marktumfeld machen Essmann zu einer attraktiven Investition für Princess.

Cengage (ehemals Thomson Learning)

Im Juni tätigte Princess an der Seite von Apax Partners eine Eigenkapital-Direktinvestition in Thomson Learning, einen der vier Geschäftsbereiche von Thomson Corporation. Das Unternehmen gehört zu den weltweit führenden Anbietern von Informationen sowie ganzheitlichen Lösungen für hochmodernes und massgeschneidertes Lernen für Privatpersonen, Institutionen und Unternehmen. Weltweit verkauft Thomson Learning seine Produkte und Dienstleistungen sowohl über den direkten Absatzweg als auch über ein Netzwerk von Vertriebspartnern. Das Unternehmen verfügt über Standorte in 42 Ländern und beschäftigt mehr als 12'000 Personen.

Lifeways Community Care Limited

An der Seite von August Equity Limited tätigte Princess im Juli eine Eigenkapital-Direktinvestition in Lifeways Community Care Ltd. Das Unternehmen, welches 1995 gegründet wurde, gehört zu den führenden britischen Anbietern von Hauspflegediensten für Personen mit Autismus, Lernschwierigkeiten und Gehirnschädigungen. In der Vergangenheit erzielte Lifeways unterstützt durch sein starkes Kontaktnetzwerk zu den lokalen Behörden erhebliches Wachstum. Dieses Wachstum sollte auch weiter anhalten, da Grossbritanniens Gesundheitsbehörde den Trend vom Pflegeheim zum betreuten Wohnen im eigenen Zuhause fördert.

Plantasjen ASA

In December 2006, Apax Partners acquired Plantasjen, a leading Nordic garden centre chain with 72 stores across Norway, Sweden and Finland. The company's stores provide a wide assortment of products for gardens and terraces as well as cut flowers and house plants. The transaction was supported by debt facilities and Princess was invited to participate in the mezzanine financing. The private equity investors backing Plantasjen will work with the management of the company to rapidly grow Plantasjen in the Nordic countries and beyond.

Essmann Group

In May, Quadriga Capital Management invited Princess to participate in the investment in the Essmann Group. The company is a German manufacturer of light domes, continuous roof lights, smoke/heat extraction and ventilation equipment. The company also offers consulting, engineering, maintenance and repair services. Essmann's broad product portfolio, strong technological expertise and wellknown brand name have helped it to its leading market position in Germany. Given its strong market position in a favourable market environment, this investment represents an attractive financial opportunity for Princess.

Cengage (fka Thomson Learning)

In June Princess, alongside Apax Partners, completed a direct equity investment in Thomson Learning, one of the four market groups of the Thomson Corporation. The company is a leading global provider of state-of-the-art tailored learning for individuals, businesses and institutions. Thomson Learning sells its products and services globally through direct channels and via a network of distributors. The company has offices in 42 countries worldwide and employs more than 12'000 people.

Lifeways Community Care Limited

In July, Princess co-invested, alongside August Equity Limited, in the equity structure of Lifeways Community Care Ltd. Established in 1995, Lifeways is today one of the leading UK providers of specialist community care services to individuals with autism, learning disabilities and brain damage. In the past, Lifeways has experienced significant growth, supported by its strong relationships with local authorities. Going forward, this growth is expected to continue, supported also by the UK's National Health Service's encouragement of an increased move from care homes to assisted living in own homes.

Universal Hospital Services, Inc.

Im Juli tätigte Princess an der Seite von Bear Stearns Merchant Banking eine Direktinvestition in Universal Hospital Services. Mit Hauptsitz in Minnesota (USA) ist Universal Hospital Services ein national führendes Unternehmen für die Auslagerung von medizinischen Geräten, mit welchen es Krankenhäuser bei der Kostenreduzierung unterstützt, deren Produktivität fördert und die Befunde von Patienten durch eine verbesserte Wartung der medizinischen Geräte präzisiert. Universal Hospital Services plant, das Unternehmen von einer reinen Gerätevermietungsfirma in ein medizinisches Dienstleistungsunternehmen weiterzuentwickeln.

AWAS Aviation Holding

Im Dezember tätigte Princess an der Seite von Terra Firma eine Direktinvestition in Pegasus Aviation Finance Company. Pegasus gehört zu den weltweit führenden Kapitalanbietern für Fluggesellschaften, sowohl für den Neuerwerb von Flugzeugen als auch für das Flottenmanagement. Pegasus fusionierte mit AWAS, einer Leasinggesellschaft für Flugzeuge, welche im Jahr 2006 von Terra Firma akquiriert wurde. Durch den für beide Parteien vorteilhaften Anstieg der Unternehmensgrösse wird die fusionierte Einheit zur weltweit drittgrössten Leasingfirma für Flugzeuge avancieren.

Xanit Internacional Hospital

Im Dezember beteiligte sich Princess an der Seite des spanischen Private Equity-Hauses Nmás1 direkt an Xanit Internacional Hospital. Xanit ist eine hochmoderne Privatklinik mit Sitz in Málaga, Spanien. Die Klinik bietet Unterbringung, ambulante Behandlung, Notfallbehandlung, Radiologie, Laboratorien sowie chirurgische Behandlungen und ist speziell auf nationale und internationale Privatpatienten fokussiert. Das Unternehmen nahm im ersten Quartal 2006 seinen Betrieb auf, hat rund 111 Betten und führt darüber hinaus ein Tageszentrum und zwei Heilzentren. Xanit befindet sich noch in der Aufbauphase und erfreut sich guter Wachstumschancen im wachsenden Privatklinik-Bereich in Spanien.

Universal Hospital Services, Inc.

In July, Princess invested alongside Bear Stearns Merchant Banking directly in Universal Hospital Services. Based in Minnesota (USA), Universal Hospital Services, Inc. is the leading national medical equipment outsourcing company, helping hospitals to cut costs, boost productivity and improve the accuracy of results for patients by looking after its medical equipment. Future plans for Universal Hospital Services include transforming itself to a full equipment life-cycle service company from being just an equipment rental company.

AWAS Aviation Holding

In December, Princess participated in a direct investment alongside Terra Firma into Pegasus Aviation Finance Company. Pegasus is one of the world's leading capital providers to airlines for new deliveries and fleet management solutions and is merged with aircraft leasing company AWAS, which was acquired by Terra Firma in 2006. The acquisition will allow the combined entity to take advantage of significant benefits from increased scale and will create the world's third largest aircraft lessor.

Xanit Internacional Hospital

Alongside Spain-based private equity firm Nmás1, Princess made a direct equity investment into Xanit Internacional Hospital in December 2007. Xanit is a state-of-the art hospital located in the province of Málaga, Spain. The hospital provides hospitalization, outpatient consultation, emergency, radiology, laboratory, and surgery services focusing mainly on premium national and international customers. The company started operating in the first quarter of 2006 and comprises 111 beds, a convention center and two medical centers. The company is still in its ramp-up phase and enjoys good growth prospects in the growing Spanish private hospital sector.

AUSGEWÄHLTE INVESTITIONEN IM 2007

SELECTED INVESTMENTS IN 2007

Apollo Overseas VI, L.P.

Im Mai 2007 gab die Princess-Partnership Apollo Overseas VI den Erwerb von *Claire's Stores, Inc.* für rund USD 3.1 Mrd. bekannt. *Claire's* ist ein führender, international tätiger Einzelhändler von preiswertem Schmuck, Accessoires und Kosmetik für modebewusste Mädchen und junge Erwachsene. *Claire's* betreibt über 3'000 Shops in den USA, in England, Europa, Kanada sowie im Mittleren Osten, in Japan, Südafrika und in der Türkei. Die einzigartige Positionierung in der Modebranche, welche praktisch keine unmittelbare Konkurrenz zulässt, sowie die Expansionsmöglichkeiten in Europa und die kurzen Rückzahlungsfristen der neu eröffneten Filialen lassen auf eine vielversprechende Investition schliessen.

Doughty Hanson & Co V

Im Juni gab Princess-Partnership Doughty Hanson & Co V den Erwerb von *Norit*, einem führenden Zulieferer von Verbrauchsmaterial, Bauteilen und Anlagensystemen für Wasser- und Trinkwasser-Kläranlagen, zu einem nicht genannten Betrag bekannt. Das Unternehmen mit Hauptsitz in Zenderen (Niederlande) ist weltweit in 100 Ländern tätig und verfügt über ein Netzwerk von zwölf Produktionsstätten in sieben Ländern. Mark Corbidge von Doughty Hanson kommentiert die Transaktion: «*Norit* ist ein ausgezeichnetes Unternehmen, welches in attraktiven Märkten mit einem hohen Gewinnpotenzial tätig ist.»

GMT Communication Partners III

Im Juli erwarb die Princess-Partnership GMT eine Mehrheitsbeteiligung an *Melita Cable*, das einen geschätzten Unternehmenswert von rund EUR 170 Mio. hat. Der einzige Anbieter von Kabelfernsehen in Malta bietet seinen Privat- und Geschäftskunden TV-, Breitband- und Telefondienstleistungen an. Das Unternehmen sicherte sich kürzlich die Exklusivrechte für die Ausstrahlung der englischen und italienischen Fussballmeisterschaftsspiele der kommenden Saison sowie des UEFA-Cups und des SUPER-Cups, welche in Malta grosse Popularität geniessen. Es darf erwartet werden, dass der Kommunikationsspezialist GMT Wachstum- und Synergiemöglichkeiten zwischen *Melita* und seinen weiteren 17 Telekommunikationsportfoliounternehmen in Europa suchen wird.

3i Eurofund Vb, L.P.

Die Princess-Partnership 3i erwarb im September eine Mehrheitsbeteiligung am unabhängigen Finanzberater *BestInvest* für einen Wert von rund GBP 165 Mio. *BestInvest* ist einer der erfolgreichsten Finanzberater in Grossbritannien und verwaltet ein Kundenvermögen von über GBP 3.7 Mrd. In 2003 lancierte das Unternehmen auch eine diskretionäre Anlageverwaltung für sehr vermögende Kunden. Angesichts

Apollo Overseas VI, L.P.

In May 2007, Princess partnership Apollo Overseas VI announced the acquisition of *Claire's Stores, Inc.* for approximately USD 3.1 billion. *Claire's* is a leading international specialty retailer offering value-priced costume jewelry, accessories and cosmetics to fashion-aware teens and young adults. *Claire's* has about 3,000 stores in the US, UK, Europe, Canada and also operates in the Middle East, Japan, Turkey and South Africa. The company is uniquely positioned as a trend-right merchandizing company with no direct competition. This, together with opportunities for further expansion for the company in Europe and the attractive payback characteristics of its new stores, make it an appealing investment.

Doughty Hanson & Co V

During June Princess portfolio partnership Doughty Hanson & Co V acquired *Norit*, a leading supplier of consumables, components and systems to the water and beverage purification industries, for an undisclosed sum. The company, headquartered in Zenderen in The Netherlands, operates globally through a network of twelve production sites in seven countries covering more than 100 countries worldwide. Mark Corbidge, Principal at Doughty Hanson, commented: "*Norit* is an excellent business, operating in a number of attractive end markets with strong growth and earnings potential."

GMT Communication Partners III

In July, Princess partnership GMT acquired a majority stake in *Melita Cable*, which was valued at approximately EUR 170 million. *Melita* supplies TV, broadband and telephony services to Maltese consumers and businesses. It is the sole Maltese provider of cable television and has recently secured exclusive rights to show next season's English and Italian football leagues as well as UEFA cup and SUPER cup – all of which are hugely popular in Malta. The communications sector specialist GMT is expected to build profitable growth opportunities and synergies between *Melita* and its other 17 telecommunication portfolio companies in Europe.

3i Eurofund Vb, L.P.

In September, Princess partnership 3i bought a majority stake in independent investment manager *BestInvest* for approximately GBP 165 million. *BestInvest* is one of the most successful financial advisory companies in the UK, currently managing over GBP 3.7 billion of client assets. In 2003, the company also launched a high net worth discretionary investment management service. Given *BestInvest's* profitable, robust and scalable business model, along with a high quality and loyal client base and an excellent brand reputation, this investment represents an attractive financial opportunity.

des profitablen, robusten und skalierbaren Geschäftsmodells, und dies in Verbindung mit einem qualitativ hochwertigen und loyalen Kundenstamm, bot sich für 3i eine attraktive Investitionsmöglichkeit.

Warburg Pincus Private Equity IX, L.P.

Im Oktober erwarb die Princess-Partnership Warburg Pincus das auf Augengesundheit und Optik spezialisierte Unternehmen *Bausch & Lomb* für USD 4.5 Mrd. *Bausch & Lomb* zählt zu den weltweit renommiertesten Herstellern in diesem Segment. Zum Kerngeschäft gehören weiche und luftdurchlässige harte Kontaktlinsen, Pflegeprodukte für Linsen sowie Produkte für die Behandlung von Augenkrankheiten. Das Unternehmen beschäftigt rund 13'000 Mitarbeiter weltweit. Durch die Investition kann *Bausch & Lomb* auf seiner führenden Position aufbauen und seine Strategie fortsetzen, verbesserte Produkte für Kunden auf der ganzen Welt herzustellen.

Warburg Pincus Private Equity IX, L.P.

In October, Princess partnership Warburg Pincus acquired the eye health company *Bausch & Lomb* for USD 4.5 billion. *Bausch & Lomb* is one of the best known and most respected healthcare brands in the world. Its core business includes soft and rigid gas permeable contact lenses and lens care products as well as ophthalmic surgical and pharmaceutical products. The company employs around 13'000 people worldwide. Through the investment *Bausch & Lomb* can build upon its leadership position and continue to implement its strategic plan to deliver enhanced value for customers worldwide.

AUSGEWÄHLTE REALISIERUNGEN IM 2007

SELECTED REALIZATIONS IN 2007

Silver Lake Partners, L.P.

Warburg Pincus International Partners, L.P.

Durch den Verkauf von UGS für USD 3.5 Mrd. an das deutsche Elektrotechnik- und Elektronikunternehmen Siemens im Januar konnten die Princess-Partnerships Silver Lake Partners und Warburg Pincus ihre ursprüngliche Investition mehr als verdoppeln. Im Mai 2004 investierten die Private Equity-Gesellschaften in UGS, einen Anbieter von Software und Servicedienstleistungen für das Management von Produktlebenszyklen, der Produktionsfirmen auf der ganzen Welt bedient. Neben einer Ertragssteigerung, die durch organisches Wachstum sowie durch Akquisitionen erreicht wurde, konnte das Management von UGS im Investitionszeitraum auch eine Erweiterung der wesentlichen Produktgruppen und des Kundenstamms herbeiführen.

Doughty Hanson & Co European Real Estate Fund

Im Februar hat die Princess-Partnership Doughty Hanson & Co European Real Estate Fund den Verkauf der *Maximilianhöfe* an Quinlan Private für EUR 270 Mio. bekannt gegeben. Die Maximilianhöfe sind eines der bedeutendsten Anwesen an der Maximilianstrasse in München und liegen zwischen den historischen Gebäuden der Bayerischen Staatsoper und dem Kempinski Hotel Vier Jahreszeiten. Doughty Hanson hatte die Immobilie im März 2000 gekauft und erhält nun einschliesslich der Rückflüsse aus der Refinanzierung in Jahr 2005 5.7-mal das ursprünglich investierte Kapital zurück.

GMT Communications Partners III

Die Princess-Portfoliogesellschaft GMT Communications Partners hat im April zusammen mit Mid Europa Partners den zweitgrössten ungarischen Festnetzanbieter- und Telekommunikationsdienstleister *Invitel Távközlési ZRt.* für EUR 470 Mio. an die Hungarian Telephone & Cable Corp. verkauft. Die zwei Gesellschaften hatten das Unternehmen im Jahr 2003 erworben und erhielten beim Verkauf das ursprünglich investierte Kapital 3-mal zurück. Die Veräusserung wurde schon im Januar angekündigt, konnte jedoch erst nach Erhalt der Bewilligung durch die zuständigen Behörden abgeschlossen werden.

Industri Kapital 2000, L.P.

Im Juni teilte die Princess-Partnership Industri Kapital 2000 den Verkauf von *Eltel Networks* an die Private Equity-Firma 3i mit, wo Princess durch den 3i Eurofund Vb beteiligt ist. Der nordeuropäische Spezialist für Infrastrukturalinstallationen und -wartungen im Elektro- und Telekommunikationsbereich wurde 2004 übernommen und mit Swedia Networks fusioniert, welche Industri Kapital im Jahr 2001 akquiriert hatte. Industri Kapital verhalf der nun unter dem Namen Eltel operierenden Firma zu einem starken Wachstum

Silver Lake Partners, L.P.

Warburg Pincus International Partners, L.P.

In January, Princess partnerships Silver Lake Partners and Warburg Pincus more than doubled their money on the USD 3.5 billion sale of UGS to German electrical engineering and electronics company Siemens. The private equity firms had acquired UGS, a global provider of product lifecycle management software and services for manufacturing organizations, in May 2004. Over the time of the investment, UGS' management team has successfully grown earnings organically and through acquisitions, refreshed major product lines and expanded its customer base.

Doughty Hanson & Co European Real Estate Fund

In February, Princess partnership Doughty Hanson & Co European Real Estate Fund announced the sale of *Maximilianhöfe* to Quinlan Private for a total transaction value of EUR 270 million. Maximilianhöfe is a flagship property on Munich's Maximilianstrasse and is situated between the historical buildings of the Bavarian State Opera and the Kempinski Hotel Vier Jahreszeiten. Doughty Hanson had acquired the site in March 2000. Including the returns from the refinancing in 2005, the sale will return 5.7x the fund's equity investment to investors.

GMT Communications Partners III

In April, Princess portfolio company GMT Communications Partners and Mid Europa Partners sold *Invitel Távközlési ZRt.*, Hungary's second largest fixed line telecoms operator and provider of a wide range of telecommunications services, to Hungarian Telephone & Cable Corp. for EUR 470 million. The two companies achieved a multiple of 3.0x on their investment after having acquired Invitel in 2003. The sale had been announced in January but had to await regulatory approvals before completion.

Industri Kapital 2000, L.P.

In June, Princess partnership Industri Kapital 2000 announced the sale of *Eltel Networks*, a Northern European specialist in the installation and maintenance of infrastructure for electricity and telecommunications, to private equity firm 3i where Princess is invested through 3i Eurofund Vb. Industri Kapital acquired Eltel in 2004 and subsequently merged it with Swedia Networks, a similar company which Industri Kapital had acquired in 2001. Industri Kapital supported the strong growth of the combined company, which operates under the Eltel banner, both organically and via acquisitions. It has entered new geographic markets and improved its market position. The exit generated a multiple of nearly 2.5x times Industri Kapital's original investment.

sowohl organisch als auch durch Akquisitionen. Zusätzlich konnten neue geografische Märkte erschlossen und die Marktposition verbessert werden. Mit dem Verkauf erhält Industri Kapital das ursprünglich investierte Kapital knapp 2.5-mal zurück.

Bridgepoint Europe I «D», L.P.

Im September stimmte die Princess-Partnership Bridgepoint Europe I «D» dem Verkauf von *JDR Cable Systems* an das Londoner Investmenthaus Vision Capital zu. JDR ist ein Erdöl-Service-Unternehmen, welches Leitungen und hydraulische Werkzeuge für die Erdölgewinnung herstellt. Das Unternehmen ist während der Haltedauer von Bridgepoint kontinuierlich gewachsen und hat sich in ausgewählten Expansionsmärkten erfolgreich positioniert. Der Verkaufspreis beträgt rund GBP 90 Mio. Bridgepoint erwarb JDR 1998, als das Private Equity-Unternehmen noch Teil von NatWest, einer Retailbank, war für GBP 36 Mio.

Graphite Capital Partners V, L.P.

Im September hat die Princess-Partnership Graphite Capital, ein britischer Spezialist für Private Equity-Finanzierungen von mittelständischen Unternehmen, den britischen Geschäftsteil von *Golden Tulip* für GBP 44 Mio. an Whitbread PLC verkauft. Golden Tulip (UK) wurde gegründet, um eine Hotelkette von Superior-Budget-Hotels unter der Marke Golden Tulip in Grossbritannien und Irland aufzubauen und zu verwalten. Golden Tulip (UK) unterhält heute sechs Hotels, von welchen zwei im Jahre 2003 gekauft und vier weitere in den Jahren 2004 und 2005 eröffnet wurden. Seit der Investition von Graphite im Jahr 2002 verzeichnet Golden Tulip ein starkes Wachstum. 2006 erreichte der Umsatz GBP 15.2 Mio. und die Hotels erwirtschafteten Gewinne von GBP 2.3 Mio. Durch den Verkauf realisiert Graphite Capital dreimal das investierte Kapital.

Polish Enterprise Fund IV, L.P.

Im Oktober brachte die von Enterprise Investors gemanagte Princess-Partnership Polish Enterprise Fund IV *Magellan* erfolgreich an die Warschauer Wertpapierbörse. Der stark überzeichnete Börsengang brachte für Polish Enterprise Fund IV, der einen Teil seines Aktienpaketes veräußerte, einen Erlös im Wert von USD 13.5 Mio., was ein 10x-Multiple für den Fonds bedeutet. *Magellan* ist einer der führenden Anbieter im schnell wachsenden polnischen Markt für Finanzdienstleistungen für medizinische Einrichtungen und deren Zulieferer. Polish Enterprise Fund IV hatte 2003 unter anderem mit der Zielsetzung, das Management zu unterstützen und die Marktposition des Unternehmens zu stärken, in *Magellan* investiert. Während dieser Zeitspanne erzielte *Magellan* schnelles Wachstum gekoppelt mit hervorragenden Unternehmensergebnissen.

Bridgepoint Europe I "D", L.P.

In September, Princess partnership Bridgepoint Europe I "D" agreed to sell *JDR Cable Systems* to London-based investment firm Vision Capital. JDR, an oil services company, makes "umbilical" cables and hydraulic equipment used in offshore oil exploration. The firm has grown substantially over the holding period of Bridgepoint and is positioned for further expansion in its chosen markets. The sale was reported to be worth around GBP 90 million. Bridgepoint bought JDR in 1998 for GBP 36 million, when the private equity group was still part of NatWest, the retail bank.

Graphite Capital Partners V, L.P.

In September, Princess partnership Graphite Capital, a UK mid market private equity specialist, sold the UK business of *Golden Tulip* to Whitbread PLC for GBP 44 million. Golden Tulip (UK) was established to develop and manage a chain of superior budget hotels under the Golden Tulip brand in the UK and Ireland. Golden Tulip (UK) now operates six hotels, of which two were acquired in 2003 and four were opened in 2004 and 2005. Since 2002, when Graphite led the fundraising, Golden Tulip has grown strongly with turnover reaching GBP 15.2 million in 2006 when the hotels contributed earnings of GBP 2.3 million. The sale provides Graphite Capital with a total return of three times its initial investment.

Polish Enterprise Fund IV, L.P.

In October, Princess partnership Polish Enterprise Fund IV, which is managed by Enterprise Investors, successfully exited part of its holding in *Magellan* via an initial public offering (IPO) on the Warsaw Stock Exchange. The listing, which was heavily oversubscribed, raised USD 13.5 million in proceeds for Polish Enterprise Fund IV and generated a return multiple of 10x for the fund. *Magellan* is a leading player in the rapidly growing Polish market for financial services for medical institutions and suppliers. Polish Enterprise Fund IV originally invested in *Magellan* in 2003 with the aim of supporting the management team in strengthening the company's market position. During the holding period, *Magellan* achieved rapid growth coupled with excellent financial performance.

Bridgepoint Europe I «D», L.P.

Im November gab die Princess-Partnership Bridgepoint Europe Capital Limited den erfolgreichen Verkauf von *Alliance Medical* an Dubai International Capital LLC für GBP 600 Mio. bekannt. Bridgepoint ermöglichte dem ursprünglich in Grossbritannien tätigen Unternehmen die europaweite Expansion und trug damit beachtlich zur heute führenden Position von Alliance Medical im Bereich von Bild-Diagnostik-Dienstleistungen (Computer-Tomographien, Röntgenbilder) bei. Seit dem Erwerb in 2001 für GBP 86 Mio. stieg der EBITDA von Alliance Medical von GBP 9.9 Mio. auf GBP 56 Mio. Diese starke Entwicklung ermöglichte es Bridgepoint, das ursprünglich eingesetzte Kapital 4.2-fach zurückzuerhalten.

Bridgepoint Europe I "D", L.P.

In the month of November, Princess partnership Bridgepoint Europe Capital Limited announced the successful sale of *Alliance Medical* to Dubai International Capital LLC for GBP 600 million. Under Bridgepoint's ownership, Alliance has grown rapidly from its original UK base to become Europe's leading provider of diagnostic imaging services (computerized tomography, X-ray). Since the acquisition in 2001 for GBP 86 million, Alliance Medical's EBITDA increased from GBP 9.9 million to GBP 56 million. This development resulted in a 4.2x multiple for Bridgepoint.

AUSBLICK AUF DAS JAHR 2008 OUTLOOK FOR 2008

Starke Schwellenländer, mässiges Wachstum in Europa und den USA

Die anhaltende Immobilienkrise in den USA sowie die Turbulenzen an den Kreditmärkten haben das Rezessionsrisiko für die Vereinigten Staaten erhöht, obwohl die amerikanische Notenbank (Fed) mit einer Leitzinssenkung massgebend eingriff, um dem abschwächenden US-Wachstum entgegenzuwirken. Die US-Wirtschaft wird sich im ersten Halbjahr 2008 einem Abschwung nicht entziehen können, sollte sich jedoch im zweiten Halbjahr, sobald die Massnahmen der Fed Wirkung zeigen, wieder erholen.

In Europa machen sich die Auswirkungen des schwächeren US-Wachstums, die verzögert eintretenden Folgen des starken Euros sowie das aufgrund des eher hohen Engagements mancher Grossbanken im amerikanischen Kreditmarkt schwierigere Kreditmarktumfeld, auf die Marktstimmung bemerkbar. Es wird erwartet, dass sich das Wirtschaftswachstum im Jahr 2008 zwar mässigen wird, trotzdem aber solide bleibt. Dabei werden die hohe Kapazitätsauslastung und die starke Ertragskraft der Unternehmen die Investitionsausgaben stützen, während die gesunden Arbeitsmärkte den privaten Konsum begünstigen werden.

Die Schwellenländer haben die Weltwirtschaft im Jahr 2007 tatkräftig unterstützt und es darf erwartet werden, dass sie auch weiterhin helfen werden, die weltweiten Auswirkungen des Abschwungs in Europa und den USA zu mildern. Das Wirtschaftswachstum in Asien und Südamerika dürfte im Jahr 2008 zwar etwas nachgeben, trotzdem aber stabil und auf einem hohen Niveau bleiben.

Obwohl sich die Weltwirtschaft im Jahr 2008 leicht mässigen dürfte, sollte der positive Trend bei der Entwicklung von Private Equity-Anlagen dank der soliden zugrunde liegenden Fundamentaldaten andauern. Die Anlageklasse Private Equity hat einen langfristigen Anlagehorizont und ist dementsprechend viel stärker vom langfristigen Wachstumsausblick als von kurzfristigen Finanzmarktschwankungen abhängig, weshalb Private Equity die derzeitige Krise an den Finanzmärkten unversehrt überstehen sollte.

Gesunde Korrektur im Buyout-Markt

Im Jahr 2007 kam die übermässige Liquidität im Kreditmarkt zum Erliegen, was sich auch in einer Verlangsamung im Buyout-Markt äusserte. Vor allem grosse und mega Buyout-Transaktionen haben zurzeit wenig Zugang zu Finanzierungsmöglichkeiten. Im Bereich von kleinen und

Strong emerging markets, moderate development in the US and Europe

The ongoing housing crisis in the US and the credit market turmoil have increased the risk of recession in the US. The US central bank, the Federal Reserve, however, has taken decisive action to counterbalance weaker US economic growth by aggressively cutting its target interest rate. The US economy is unlikely to escape an economic downturn in the first half of 2008, but there should be a significant pick-up in growth in the second half as the effects of the Fed's action begin to be felt.

In Europe, a number of factors are beginning to weigh on sentiment, including the effects of weaker economic growth in the US, the lagging effects of the appreciation of the euro and more difficult credit market conditions due to some European banks' rather high exposure to the US credit market. Growth is expected to moderate in 2008, but overall to remain solid: high capacity utilization and strong corporate profitability will lend support to investment spending, while healthy labor markets will encourage private consumption.

The emerging markets were a major source of support for the world economy in 2007 and going forward they are expected to continue to help to mitigate the effects of a slowdown in the US and Europe. Economic growth in the Asian and South American regions should moderate slightly in 2008, but overall it should remain stable and at a high level.

Although the global economy is expected to moderate slightly in 2008, the positive trend in the development of private equity assets should continue during the year due to sound underlying fundamentals. Given its long-term investment horizon, the private equity asset class depends more on the long-term economic growth outlook than on short-term financial market developments and should, therefore, manage to emerge from the current crisis in the international financial markets relatively unscathed.

Healthy correction in the buyout market

In 2007, the abundance of liquidity in the credit market dried up, slowing down the buyout market. Currently, large and mega-large deals in particular have limited access to financing. By contrast, in the small- and mid-cap buyout universe (with enterprise values of up to USD 1 billion) there is a remarkable level of activity. With large-cap deals being difficult to execute until the current credit backlog has been absorbed and growth expectations have been

mittelgrossen Buyout-Transaktionen bis zu einem Unternehmenswert von USD 1 Mrd. gibt es jedoch eine bemerkenswert hohe Aktivität. Da grosse Transaktionen bis zur Abarbeitung der aufgestauten unsyndizierten Kredite und einer Anpassung der Wachstumserwartungen nur schwer durchzuführen sein werden, wird erwartet, dass General Partners aus dem Bereich von grossen Unternehmenstransaktionen vermehrt in den Bereich von mittelgrossen Transaktionen drängen werden, was zu einer erhöhten Konkurrenz um Investitionsmöglichkeiten in diesem Segment führen wird. Als Folge kann davon ausgegangen werden, dass die durchschnittlichen globalen Transaktionsgrössen kleiner werden und Einstiegspreise zurückgehen. Nur Einstiegspreise im oberen Bereich von mittelgrossen Transaktionen – die immer noch von vorhandenen Finanzierungsquellen profitieren – dürften nicht gross fallen.

Die jüngsten Turbulenzen an den Kreditmärkten zeigen auch ungünstige Auswirkungen auf das Exit-Umfeld für Buyout-Transaktionen, welches aufgrund des sinkenden weltweiten Risikoappetits und der steigenden Volatilität weniger begünstigt wird. Dementsprechend wird eine Verlängerung der Investitionszyklen im Buyout-Segment erwartet: nach den extrem kurzen Investitionszyklen während des Buyout-Booms der letzten Jahre dürften diese nun wieder auf ein gewöhnlicheres Niveau von vier bis fünf Jahren – wie vor der Hausse – ansteigen.

Die steigenden Kosten bei der Kapitalbeschaffung werden im Buyout-Segment einen Schwerpunktwechsel Richtung Wertschöpfung erforderlich machen. Die Bedeutung der operativen Wertgenerierung wird steigen, da die Möglichkeiten für Kapitalarbitrage begrenzt sein werden. Als Folge wird die Bedeutung von Unternehmensrestrukturierung, Kostensenkung sowie organischem und externem Wachstum steigen, eine Verlagerung, die insbesondere die Fähigkeiten der General Partners in den Mittelpunkt stellen wird. Gleichzeitig wird der Konkurrenzkampf für eine Allokation bei den besten General Partners mit erwiesenem Leistungsausweis steigen, wobei der Zugang zu diesen Top-Managern ausschlaggebend sein wird.

Anhaltendes Wachstum im Venture Capital-Bereich

Der allgemeine Ausblick für Venture- und Wachstumskapital bleibt positiv und folglich nimmt das Investitionstempo in diesem Segment weiterhin zu. Es darf erwartet werden, dass das verbesserte Exit-Umfeld sowie die steigende Exit-Visibilität für Venture- und Wachstumsinvestitionen im Jahr 2008 anhalten werden. Gleichzeitig

adjusted, more general partners from the large and mega large segment are expected to push into mid-cap deals, resulting in stiffer competition for deals in the segment. As a consequence, the global average deal size is expected to decline and multiples to decrease. Only entry prices in the upper middle-market – which is benefiting from the fact that sources of credit are still available for deals in this segment – are unlikely to come down much further.

The recent turmoil in the credit markets has also had an adverse effect on the exit environment for buyout transactions: it has become less supportive as the global appetite for risk has waned and volatility has risen. Thus, investment cycles in the buyout segment can be expected to lengthen again: there will be a departure from the ultra short capital repayment cycles seen during the recent buyout boom and a return to normal, pre-boom investment cycles spanning four to five years.

The rising cost of capital will necessitate a shift in focus towards value creation in the buyout segment. The importance of operational value add will grow as opportunities for capital arbitrage become more limited. Corporate restructuring, cost reductions and organic and external growth will become more important, i.e. there will be a shift whereby the general partners' manager qualities will be to the fore. Thus, the competition for high-quality general partners with proven track records will likely heat up and gaining access to top managers will be crucial.

Continuing growth in venture capital

The general outlook for venture and growth capital remains positive and, in line with this, the investment pace is continuing to pick up. The improved exit environment for venture/growth and greater exit visibility are expected to continue into 2008. These positive liquidity prospects are likely to raise the overall profile of the investment strategy. Growth opportunities, especially in Asia, remain compelling.

Higher return potential for mezzanine investments

Since the onset of the credit crisis, the terms and conditions of mezzanine investments have improved significantly. Pricing, which had only been sustained through higher Euribor rates, has recently started to benefit from widening credit spreads. Given that spreads are expected to remain wide in 2008, the return potential for mezzanine debt has clearly risen. Furthermore, the credit crisis has given rise to the possibility again of including equity kickers in mezza-

verbessern positive Liquiditätsaussichten die Attraktivität dieser Investitionsstrategie. Besonders in Asien überzeugen Wachstumsmöglichkeiten weiterhin.

Erhöhtes Renditepotenzial bei Mezzanine-Investitionen

Seit der Kreditkrise haben sich die Bedingungen für Mezzanineinvestitionen deutlich verbessert. Die Preisgestaltung, die zuvor nur vom hohen Euribor-Zinssatz getragen wurde, profitiert von den steigenden Risikoaufschlägen und da bei diesen davon ausgegangen werden kann, dass sie im Jahr 2008 weiterhin hoch bleiben werden, ist das Renditepotenzial für Mezzaninefinanzierungen deutlich gestiegen. Ausserdem hat die Kreditkrise den Einschluss von Eigenkapitalanteilen bei Mezzaninetransaktionen wieder möglich gemacht. Diese erlauben zusätzliches Renditepotenzial und verbessern die Absicherung für Investoren, was eine willkommene Entwicklung vor dem Hintergrund eines abschwächenden Weltwirtschaftswachstums darstellt. Das Risiko von Mezzaninefinanzierungen reduziert sich zudem aufgrund der zurückgehenden Fremdkapitalanteile.

Entwicklungspotenzial bei notierten Private Equity-Anlagen

Notierte Private Equity-Anlagen haben unter der Kreditkrise überproportional gelitten. Die Korrektur bedeutet jedoch, dass steigende Ausfallsquoten und höhere Risikoaufschläge jetzt im Kaufpreis inbegriffen sind und nach einer Beruhigung der Kreditmärkte ein positives Entwicklungspotenzial entstehen dürfte. Der Ausblick für notierte Private Equity-Anlagen bleibt vor allem für amerikanische und europäische Buyout-portfolios positiv, da diese starke und diversifizierte zugrundeliegende Portfolios aufweisen und aufgrund der jüngsten Abschlüsse attraktiv bewertet sind.

Attraktive Möglichkeiten im Sekundärmarkt

Der Sekundärmarkt bietet derzeit vor allem in Europa und den USA attraktive Investitionsmöglichkeiten. Es befinden sich interessante Fonds der Gründungsjahre 2003–2006 auf dem Markt, die starkes Entwicklungspotenzial bieten. Zusätzlich spüren einige Finanzmarktteilnehmer, insbesondere Banken, aufgrund von Liquiditätsbedürfnissen und den Turbulenzen an den Finanzmärkten einen erhöhten Veräusserungsdruck und erhöhen dementsprechend das Angebot auf dem Sekundärmarkt.

nine transactions, generating additional returns, and has increased investor protection, which is an overall healthy development in the context of slowing global economic growth. Lower levels of leverage should also reduce the risk further.

Upside potential in the listed private equity market

The listed private equity asset class suffered disproportionately from the turmoil in the credit market. However, the correction implies that rising defaults rates and wider credit spreads are now priced in, and once calm returns to the credit market there could be some upside potential. The outlook for listed private equity remains positive, especially for European and North American buyouts, due to the good underlying diversified portfolios and the attractive valuations after the recent market correction.

Attractive opportunities in the secondary market

The secondary market currently offers attractive opportunities, especially in Europe and the US. There are some interesting 2003–2006 vintage year funds with upside potential on the market. In addition, some financial market participants, especially banks, have been facing increasing pressure to sell during the financial market turmoil and due to liquidity needs, thus adding to the supply of available secondaries in the market.

AUSBLICK 2008 FÜR PRINCESS OUTLOOK FOR PRINCESS FOR 2008

Der Anlageberater von Princess erwartet für 2008 nach wie vor eine weiterhin wachsende Weltwirtschaft und geht von keiner substanziellen Rezession aus. Die momentane Verlangsamung des Wirtschaftswachstums wird als vorübergehend angesehen. Aus diesem Grund bleibt der Anlageberater zuversichtlich, dass sich der positive Trend der NAV-Entwicklung von Princess 2008 fortsetzen wird.

Princess wird 2008 weiterhin Zahlungsverprechen tätigen, dies jedoch moderater als noch in 2007, dabei jedoch nach wie vor einen sehr selektiven Ansatz verfolgen. In Anbetracht der Stärke des Dealflusses beim Anlageberater kann davon ausgegangen werden, dass das Ziel, in 2008 vollständig investiert zu sein, erreicht wird. Bei vollem Investitionsgrad wird Princess weiterhin wie seit Auflegung eine Overcommitment-Strategie verfolgen, um vollständig investiert zu bleiben. Ziel ist es, einen Investitionsgrad von 100% bis 120% aufrecht zu erhalten und so eine strategische Leverage-Position aufzubauen.

Die Reife und Qualität des diversifizierten Portfolios von Princess, welche zur andauernden starken Performance geführt haben, in Kombination mit weiterhin hohen Dividendenzahlungen von 5–8% des NAV werden es Princess erlauben, sich auch zukünftig klar von den Wettbewerbern abzugrenzen.

The Investment Advisor to Princess still expects the global economy to expand in 2008, albeit more slowly, as it does not see the US entering into a material recession, and believes the current slowdown will be temporary. It therefore remains confident that the positive trend in the NAV development of Princess will continue in 2008.

In 2008, Princess is expected to continue its commitment activity, albeit at a more moderate pace than in 2007. Princess will, however, maintain a highly selective approach in making new investments. It is expected that the goal of being fully invested in 2008 will be achieved, given the strength of the deal flow received by the Investment Advisor. After reaching full investment, Princess intends to continue to follow the overcommitment strategy that it has pursued since its launch so as to remain fully invested, with the objective being to maintain a 100-120% investment level and thus build up a strategic leverage position.

The maturity and quality of the diversified portfolio of Princess, which has led to the consistently strong performance, in combination with continued high dividend payments of 5-8% of the NAV, will allow Princess to continue to clearly differentiate itself from its competitors.



VERWALTUNGSRAT

BOARD MEMBERS

Colin Maltby (Chairman) (*British, born 1951*) is currently an investment advisor to the British Coal Staff Superannuation Scheme and to Wolfson College, Oxford. He was Head of Investments at BP from August 2000 to June 2007 and was previously Chief Investment Officer of Equitas Limited from its formation in 1996. His career in investment management began in 1975 with NM Rothschild & Sons and included 15 years with the Kleinwort Benson Group, of which he was a Group Chief Executive at the time of its acquisition by Dresdner Bank AG in 1995. He was Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995. Mr. Maltby has a Double First Class Honours degree in Physics from Oxford University, and attended the Stanford Graduate School of Business. He was President of the Oxford Union in 1973. He is a Fellow of Wolfson College, Oxford, a Fellow of the Royal Institution of Great Britain and a Fellow of the Royal Society of Arts (RSA). He was a member of the RSA 'Tomorrow's Company' Inquiry team in 1993–5 and has been an advisor to the Carbon Disclosure Project since 2001. Mr. Maltby has served as a non-executive director of various public companies and agencies, and as an advisor to numerous institutional investors, including the investment advisory committees of private equity and venture capital limited partnerships in both Europe and the United States.

Andreas Billmaier (*German, born 1964*) has been a division manager, head of participation management and private equity and a member of several steering committees of the Nuernberger Insurance Group since 2000. Prior to this, he worked as a controller and auditor with the Nuernberger Insurance Group since his graduation in December 1993. Before taking up his studies, he worked as a client advisor at Deutsche Bank. Mr. Billmaier is an advisory board member of several private equity and real estate funds and fund-of-funds. Mr. Billmaier holds a degree in economics (banking, taxes, auditing and controlling).

Jonathan Hooley (*British, born 1955*) was until 30 September 2007 a senior partner and Chairman of KPMG Channel Islands Limited. He is a member of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation. He advises the States of Guernsey on its external tax affairs and is the Chairman of the Channel Islands Stock Exchange. He is also a member of the Offshore Advisory Committee of the Association of Investment Companies.

Brian Human (*British, born 1948*) is currently a managing director of the Company and served previously as a managing director of Princess Management and Insurance Limited. He gained a Bachelor of Arts degree in Economics from Rhodes University, South Africa, and the Investment Advice Certificate (IAC) qualification from the UK's Securities and Investment Institute. Mr. Human has been in the finance industry since graduating in 1971. He emigrated to England in 1973, joining first the Midland Bank and then Grindlays Bank, which was acquired by the ANZ Bank in 1992 and then by Standard Chartered Bank in 2000. He has worked in Thailand, Hong Kong and Australia as well as England, Jersey and Guernsey. Prior to joining Princess in November 2003, he was head of risk management for Standard Chartered Bank (Jersey) Limited, and his previous posts include managing director of ANZ Grindlays Bank (Jersey) Limited, managing director of ANZ Bank Guernsey Limited, senior manager of credit at ANZ Bank London, senior manager of business banking at ANZ Melbourne and general manager of Thailand-based General Finance and Securities Limited. Mr. Human is a part-time employee of the Company.

Urs Wietlisbach (*Swiss, born 1961*) is a Co-Founder and Partner of Partners Group Holding and a member of both the business development committee and the private equity investment committee, and serves as the firm's Executive Vice Chairman. As Chief Markets Officer, he is responsible for marketing strategy and client relationship management. He was initially responsible for the firm's partnership investment activities and was instrumental in building Partners Group's private equity fund portfolio and a global industry network. Later, he also focused on business development responsibilities, first in Europe and subsequently in the US and the Asia-Pacific region. Prior to founding Partners Group Holding, Mr. Wietlisbach was an executive director at Goldman Sachs & Co. where, after assignments in London and New York, he was appointed head of the firm's institutional clients business in Switzerland. Previously, he was a relationship manager for multinational corporate clients at Credit Suisse in New York and Zurich.

FINANZZAHLEN
FINANCIAL FIGURES



DIRECTORS' REPORT

Directors:	C. Maltby (Chairman)	(appointed 1 October 2007)
	A. Billmaier	
	J. Hooley	(appointed 1 October 2007)
	B. Human	
	U. Wietlisbach	
	G. Hall	(resigned 1 October 2007)
Secretary:	Dexion Capital (Guernsey) Limited	(appointed 1 October 2007)
	Aon Insurance Managers (Guernsey) Limited	(resigned 1 October 2007)
Registered Office:	Tudor House St Peter Port Guernsey GY1 1BT	

The directors present their report and consolidated audited financial statements for the year from 1 January 2007 to 31 December 2007.

Incorporation

Princess Private Equity Holding Limited (the "Company") and Princess Private Equity Subholding Limited (the "Subholding" and together with the Company, the "Group") are limited liability companies, incorporated and domiciled in Guernsey, Channel Islands.

Principal Activity

The principal activity of the Group is the holding of investments for the purpose of capital appreciation.

The Investment Manager of the Company is Princess Management Limited and the Investment Advisor is Partners Group. The majority of the Board is independent of the Investment Manager and the Investment Advisor.

Investment Objectives and Investment Policy

The Company's investment objective is to provide shareholders with long-term capital growth and an attractive dividend yield through investment in a diversified portfolio of private equity and private debt investments which may be classified as private market investment.

Under the Company's investment policy, investments may include, inter alia:

- Fund investments: interests in private investment funds acquired from other investors (secondary investments) or through a commitment to a new fund (primary investments). Private investment funds may include vehicles focusing on buyouts, mezzanine funding, venture capital and special situations such as distressed or turnaround situations, private real estate, private infrastructure investments, PIPE (private investments in public equity) transactions and leveraged debt.
- Direct investments: interests in (typically unlisted) assets and operating companies (whether held directly or indirectly) and may include equity, debt or other kinds of securities.
- Listed private equity: interests in vehicles listed on a public stock exchange that invest in private investment transactions or funds.

To achieve the investment objective, the Company intends to continue to pursue a relative value investment strategy designed to systematically identify and invest in private equity, private debt and listed private equity that Princess Management Limited ("the Investment Manager") and Partners Group, a Swiss limited liability company ("the Investment Adviser") believe offer superior value at a given point in time.

The Investment Manager has complete discretion as to asset allocation within the private investment market and may at any time determine that up to 100% of the Company's assets may be invested in any particular private market segment.

Review of Performance

An outline of the performance, investment activity and developments in the portfolio can be found in the audited income statement.

Monitoring Performance

At each board meeting the Directors consider a number of performance indicators to assess the Company's success in achieving its investment objectives. These include:

- Price and NAV developments
- Net cash flow
- Capital call and distributions
- IRR reports at the underlying fund level
- Unfunded commitments
- Risk management and adherence to investment guidelines
- Corporate governance issues

Principal Risks and Uncertainties

The main focus of the Company is to invest in private equity funds, which themselves invest in unquoted companies, and direct investments co-investing with leading private equity fund managers. An explanation of the risks and how they are managed is contained in note 8 to the accounts.

Share Capital

The Company's issued and paid up share capital as at 31 December 2007 was 70,100,000 ordinary shares of EUR 0.001 each. This is detailed in note 14 to the accounts while the changes to the share structure in 2007 are detailed in Significant Events below.

Shareholder Information

The Net Asset Value and the Net Asset Value per Share is calculated (in Euro) every month at the last Business Day of each month by Partners Group (Guernsey) Limited acting as Administrator.

Calculations are made in accordance with IFRS which requires the Company's direct investments and fund investments to be valued at fair value and will be announced by the Company on its website and to regulatory information service approved by the UK Listing Authority as soon as practicable after the end of the relevant period.

Dividends

During 2007 total dividends of EUR 0.574 per share (calculated on the dividend per share after the share split) were paid by way of two interim dividends. The Directors of Princess Private Equity Holding Limited do not propose a final dividend for the year ended 31 December 2007.

Results

The results for the year are shown in the consolidated income statement on page 64.

Directors

The Directors of Princess Private Equity Holding Limited are detailed on page 56. The Directors had no beneficial interest in the Company other than as shown below.

Mr Human retired by rotation and was re-elected at the last AGM. Mr Billmaier was appointed by the Board on 5 December 2006 and his appointment was confirmed at the AGM.

Mr Maltby and Mr Hooley were appointed by the board on 1 October 2007 and confirmation of their appointment will be proposed at the 2008 AGM.

The sole Director of Princess Private Equity Subholding Limited, which held office during the year, was Princess Private Equity Holding Limited.

No contract or arrangement existed in the period in which any of the Directors had a material interest other than Mr Wietlisbach who is a Director of and shareholder in Partners Group, the beneficial owner of the Investment Manager and the Administrator. No Director had a service contact with the company other than Mr Human who is a part time employee of the Company.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Company. The Company's articles entitle the Directors, managers, agents, secretary and other officers to be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company.

Investment Management Arrangements

Princess Management Limited, a wholly owned subsidiary of Partners Group, is the Investment Manager to the Company. A revised Investment Management Agreement was signed ahead of the listing on the London Stock Exchange. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement with Partners Group. Mr Wietlisbach is a founding partner of Partners Group and currently serves as that firm's executive vice chairman. Details of the Management fees are shown under note 5.

Significant Events

At the Annual General Meeting held on 12 April 2007 resolutions authorising the following were proposed and adopted: the amendment of the Articles of Association of the Company to allow electronic dissemination of shareholder information cancellation of the amount standing to the credit of the share premium account of the Company and the conversion of such amount into a distributable reserve; authorisation of the Company to purchase its own shares; approval of the Directors' Report and Audited Accounts for the year ended 31 December 2006; authorisation of the payment of a dividend of EUR 2.74 per Ordinary Share (pre share split), to be paid on 30 April 2007, conditional on the share premium reduction being approved by the Royal Court of Guernsey, which was obtained; appointment of auditors, appointment of directors and other general business.

An Extraordinary General Meeting of the Company was held on 12 October 2007. At this meeting the following resolutions were proposed and adopted: each authorised Ordinary Share of EUR 0.01 in the Company be divided into 10 Ordinary Shares of EUR 0.001 each; the adoption of new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company to comply with the UKLA listing requirements.

The Board of Directors of the Company announced on 31 October 2007 that the Company had successfully applied for the entire issued share capital of 70,100,000 ordinary shares of EUR 0.001 each to be admitted to the Official List (Chapter 15) and trading on the London Stock Exchange (LSE) commenced from 1 November 2007.

On 5 December 2007 the Directors declared an interim dividend of EUR 0.3 per share.

Substantial Interest

The Transparency Directive came into force on 20 January 2007. The directive requires substantial shareholders to make relevant holding notifications to the Company and the UK Financial Services Authority. The Company must then disseminate this information to the wider market. The significant holdings in the Company which have been notified to the Company are shown in note 14.4.

Corporate Governance

Introduction

As a Guernsey registered company, the Company is not required to comply with the Combined Code. However, the Directors have determined to report against the AIC ("Association of Investment Companies") Code of Corporate Governance and to follow AIC's Corporate Governance Guide for Investment Companies. There are no specific corporate governance principles the Company is obliged to comply with either in Guernsey or Germany.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the Combined Code, as well as setting out additional principles

and recommendations on issues that are specific to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to

- The role of the Chief Executive
- Executive Directors' remuneration
- The need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

FWB Listing (Frankfurt Stock Exchange)

Listed stock corporations having their registered seat in Germany are subject to the German Corporate Governance Code adopted by the German Corporate Governance Code Commission on 26 February 2002, in the 2 June 2005 version thereof currently in force (hereinafter the "Code"). The Code's aim, in particular, is to make the German system of Corporate Governance more transparent, to clarify shareholder rights and to improve Management Board-Supervisory Board collaboration, internal reporting and auditor independence.

The Board

The Board consists of four non executive directors and one executive director. The independent Chairman of the Board is Mr Maltby who has no other significant business commitments which need to be disclosed and the Board is satisfied that he has sufficient time available to discharge fully his responsibilities as Chairman of the Company. For the purposes of assessing compliance with the AIC Code, the Board considers all of the Directors (other than Mr Wietlisbach and Mr Billmaier) as independent of the Investment Manager and the Investment Adviser and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Mr Human was appointed Managing Director pursuant to a service contract dated 20 March 2007. He is a part time employee. Mr Human was formerly employed on a part time basis by Partners Group Global Opportunities Limited, a company which also retains the services of the Investment Adviser, but this employment was terminated in December 2007 and the Board now regards Mr Human as independent.

Prior to his appointment as a Director, Mr Hooley was a partner of a professional adviser to the manager of the Company. The nature of the advice sought and the limited role performed by Mr Hooley are such that the Board has concluded that this past relationship does not affect Mr Hooley's ability to exercise independent judgement.

Mr Billmaier is not regarded as independent as he serves on the Board of another company advised by Partners Group since December 2007.

The Board has a breadth of experience relevant to the Company and a balance of skills, experience and age and the Directors have not identified any gaps that require improvement at this time.

The Board will undertake an annual evaluation of its own performance and the performance of its committees and individual Directors. This will be facilitated by the Company Secretary but no such evaluation was carried out in 2007, given the relatively new appointments ahead of the listing on the LSE.

The Board will undertake an annual review of the effectiveness of the Company's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. As these were extensively reviewed ahead of the listing on the LSE no additional review was conducted in 2007.

Directors are appointed for a fixed term of no more than three years. The appointment shall be renewed for a further period if both the respective Director and the Board believe that a renewal is in the interest of the Company. The renewal shall always be subject to an assessment of the independence of the Director in question. In view of the long-term nature of the Company's investments, the Board believes that a stable board composition is fundamental to run the Company properly. The Board has not stipulated a maximum term of any directorship. Directors retire by rotation except for Mr Wietlisbach who is subject to annual re-election.

Director's Duties and Responsibilities

The Board of Directors has overall responsibility for the Company's affairs and is responsible for the determination of the investment policy of the Company, resolving conflicts and for monitoring the overall portfolio of investments of the Company. To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for performing certain of the day-to-day operations of the Company to the Investment Manager, the Investment Adviser and other third-party service providers, such as the Administrator and the Corporate Secretary.

The Directors (other than Mr Wietlisbach who is not independent of the Investment Manager) have determined that the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of Shareholders, given the strong performance, global reach, access to leading private equity houses and expertise of the Investment Manager and through the Investment Manager to the Investment Advisor.

The Board receives full details of the Company's assets, liabilities and other relevant information in advance of Board meetings. The Board meets formally at least four times a year; however, the Investment Manager and Company Secretary stay in more regular contact with the Directors on a less formal basis. Individual Directors have direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

The Directors have adopted a schedule of matters reserved for the Board as part of the LSE listing process. This includes approval of accounts, approval of dividends and the appointment and removal of service providers. The consent of the Board is required if the Investment Manager wishes to borrow more than 25% of the value of the Company assets, enter into any transaction with an affiliate of the Investment Manager or invest more than 10% of the Company's assets in any single investment (excluding investments in pooling vehicles).

Board Meetings

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of any meeting as part of the board papers. The Directors may request any Agenda items to be added that they consider appropriate for board discussion. In addition each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion.

Board meetings are attended by representatives of the Investment Manager and the Investment Advisor. The Company's corporate broker also attends to assist the Directors in understanding the views of major shareholders about the Company.

Below is a summary of the Director attendance at Board meetings held in 2007:

Meeting Date	Attendance	Apologies
22 February 2007	Urs Wietlisbach, Graham Hall, Brian Human	Andreas Billmaier
24 May 2007	Urs Wietlisbach, Andreas Billmaier, Graham Hall, Brian Human	
9 August 2007	Urs Wietlisbach, Andreas Billmaier, Graham Hall, Brian Human	
12 September 2007	Urs Wietlisbach, Andreas Billmaier, Graham Hall, Brian Human	
Post LSE Listing		
1 October 2007	Colin Maltby, Jonathan Hooley, Urs Wietlisbach, Andreas Billmaier, Brian Human	
25 October 2007	Jonathan Hooley, Andreas Billmaier, Brian Human	Colin Maltby, Urs Wietlisbach
16 November 2007	Colin Maltby, Jonathan Hooley, Urs Wietlisbach, Andreas Billmaier, Brian Human	

Committees of the Board

The Board has established an Audit and Management Engagement Committee. The Audit and Management Engagement Committee will meet at least four times a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored and will provide a forum through which the Company's external auditors may report to the Board. The Audit and Management Engagement Committee will review the annual, half yearly and quarterly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. With the exception of Mr Wietlisbach, the Audit and Management Engagement Committee is composed of all the members of the Board, and is chaired by Mr Hooley. The Committee met once in 2007 to approve the September 2007 report and accounts.

The Board has also established an Investment Committee of all the Directors, save for Mr Wietlisbach and Mr Maltby, which is responsible for considering and if thought appropriate agreeing matters that require the approval of the Board under the Investment Management Agreement. The Company's Investment Committee will otherwise not be involved in the Company's investment activities, which are executed by the Investment Manager in a discretionary mandate. The committee was not required to meet in 2007.

Given the size and nature of the Company, it is not deemed necessary to form a separate remuneration committee. The Board, as a whole, will also consider new Board appointments.

The Board consider that an internal audit function is not required within the Company as the internal controls systems operated by the Manager's and the Administrator's ultimate parent provide sufficient assurances as to the effectiveness of internal controls. Individual Directors undertake periodic visits to Partners Group to assess these controls and procedures.

Directors' Interests

The directors had no beneficial interest in the Company other than as shown below:

- Mr. Wietlisbach 170,000 shares deliverable in the form of co-ownership interest.

Shareholder Communication

The Directors place great importance on shareholder communication while the Manager and the Investment Advisor also carry out a programme of regular meetings with shareholders and potential investors. The Company publishes a monthly report with key financial data and issues affecting the portfolio, and publishes quarterly financial accounts as well as semi annual and audited annual accounts. Conference calls are arranged on a quarterly basis at which the Investment Advisor provides an in-depth review of developments in the portfolio and gives a market overview. Regular news releases are also published.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Investment Manager's report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994 as amended from time to time. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Secretary

The secretary of the Company at 31 December 2007 was Dexion Capital (Guernsey) Limited.

Auditors

During the year PricewaterhouseCoopers CI LLP were the auditors of the Group and a resolution to reappoint them as auditors to the Group will be proposed at the Annual General Meeting.

J. Hooley
Director

B. Human
Director

8 February 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCESS PRIVATE EQUITY HOLDING LIMITED



Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Princess Private Equity Holding Limited which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors' as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 1994.

Report on other legal and regulatory requirements

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 consolidated financial statements. The other information comprises only the directors' report, overview 2007, facts and figures, Chairman's report, structural overview, Investment Manager's report and board members.

In our opinion the information given in the directors' report is consistent with the consolidated financial statements.

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 into whose hands it may come save where expressly agreed by our prior consent in writing.

CONSOLIDATED AUDITED INCOME STATEMENT

for the year from 1 January 2007 to 31 December 2007

	Notes	01.01.2007– 31.12.2007 EUR	01.01.2006– 31.12.2006 EUR
Net income from designated financial assets at fair value through profit or loss		93'123'630	117'989'631
– Dividend and interest income	9&17	6'103'572	4'820'313
– Revaluation	9&19	103'667'915	109'760'741
– Foreign exchange gains & losses	9&18	(16'647'857)	3'408'577
Net income from financial assets at fair value through profit or loss held for trading			
Net income from listed private equity		(5'779'986)	–
– Gains and losses	10	(5'779'986)	–
Net income from short-term investments		301'065	3'167'606
– Gains and losses	11	950'535	2'978'896
– Interest on short-term investments	11&17	240'388	188'710
– Foreign exchange gains & losses	11&18	(889'858)	–
Net income from cash & cash equivalents		3'783'945	2'334'523
– Interest income	13&17	4'784'610	2'515'693
– Foreign exchange gains & losses	18	(1'000'665)	(181'170)
Operating income		91'428'654	123'491'760
Operating expenses		(16'143'182)	(17'992'557)
– Management fee	5	(13'609'628)	(9'276'956)
– Insurance fee	5	–	(6'111'758)
– Administration fee	5	(334'772)	(276'593)
– Incentive fee	5	(292'762)	–
– Tax exemption fee	6	(1'707)	(1'654)
– Restructuring costs		(1'195'779)	(1'192'332)
– Other foreign exchange gains & losses	18	193'306	(519'154)
– Other operating expenses		(901'840)	(614'110)
Financing cost		(141'505)	(34'146'844)
– Finance cost on convertible bond	15	–	(32'867'359)
– Amortization of transaction costs	15	–	(1'127'843)
– Interest expense	17	(141'505)	(151'642)
Surplus / (loss) for the financial year		75'143'967	71'352'359
		01.01.2007– 31.12.2007	01.01.2006– 31.12.2006
Earnings per share			
– Weighted average number of shares outstanding	4	70'100'000	7'010'000
– Basic surplus / (loss) per share for the financial year	4	1.07	10.18
– Diluted surplus / (loss) per share for the financial year	4	1.07	10.18

The notes on pages 69 to 85 form an integral part of these financial statements.

CONSOLIDATED AUDITED BALANCE SHEET

as at 31 December 2007

	Notes	31.12.2007 EUR	31.12.2006 EUR
Assets			
Non-current assets			
Designated financial assets at fair value through profit or loss			
Investments in limited partnerships and directly held investments	2&9	565'123'026	430'576'071
Financial assets at fair value through profit or loss held for trading			
Investment in listed private equity	2&10	31'283'850	-
Short-term investments	2&11	-	46'451'854
Hedging assets	9	6'095'015	-
		37'378'865	46'451'854
Current assets			
Other short-term receivables	12	616'560	211'749
Cash and cash equivalents	13	80'258'529	167'922'252
		80'875'089	168'134'001
Total assets		683'376'980	645'161'926
Equity			
Capital and reserves			
Issued capital	14	70'100	70'100
Share premium	14	-	730'149'287
Distributable reserve	14	689'911'890	-
Accumulated loss		(13'775'481)	(88'919'448)
Total equity		676'206'509	641'299'939
Liabilities falling due within one year			
Financial liabilities at fair value through profit or loss			
Hedging liabilities	9	-	1'867'066
Other short-term liabilities			
Other short-term payables	16	7'170'471	1'994'921
		7'170'471	1'994'921
Total liabilities and equity		683'376'980	645'161'926

The notes on pages 69 to 85 form an integral part of these financial statements. The financial statements on pages 64 to 85 were approved by the board of directors on 8 February 2008 and are signed on its behalf by:

J. Hooley
Director

B. Human
Director

CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY

for the year from 1 January 2007 to 31 December 2007 (all amounts in EUR)

	Share capital	Share premium	Distributable reserve	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	70'100	730'149'287	-	(88'919'448)	641'299'939
Transfer share premium to distributable reserve	-	(730'149'287)	730'149'287	-	-
Dividend payment	-	-	(40'237'397)	-	(40'237'397)
Surplus / (loss) for the financial year	-	-	-	75'143'967	75'143'967
Equity at end of reporting year	70'100	-	689'911'890	(13'775'481)	676'206'509

The notes on pages 69 to 85 form an integral part of these financial statements.

CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY for the year from 1 January 2006 to 31 December 2006 (all amounts in EUR)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	76	199'474'524	(160'271'808)	39'202'792
Increase of share capital	24	-	-	24
Conversion of the convertible bond	70'000	530'674'763	-	530'744'763
Surplus / (loss) for the financial year	-	-	71'352'360	71'352'360
Equity at end of reporting year	70'100	730'149'287	(88'919'448)	641'299'939

The notes on pages 69 to 85 form an integral part of these financial statements.

CONSOLIDATED AUDITED CASH FLOW STATEMENT

for the year from 1 January 2007 to 31 December 2007

	Notes	01.01.2007– 31.12.2007 EUR	01.01.2006– 31.12.2006 EUR
Cash flow from operating activities			
– Management fee	5	(13'609'628)	(9'276'956)
– Administration fee	5	(334'772)	(276'593)
– Insurance fee	5	–	(6'111'758)
– Incentive Fee	5	(292'762)	–
– Tax exemption fee	6	(1'707)	(1'654)
– Restructuring costs		(1'195'778)	(1'192'332)
– Other operating expenses		(901'840)	(614'110)
– Proceeds from / (costs of) hedging activities	9	12'475'305	(6'853'126)
– (Increase) / decrease in other short-term receivables		(211'506)	(411'296)
– Increase / (decrease) in other short-term payables		5'175'550	1'788'680
– Dividends received from limited partnerships and directly held investments	9	2'874'253	1'297'935
– Interest received from limited partnerships and directly held investments	9	2'217'059	3'522'378
– Purchase of limited partnerships and directly held investments	9	(234'695'249)	(57'845'389)
– Distributions from limited partnerships and directly held investments	9	167'743'226	202'709'048
– Purchase of listed private equity	10	(37'063'836)	–
– Redemptions of short-term investments	11	197'302'644	243'251'057
– Net purchase of short-term investments	11	(150'790'113)	(241'638'463)
– Interest on short-term investments	11	240'388	188'709
– Interest from cash and cash equivalents	13	4'784'610	2'515'693
– Financing cost / credit line charges		(141'505)	(340'176)
Net cash from/(used in) operating activities		(46'425'661)	130'711'646
Cash flow from financing activities			
– Increase in share capital		–	24
– Dividend payment		(40'237'397)	–
Net increase / (decrease) in cash and cash equivalents		(86'663'058)	130'711'670
Cash and cash equivalents at beginning of reporting year	13	167'922'252	37'391'751
Effects on cash and cash equivalents			
– Movement in exchange rates	18	(1'000'665)	(181'170)
Cash and cash equivalents at end of reporting year	13	80'258'529	167'922'252

The notes on pages 69 to 85 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

1 ORGANIZATION AND BUSINESS ACTIVITY

Princess Private Equity Holding Limited (the "Company") is an investment holding company established on 12 May 1999. The Company's registered office is Tudor House, St. Peter Port, Guernsey, GY1 1BT. The Company is a Guernsey limited company that operates in the private equity and private debt market and invests directly or through its wholly-owned subsidiary, Princess Private Equity Subholding Limited, in private market investments.

Since 13 December 2006 the shares of the Company have been listed on the Prime Standard of the Frankfurt Stock Exchange (See note 14). As of 1 November 2007 the shares have also been listed on the London Stock Exchange.

As of 31 December 2007 the Company has one part time employee who serves as managing director.

2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies correspond to those of the audited consolidated financial statements of the year ended 2006 except for the changes discussed below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

As at 1 January 2007 there were new and existing revised International Financial Reporting Standards (IFRS) to be adopted. The Group has consequently adopted all relevant and below-mentioned Standards since 1 January 2007.

– International Financial Reporting Standard 7 (effective 1 January 2007) – Financial Instruments: Disclosures, and the complementary amendments to IAS 1 – Presentation of financial statements: Capital disclosures.

The adoption of IFRS 7 did not affect the Group's results of operations or financial position, but resulted in additional disclosures about the significance of financial instruments for the Group's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of the financial risks.

The interpretations IFRIC 7 to 10 (International Financial Reporting Interpretations Committee) are effective for financial periods after 1 January 2007. These interpretations had no impact on the financial statements of the Group.

The following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 1 January 2008, or later periods have not been early adopted:

- IFRS 8 (effective 1 January 2009): – Segment reporting
- IFRIC 11 (effective 1 March 2007): – Group and treasury share transactions
- IFRIC 12 (effective 1 January 2008): – Service Concession Arrangements
- IFRIC 13 (effective 1 July 2008): – Customer Loyalty Programmes
- IFRIC 14 (effective 1 January 2008): – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group assessed the impact of IFRS 8 and concluded that this new standard will result in some additional disclosures, but will not affect the Group's results of operations or financial position. The Group will apply IFRS 8 from accounting periods beginning 1 January 2009.

The Group assessed the impact of the interpretations of IFRIC 11 to 14 and concluded that these new interpretations will not affect the Group's results of operations or financial position.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and under the historical cost convention as modified by the revaluation of "financial assets and financial liabilities at fair value through profit or loss".

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Net income from short-term investments and cash and cash equivalents

Income from bank deposits is included on an accruals basis. Gains and losses from short-term investments and gains and losses from cash and cash equivalents also include the increase in value of bonds purchased at a discount. All realized and unrealized surpluses and losses are recognized in the income statement.

Expenditure

The expenditure is included in the consolidated financial statements on an accruals basis.

Functional and presentation currency

The consolidated financial statements are presented in Euro which is also the currency of the primary economic environment in which it operates ("functional currency"). Transactions in foreign currencies are translated into Euro at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are included in the income statement.

As of 1 January 2007 the Company and the Subsidiary changed functional currency from US dollars to Euro. All items have been translated from US dollars to Euro using the exchange rate at the date of the change. The applied foreign exchange rate equals USD/EUR 0.7582076.

Financial assets and financial liabilities at fair value through profit or loss

a) Classification

The Group classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term.

The Group's policy of hedging the value of non-Euro investments against the Euro does not qualify for hedge accounting as defined in IAS 39. Derivative financial instruments are classified as financial assets and liabilities held for trading or designated in case they are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. They are initially recognized in the balance sheet at fair value and subsequently are remeasured at their fair value. As a result the unrealized changes in the fair value of these derivatives and the realized net gains / losses on the derivatives that matured during the period are recognized in the income statement under the heading of "Net income from limited partnerships and directly held investments – foreign exchange gains and losses". The fair values of various derivative instruments used for hedging purposes are disclosed in note 9.

Financial assets and financial liabilities designated at fair value through profit or loss at inception consist of investments in limited partnerships and directly held investments. They are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is used by the investment manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

In selecting investments the directors have taken into consideration the accounting and valuation bases of the underlying partnerships and select only those investments which adopt an internationally recognized standard.

b) Recognition / Derecognition

All transactions relating to financial assets and financial liabilities at fair value through profit or loss are recognized on the settlement date.

Any distributions, including return of principal of investment, received from the underlying limited partnerships and directly held investments are recognized on the distribution date.

Financial assets and financial liabilities at fair value through profit or loss are derecognized when the right to receive cash flows has expired or where substantially all risks and rewards of ownership have been transferred.

c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the income statement in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Group's right to receive payments is established. Transaction costs are expensed in the income statement.

d) Fair Value estimation

The fair value of financial instruments traded in active markets (such as listed private equity) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

Short-term investments

The Group classifies its monetary investments in short-term investments as financial assets at fair value through profit or loss. Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase and are treated as "financial assets at fair value through profit or loss".

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 – Gains and losses".

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

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

short-term investments – Gains and losses". 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 "Realized gains and losses".

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

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and term deposits with a maturity of three months or less.

Cash and cash equivalents are stated at the carrying amount as this is a reasonable approximation of fair value.

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 unrealized surpluses and losses on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in note 25.

The consolidation is performed using the purchase method. All Group companies have a 31 December year-end.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investments in limited partnerships and directly held investments

For the valuation of such investments the directors review information provided by underlying partnerships and other business partners and apply widely recognized valuation methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation to estimate a fair value as at the balance sheet date. The variety of valuation bases adopted, quality of management information provided by the underlying partnerships and the lack of liquid markets for the investments held mean that there are inherent difficulties in determining the fair values of these investments that cannot be eliminated. Therefore the amounts realized on the sale of investments will differ from the fair values reflected in these financial statements and the differences may be significant.

4 EARNINGS PER SHARE / NET ASSET VALUE PER SHARE

Basic earnings per share are calculated by dividing the surplus or loss for the financial year attributable to the shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The net asset value per share is calculated by dividing the net assets in the balance sheet by the number of potential shares outstanding at year-end.

5 EXPENSES

Management fee

Until 8 December 2006 the management fee was calculated on the following basis:

The management fee was paid quarterly in advance pursuant to the Investment Management Agreement between the Company and the Investment Manager Princess Management Limited (Formerly Princess Management & Insurance Limited). The quarterly management fee was calculated as 0.375% of the higher of the sum of Private Equity Net Assets and the undrawn commitments or the Net Assets of the Group.

After 8 December 2006 the management fee is being calculated on the following basis:

Under the Investment Management Agreement between the Company and the Investment Manager the Company pays to the Investment Manager a quarterly management fee. The quarterly management fee is calculated as 0.375% of the higher of the sum of Private Equity Net Assets and the undrawn commitments or the Net Assets of the Group at the end of the quarter.

In respect of secondary investments, the Company pays an additional quarterly fee equal to 0.0625% of the secondary investment value. In respect of direct investments, the Company pays an additional quarterly fee equal to 0.125% of the direct investment value.

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between the Company and Partners Group (Guernsey) Limited. ("the Investment Manager") The quarterly administration fee is calculated as 0.0125% of the first USD 1 billion of Net Assets and 0.005% of the amount by which such Net Assets exceed USD 1 billion.

Insurance fee

The insurance fee was paid quarterly in advance pursuant to the Insurance Trust Agreement between the Company and Princess Management Limited. On 9 February 2006 when the mitigation rights were exercised, the calculation of the quarterly insurance premium changed and the insurance premium was calculated as 0.375% of Net Assets minus all assets held in cash, cash equivalents or marketable securities.

In the course of the restructuring, the Insurance Policy was terminated with effect from 8 December 2006. No insurance fee has been charged after that date.

Incentive Fee

The incentive fee in respect of direct investments is determined as provided below, and the incentive fee in respect of secondary investments is determined in the same manner, *mutatis mutandis*, save that the incentive fee in respect of secondary investments is determined using a rate of 10% instead of 15%. The incentive fee in respect of each direct investment is calculated as follows on a deal-by-deal basis:

First, Princess receives 100% of all distributions (being all amounts whether of an income or capital nature) derived from the relevant direct investment ("relevant distributions") until it has received relevant distributions equal to:

- its acquisition cost in respect of the relevant direct investment; plus
- an amount (the "preferred return") calculated at the rate of 8% per annum compounded annually on the amount out

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

standing in respect of the relevant direct investment from time to time (i.e. zero or acquisition cost less relevant distributions, whichever is greater), taking into account the timing of the relevant cash flows;

Second, an incentive fee equal to 100% of further relevant distributions received by Princess is due and payable to the Investment Manager until such time as the Investment Manager has received 15% of the sum of the preferred return distributed to Princess under the preceding paragraph and the incentive fee due and payable to the Investment Manager under this paragraph; and

Third, an additional incentive fee equal to 15% of further relevant distributions to Princess is due and payable to Princess Management Limited.

6 TAXATION STATUS

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

7 SEGMENT REPORTING

The sole business segment is investing in private market investments resulting in no segment disclosure reporting in accordance with IAS 14. Therefore the results published in this report correspond to the primary segment-reporting format.

8 FINANCIAL RISK MANAGEMENT**Financial risk factors**

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as foreign exchange contracts to hedge certain exposures.

(a) Foreign exchange risk

The Group holds assets denominated in currencies other than the Euro, the functional currency. The value of assets denominated in other currencies will fluctuate due to changes in exchange rates. Main currency risk for the Group results from the assets held in US dollars where a change of exchange rates can have a material impact on the value of assets. A hedging committee meets on a quarterly basis, reviews the foreign exchange rate risk and decides on the use of derivative financial instruments such as foreign exchange contracts to hedge certain exposure. Furthermore the risk management committee reviews the foreign exchange risk on a monthly basis and proposes changes to the actual hedging positions if necessary.

The annual volatility using cross-currency rates from 1 January 2001 to 31 December 2007 equals 8.3% (8.7% for the previous year) for the US dollar compared to the Euro. Under the assumption that the US dollar fluctuates with an annual volatility of 8.3% the value of these assets and the corresponding result would be either EUR 7'727'791 higher or lower (EUR 9'472'912 for 2006).

b) Interest rate risk

The Group invests in interest-bearing mezzanine investments that are exposed to the risk of changes in market interest rates. The interest on the mezzanine loans is partially based on Libor and Euribor rates. A decrease in the market

interest rates can lead to a decrease in interest income of the Group. The overall interest rate risk is considered to be limited as only a small part of the portfolio depends on variable interest rates.

Cash and cash equivalents are only short-term and therefore interest rate exposure is very limited. At year-end all term-deposits are invested have fixed interest rates.

Except as above, the income and operating cash flows are substantially independent from changes in market interest rates.

(c) Credit risk

Whilst the Group intends to diversify its portfolio of investments, the Group's investment activities may result in credit risk relating to investments in which the Group has direct or indirect (through a fund investment) exposure. Bad credit development or a default of investments in which the Group has direct or indirect exposure will lead to a lower net asset value and to lower dividend and interest income from limited partnerships and directly held investments.

It is expected that investments will be made in private debt funds. Many of the private debt funds may be wholly unregulated investment vehicles. In addition, certain of the private debt funds may have limited or no operational history and have no proven track record in achieving their stated investment objective. The investment risk is managed by an investment strategy that diversifies the investments in terms of geography, financing stage, industry or time.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions with a minimal rating of P-1 (Moody's).

The Group may also invests in mezzanine facilities of private equity backed companies. The Companies' financial performance is monitored on a monthly basis and classified by an internal rating system. If a company's performance is below expectation with concern, the loan facility's actual value will be assessed and if necessary impaired.

Rating of Mezzanine instruments

	31.12.2007	31.12.2006
	EUR	EUR
Above expectation	-	-
As expected	13'707'292	-
Below expectation	-	-
Below expectation with concerns	-	-
Total	13'707'292	-

Other than listed above the Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. As of 31 December 2007 the impairment on mezzanine investments amounts to EUR nil (2006: nil).

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

As the unfunded commitments can be drawn at any time, 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 liquidity risk arising from the over-commitment strategy is managed through the use of quantitative models by the internal risk committee on a quarterly basis. If the risk committee concludes that there is a risk of insufficient liquidity to fund investments actions are taken into consideration such as entering into a credit line facility, reducing the amount of listed private equity or the selling of investments on the secondary market. The table below analyses the liquidity risk due to the over-commitment strategy.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

Over-commitment Strategy	31.12.2007 EUR	31.12.2006 EUR
Unfunded commitments	(408'170'641)	(196'160'746)
Cash and Cash equivalents	80'258'529	167'922'252
Listed private equity	31'283'850	-
Hedging assets	255'614'562	317'370'101
Hedging liabilities	(249'519'547)	(319'237'167)
Net other current assets	616'560	46'663'603
Undrawn credit line	34'286'500	37'910'380
Over-commitment	(255'630'187)	54'468'423
Unfunded / NAV Ratio	60%	31%
Unfunded / NAV Ratio (Inc. credit line)	57%	29%

The Group's financial instruments include investments in unlisted securities, which are not traded in an organized public market and may generally be illiquid. As a result, the Group may not be able to quickly liquidate its investments in these instruments at an amount close to fair value in order to respond to its liquidity requirements or to specific events such as a deterioration in the creditworthiness of any particular issues.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2007	Less than 3 months EUR	3 to 12 months EUR	At 31 December 2006	Less than 3 months EUR	3 to 12 months EUR
Unfunded commitments	408'170'641	-	Unfunded commitments	196'160'746	-
Other short-term payables	7'170'471	-	Net hedging inflow	319'237'167	-
			Net hedging outflow	(317'370'101)	-
Total liabilities	415'341'112	-	Other short-term payables	1'994'921	-
			Total liabilities	200'022'733	-

(e) Market price risk

Designated financial assets at fair value through profit or loss and investments in listed private equity bear a risk of loss of capital. Princess Management Limited moderates this risk through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Group's Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group uses the Listed Private Equity Index (LPX50) as benchmark. The LPX50 reflects the performance of 50 listed private equity companies.

The annual volatility of the benchmark is 15.3% for the period between 1 January 2001 and 31 December 2007 (15.2% for the previous year). Under the assumption that designated financial assets at fair value through profit or loss and investments in listed private equity fluctuate with the annual volatility the value and the result of designated financial assets at fair value through profit or loss and investments in listed private equity would be either EUR 91'250'252 higher or lower (EUR 65'447'563 for 2006).

9 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS**9.1 INVESTMENTS**

	31.12.2007	31.12.2006
	EUR	EUR
Balance at beginning of reporting year	430'576'071	451'341'244
Capital activity recorded at the transaction rate	234'695'249	57'845'389
Distributions	(167'355'690)	(202'709'048)
Accrued PIK Interest	873'446	–
Realized PIK	(387'536)	–
Accrued Cash Interest	138'814	–
Revaluation	103'667'915	109'760'741
Foreign exchange gains / (losses)	(37'085'243)	14'337'745
Balance at end of reporting year	565'123'026	430'576'071

9.2 DISTRIBUTIONS

	31.12.2007	31.12.2006
	EUR	EUR
Dividends	2'874'253	1'297'935
Interest income	2'217'059	3'522'378
Accrued PIK Interest	873'446	–
Accrued Cash Interest	138'814	–
	6'103'572	4'820'313
Realized PIK	387'536	–
Return of investments	167'796'529	203'009'007
Gains / (losses) from sale of stock distributions	(440'839)	(299'959)
	167'743'226	202'709'047
Total distributions	173'846'798	207'529'360

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

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9.3 FOREIGN EXCHANGE

	31.12.2007	31.12.2006
	EUR	EUR
Foreign exchange revaluation	(37'085'243)	14'337'745
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	7'962'081	(4'076'042)
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	12'475'305	(6'853'126)
	(16'647'857)	3'408'577

At the balance sheet date, the Group 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 the Subholding. The unrealized surplus / (loss) at the end of the reporting year is detailed below:

	USD	Rate	Value date	Surplus / (loss)	Surplus / (loss)
				31.12.2007	31.12.2006
				EUR	EUR
Buy EUR against USD	125'000'000	0.7536	22.1.2007	-	(487'841)
Buy EUR against USD	300'000'000	0.7501	28.4.2007	-	(1'379'224)
Buy EUR against USD	335'000'000	0.7042	18.1.2008	6'205'019	-
Buy EUR against USD	20'000'000	0.6802	18.1.2008	(110'004)	-
				6'095'015	(1'867'066)

10 INVESTMENTS IN LISTED PRIVATE EQUITY

	31.12.2007	31.12.2006
	EUR	EUR
Balance at beginning of reporting year	-	-
Purchases recorded at the transaction rate	37'063'836	-
Gains / (losses) on listed private equity	(5'779'986)	-
Balance at end of reporting year	31'283'850	-

11 SHORT-TERM INVESTMENTS

11.1 INVESTMENTS

	31.12.2007	31.12.2006
	EUR	EUR
At beginning of reporting year	46'451'854	45'085'553
Additions	150'790'113	241'638'463
Redemptions	(197'302'644)	(240'879'665)
Unrealized gains / (losses) on short-term investments	950'535	607'504
Foreign exchange gains & losses	(889'858)	-
At end of reporting year	-	46'451'854

11.2 INCOME

	01.01.2007–	01.01.2006–
	31.12.2007	31.12.2006
	EUR	EUR
Interest on short-term investments	240'388	188'710
Realized gains / (losses) from short-term investments	-	2'371'392
Unrealized gains / (losses) from short-term investments	950'535	607'505
Foreign exchange gains & losses	(889'858)	-
Total gains and losses from short-term investments	301'065	3'167'606

Due to the level of distributions received from limited partnerships, the Group held cash in excess of its immediate requirements during the previous financial year. To achieve better returns the cash has been invested into short-term bonds with a maturity of less than one year. During this financial year the position has been reduced to zero to finance investment activities.

12 OTHER SHORT-TERM RECEIVABLES

	31.12.2007	31.12.2006
	EUR	EUR
Distributions receivable	616'560	211'749
Total short-term receivables	616'560	211'749

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

13 CASH AND CASH EQUIVALENTS

13.1 BALANCE

	31.12.2007 EUR	31.12.2006 EUR
Cash at banks	80'258'529	167'922'252
Total cash and cash equivalents	80'258'529	167'922'252

13.2 INTEREST INCOME

	01.01.2007– 31.12.2007 EUR	01.01.2006– 31.12.2006 EUR
Interest received from cash at banks	4'784'610	2'515'693
Total interest income from cash and cash equivalents	4'784'610	2'515'693

14 SHARE CAPITAL

Pursuant to an extraordinary general meeting on 12 October 2007 the shareholders approved a share split. Each authorised Ordinary Share of EUR 0.01 has been divided into 10 Ordinary Shares of EUR 0.001 each.

	31.12.2007 EUR	31.12.2006 EUR
Authorized		
20'010'000 Ordinary shares of EUR 0.01 each	–	200'100
200'100'000 Ordinary shares of EUR 0.001 each	200'100	–
	200'100	200'100

Issued and fully paid

7'010'000 Ordinary shares of EUR 0.01 each out of the bond conversion	–	70'100
70'100'000 Ordinary shares of EUR 0.001 each out of the bond conversion	70'100	–
	70'100	70'100

14.1 SHARE PREMIUM

	31.12.2007 EUR	31.12.2006 EUR
Share premium from issuance of shares	730'149'287	730'149'287
Transfer from share premium to distributable reserves ¹⁾	(730'149'287)	–
Total share premium	–	730'149'287

14.2 DISTRIBUTABLE RESERVES

	31.12.2007	31.12.2006
	EUR	EUR
Transfer from share premium to distributable reserves ¹⁾	730'149'287	-
Dividend payment	(40'237'397)	-
Total distributable reserves	689'911'890	-

¹⁾ On 20 April 2007 the Royal Court of Guernsey confirmed a special resolution passed by the members of the Company whereby the amount standing to the credit of the share premium account, net of issue costs, immediately following the initial placing was transferred to a special distributable reserve.

14.3 DIVIDEND PAYMENT

On 30 April 2007 and 13 December 2007 the semi-annual dividend of EUR 0.274 and EUR 0.30 per Ordinary Share as declared at the last Annual General Meeting was paid to the investors.

14.4 SHAREHOLDERS ABOVE 3% OF ORDINARY SHARES ISSUED

	Shares held	in %
CVP/CAP	215'210	3.07%
Deutsche Asset Management Investmentgesellschaft mbH	609'590	8.70%
VEGA Invest Fund PLC	600'000	8.56%

14.5 RESTRUCTURING

Pursuant to a shareholders' resolution on 5 December 2006, the authorized Class A share capital was cancelled and the Class B shares were re-designated as unclassified shares. The denomination of the issued and authorized share capital was changed from US dollars to euro. A new authorized ordinary share capital denominated in euro was created. As a result of these changes, the Company has an authorized share capital of EUR 200'100 which is divided into 20'010'000 Ordinary shares.

At a bondholders' meeting on 5 December 2006, bondholders agreed to amend the terms and conditions of the bonds by entering into a fifth supplemental trust deed with Law Debenture Trustees Limited (the "Fifth Supplemental Trust Deed") giving the Company a mandatory conversion right. Accordingly the Company was granted the right (the "Mandatory Conversion Right") to convert all of the bonds into Co-ownership Interests. On 8 December 2006 each bond has been converted into 10 Ordinary shares deliverable in the form of Co-ownership Interests in a global bearer certificate issued by Clearstream, Frankfurt such that each Co-ownership Interest in a global bearer certificate carries rights corresponding to one Ordinary share.

The conversion of 700'000 convertible bonds at a par value of USD 1'000 each at USD 100 per share resulted in the issue of 7'000'000 Ordinary Shares. 10'000 shares were already issued and outstanding leading to 7'010'000 issued and outstanding Ordinary shares.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

15 CONVERTIBLE BOND

	31.12.2007	31.12.2006
	EUR	EUR
Balance at beginning of reporting year	–	496'749'561
Amortization of transaction costs	–	1'127'843
Finance cost on convertible bond	–	32'867'359
Conversion of the convertible bond	–	(530'744'763)
	–	–

16 OTHER SHORT-TERM PAYABLES

	31.12.2007	31.12.2006
	EUR	EUR
Accrued interest	137'146	151'642
Accruals to related parties	5'629'629	43'596
Other accruals	1'403'696	1'799'683
	7'170'471	1'994'921

17 DIVIDEND AND INTEREST INCOME AND EXPENSE

	01.01.2007– 31.12.2007	01.01.2006– 31.12.2006
	EUR	EUR
Interest income:		
– Dividend and interest income from limited partnerships and directly held investments	6'103'572	4'820'313
– Interest on short-term investments	240'386	188'709
– Interest income from cash and cash equivalents	4'784'610	2'515'693
Total dividend and interest income	11'128'568	7'524'715
Total interest expense	(141'505)	(151'642)

18 FOREIGN EXCHANGE GAINS AND LOSSES

	01.01.2007– 31.12.2007	01.01.2006– 31.12.2006
	EUR	EUR
Foreign exchange gains and losses on:		
– Limited partnerships and directly held investments	(16'647'857)	3'408'577
– Short-term investments	(889'858)	–
– Cash and cash equivalents	(1'000'665)	(181'170)
– Other	193'306	(519'154)
	(18'345'074)	2'708'253

19 REVALUATION

	01.01.2007– 31.12.2007 EUR	01.01.2006– 31.12.2006 EUR
Revaluation of:		
– Limited partnerships and directly held investments	103'667'915	109'760'741

20 COMMITMENTS

	31.12.2007 EUR	31.12.2006 EUR
Total commitments translated at the rate prevailing at the balance sheet date	1'426'422'963	1'055'182'677
Unfunded commitments translated at the rate prevailing at the balance sheet date	408'170'641	196'160'746

21 NET ASSETS AND DILUTED ASSETS PER ORDINARY SHARE

The net asset value per share is calculated by dividing the net assets in the balance sheet by the number of potential shares outstanding at the balance sheet date.

	31.12.2007 EUR	31.12.2006 EUR
Net assets of the Group	676'206'509	641'299'939
Outstanding shares at the balance sheet date	70'100'000	7'010'000
Net asset per share at year-end	9.65	91.48
Diluted net assets per share at the balance sheet date	9.65	91.48

22 CREDIT LINE FACILITY

The Company entered into a revolving credit facility with Bank of Scotland on 31 December 2002 for a maximum of USD 130'000'000. Security is inter alia, by way of a security agreement over the entire issued share capital of Princess Private Equity Subholding Limited. The credit facility has been reduced to USD 50'000'000.

Interest is calculated using a LIBOR rate on the day of the advance plus a margin. The margin depends on the total drawdown amount. An additional margin may be added if the ratio of Net Asset Value to the borrowings due to Bank of Scotland (including capitalized interest) is less than 5:1.

There is a non utilization fee which is payable yearly in arrears and this is calculated at 0.40% per annum on the average undrawn amount of the revolving credit during the period. In 2007 EUR 141'505 non utilization fee has been paid (2006: EUR 151'642).

In addition, an arrangement fee of USD 1'170'000 was paid to Bank of Scotland on entering into the facility.

As at the balance sheet date, the amount drawn under the credit facility was nil (2006: nil).

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

23 INSURANCE POLICY

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

In the course of the restructuring, the Insurance Policy was terminated with effect from 8 December 2006. No insurance fee has been charged after that date.

24 RELATED PARTY TRANSACTIONS

Partners Group Holding held 10'000 Ordinary shares at the balance sheet date. Swiss Reinsurance Company sold its 1'990 Ordinary Shares to Partners Group Holding during 2006.

Partners Group Holding and all its subsidiaries and affiliates are considered to be related parties to the Group.

The directors as disclosed in the Directors' Report are also considered to be related parties to the Group.

Transactions and balances with related parties

The following transactions were carried out with related parties:

i) Services

	Notes	01.01.2007– 31.12.2007 EUR	01.01.2006– 31.12.2006 EUR
Management fee paid to:			
– Princess Management Limited	5	13'609'628	9'276'956
Insurance fee paid to:			
– Princess Management Limited	5	–	6'111'759
Administration fee paid to:			
– Partners Group (Guernsey) Limited	5	334'772	276'593
Incentive fee:			
– Princess Management Limited	5	292'762	–
IFRS Valuation advice:			
– Princess Management Limited		68'573	75'821
Directors' fees paid		8'890	11'167
Director's compensation			
– Short-term employee benefits		95'648	3'031
The company does not operate a pension scheme.			
Reimbursement of fees due to investments in related limited partnerships		3'213'957	–

Princess Management Limited and Partners Group (Guernsey) Limited are companies incorporated in Guernsey and owned by Partners Group Holding.

ii) Year-end balances	31.12.2007	31.12.2006
	EUR	EUR
Other short-term payables to related parties:		
– Princess Management Limited	5'629'627	(182'221)

25 GROUP ENTERPRISES – SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest	
		31.12.2007	31.12.2006
Princess Private Equity Subholding Limited	Guernsey	100%	100%

ADRESSEN

LIST OF ADDRESSES

Sitz der Gesellschaft

Registered Office

Princess Private Equity Holding Limited
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1 BT
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Tel.: +44 1481 730 946
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Email: princess@princess-privateequity.net

Info: www.princess-privateequity.net

Investmentmanager

Investment Manager

Princess Management Limited
Guernsey, Channel Islands

Investor Relations

princess@princess-privateequity.net

Abschlussprüfer

Auditors

PricewaterhouseCoopers CI LLP

Handelsinformation

Trading Information

Börsenzulassung Listing	Frankfurter Wertpapierbörse Frankfurt Stock Exchange	Londoner Wertpapierbörse London Stock Exchange
ISIN	DE000A0LBRM2	GG00B28C2R28
WKN	A0LBRM	A0LBRL
Valor	2 830 461	2 830 461
Börsenkürzel Trading symbol	PEY1	PEY
Bloomberg	PEY1 GR	PEY LN
Reuters	PEYGz.DE / PEYGz.F	PEY.L
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA	JPMorgan Cazenove