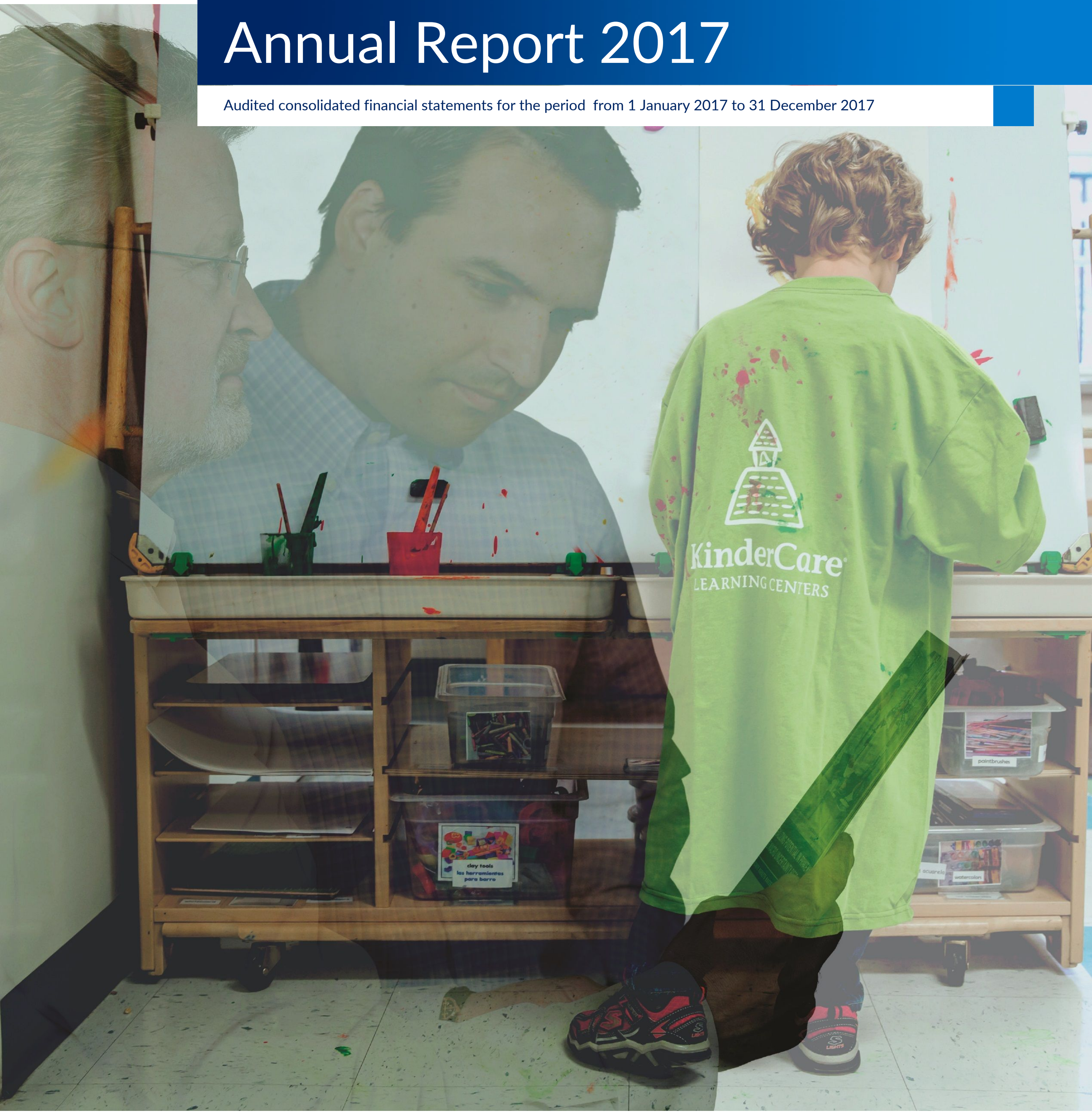
Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Annual Report 2017

Audited consolidated financial statements for the period from 1 January 2017 to 31 December 2017



Princess Private Equity Holding Limited

Princess Private Equity Holding Limited ("Princess" or the "Company") is an investment holding company domiciled in Guernsey that invests in private equity and private debt. The Company, advised by Partners Group, mainly invests directly but also holds primary and secondary fund investments. Princess aims to provide Shareholders with long-term capital growth as well as an attractive dividend yield. The shares are traded on the Main Market of the London Stock Exchange.

Key figures

In EUR	31 December 2016	31 December 2017
Net asset value (NAV)	702'908'422	**742'045'291**
NAV per share	10.16	**10.73**
Total dividend per share	0.54	**0.56**
Share price	8.63	**10.58**
Discount	-15.1%	**-1.4%**
Cash and cash equivalents	65'750'622	**97'415'855**
Credit line used	0	**0**
Value of investments	650'812'576	**653'584'982**
Unfunded commitments	103'263'145	**119'213'044**
Investment level	92.6%	**88.1%**
Net current assets	52'095'846	**88'460'309**
Over-commitment ratio	7.3%	**4.1%**
Over-commitment ratio incl. credit line	0.2%	**-2.6%**

Past performance is not indicative of future results. There is no assurance that similar investments will be made nor that similar results will be achieved.

Net current assets: as per reporting date, calculated based on net asset value less total investments at fair value through profit or loss.

Over-commitment ratio incl. credit line: as per reporting date, calculated as unfunded commitments less (i) net current assets and (ii) undrawn credit facility, all divided by net asset value.

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1. Chairman's report

As Chairman of the Board of Princess Private Equity Holding Limited ("Princess" or "the Company"), I present the 2017 Annual Report to Shareholders.

In 2017, Princess' net asset value ("NAV") continued its positive performance and closed the reporting period at EUR 10.73 per share, an increase of 5.6% for the year. Princess paid dividends totalling EUR 0.56 per share to investors over the year 2017, and thus achieved an NAV total return of 11.2% over the last twelve months. The performance of underlying portfolio companies was the main driver behind the favourable NAV development. Princess' share price total return was 29.6% over 2017. The strong share price increase reflected both the Company's positive NAV return and a significant reduction in the discount of the Company's share price to NAV, which closed the reporting period at 1.4%, compared to a discount of 15.1% at the end of December 2016.

Dividends paid to Shareholders during the year totalled EUR 38.7 million, or EUR 0.56 per share, an increase of 3.7% on the prior year. This represents the seventh consecutive year of dividend payments and it remains the Board's intention to pay dividends in the range of 5-8% p.a. on NAV per share. In determining the level of the dividend, the Board considers a number of factors including cash flow forecasts provided by the Investment Advisor, the Company' s liquidity position, investment level and the need to fund new investments to generate future capital growth. During 2017, dividends were almost five times covered by distributions from the Company's portfolio.

Princess received distributions of EUR 191.1 million during the year, representing 29.4% of opening net asset value. Princess' direct portfolio generated EUR 147.4 million of proceeds from a range of portfolio companies, including placings of shares in VAT Group (VAT), dividend recapitalizations of Hofmann Menue Manufaktur and KinderCare Education, and exits of Kerneos and AWAS Aviation. The largest single contributor was VAT from which EUR 78.3 million was received during the year. The investment in VAT has been highly profitable for Princess, standing at an investment multiple of 6.0x cost as of year-end. Princess' mature legacy fund portfolio continued to generate a high volume of exits, contributing EUR 43.7 million.

During 2017 Partners Group, the Investment Advisor for Princess, remained highly selective in its investment process, investing a total of EUR 117.2 million on behalf of the Company. The Investment Advisor's report discusses the challenges of investing in an environment characterised by high valuations, and provides additional detail on their current investment strategies, which seek to mitigate high entry valuations through active ownership and a focus on long-term value creation. The Investment Advisor continues to adopt a global relative value approach across geographies and industries when identifying attractive new investment opportunities. The Board regards the healthy performance of the portfolio as evidence of the validity of this approach.

At a corporate level, the Company introduced an additional market quote in Sterling (ticker: PEYS LN), for which trading commenced on the London Stock Exchange on 8 September. In conjunction with the introduction of the new quote, the Company also offered Shareholders the opportunity to elect to receive dividends in Sterling for the first time, thus broadening the potential ownership of the Company. Importantly, this was achieved with no detriment to holders of the Company's shares via the existing Euro quote (ticker: PEY LN), who can continue to invest, and to receive dividends, in Euros. An additional benefit of the introduction of the Sterling quote was that it passed the requirement for a Sterling security for inclusion in FTSE indices. Princess was duly promoted to the FTSE All-Share with effect from 18 December, further raising the profile of the Company in the UK market since it first listed on the London Stock Exchange in November 2007.

During the last decade, Princess has undergone a significant transition. At the time of the listing in London, Princess invested primarily via a fund of funds strategy, under which capital was allocated across a range of externally managed funds. In 2011, Shareholders voted to amend the investment strategy to focus on direct investments. As of year-end 2017, over 80% of the Company's portfolio was allocated to direct investments, compared to just 12% at the time of the London listing in November 2007. The direct portfolio has now become the key driver of NAV performance and source of distributions and, in the Board's view, has been an important factor in the narrowing of the Company's discount to NAV.

In August the Board was pleased to welcome Mr. Felix Haldner as a Director of the Company. Mr. Haldner is a member of Partners Group's Global Executive Board and is responsible for strategic client development and public affairs globally. He has been with Partners Group since 2001 and has 29 years of industry experience. Mr. Haldner replaced Mr. Urs Wietlisbach who stood down as a Director of the Company, a position in which he had served since 1999. Mr. Wietlisbach, who co-founded Partners Group in 1996, will continue to hold a number of positions within Partners Group, including that of Director of Partners Group Holding AG. On behalf of the Board I would like to take this opportunity to extend our thanks to Mr. Wietlisbach for his contribution over the years. His experience and insights into the private equity market have been of great value to the Board and we greatly appreciate his exceptional contribution to Princess over the past 18 years.

The Board was strengthened further with the recruitment of Mr. Steve Le Page as a Director of the Company in October 2017. Mr. Le Page is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a professional qualification with the Chartered Institute of Taxation. He was formerly a partner within PricewaterhouseCoopers CI LLP in Guernsey, retiring from his position as partner in September 2013.

Mr. Fergus Dunlop has indicated that he will not stand for re-election at the 2018 AGM and I take this opportunity to thank him for his valued service to the Board over the last nine years. I have advised the Board of my wish to step down as Chairman during 2018 and the Board has commenced a review to identify a suitable replacement.

As Chairman, I am confident that the Board has had and will continue to have the right balance of skills, experience and knowledge of the Company to enable them to discharge their responsibilities effectively.

My fellow directors and I thank you for the continued trust you have shown in Princess. The Board's focus remains on creating value for Shareholders and we will continue to work with the Company's Investment Advisor to achieve this goal.

Brian Human

Chairman

2. Market overview

Macroeconomic activity

The global economy picked up some speed towards the end of 2017, supported by both improving fundamentals and cyclical factors. Inflation and wage pressures remain benign across developed markets, allowing central banks to maintain or gradually reverse unprecedented loose monetary policies. This smooth sailing has manifested itself in improving earnings growth, which in turn has supported strong equity returns in 2017 (rather than multiple expansion).

The US economy is in the advanced stages of the macroeconomic cycle with little signs of slowing down. In fact, this is already the third-longest expansion in post-war times. Unemployment is at a 17-year low; consumer confidence remained buoyant and business spending is increasing. Inflation remains near the Federal Reserve's (Fed) target and wage pressures are subdued despite the closing output gap.

The Eurozone gained some cyclical strength, with expansion being more broad-based regionally, unemployment coming down and early economic indicators pointing towards continued expansion. Fundamentals continue to vary among EU member states, with select peripheral economies having started the cyclical rebound from a very low base. While spare capacity in Germany and France, and to a lesser extent Spain, is being absorbed, Italy still has a sizeable output gap and total output was 6% below pre-crisis peaks. Youth unemployment (ages 15-24) in Italy and Spain still hovers above 35%, while unemployment in Germany is at a 37-year low, with youth unemployment below 7%. The UK economy has lost steam as Brexit uncertainty weighs on investments and rising inflation impacts real incomes. Weakness in the housing market has primarily been confined to London so far and the labor market remains resilient. However, little progress has been made on Brexit negotiations and the Bank of England's first interest-rate hike in over a decade raises uncertainty about future economic growth.

Economic conditions in most of Asia remain supportive and low inflation rates promote continued low interest rates. Growth in India eased but the country remained the fastest-growing G20 economy and the negative impact of its demonetization is waning. A robust Chinese economy surprised positively in 2017.

Private equity buyout activity

Aggregate global private equity buyout activity for 2017 registered a slight year-on-year increase of 2.0% to USD 347.1 billion, while the number of deals remained fairly stable at nearly 4'200, according to Preqin. Large-cap and upper mid-market investments with transactions above USD 1 billion led buyout activity, accounting for 69.0% of aggregate deal value. While North America continued to dominate global buyout deal activity, the region's share of global deal activity has steadily decreased from 62.3% in 2015 to 50.4% in 2017.

Year-on-year buyout deal activity in North America decreased 7.1% to USD 174.8 billion across 2'284 transactions, and represented 50.4% of global deal value. The largest transaction announced in the region was the USD 17 billion take-private of Calpine Corporation, a wholesale power generation company in the US, by a consortium of investors led by Access Industries and Canada Pension Plan Investment Board.

Private equity buyout activity in Europe was at similar levels as the previous year with buyout deal activity valued at USD 98.1 billion, representing 28.3% of the global total in 2017. Of the 1'473 transactions that took place in the year, the largest transaction announced in the region was the EUR 6.8 billion (USD 8.2 billion) buyout of Unilever's margarine and spreads business by private equity firm KKR.

Asia recorded USD 62.5 billion in aggregate deal value, accounting for 18.0% of the global total, across 195 transactions. This represents the highest level of annual buyout deal activity recorded for the region since 2006, and a 76.9% increase over 2016. The largest transaction announced in the region and globally was the JPY 2.0 trillion (USD 17.7 billion) buyout of Toshiba Memory Corporation, a manufacturer of non-volatile memory solutions (such as SD cards and USB memory sticks), by a Bain Capital-led consortium that included several US technology firms such as Apple, Dell and Seagate. This transaction alone accounted for more than one quarter of the aggregate deal value recorded in the region for the entire year of 2017.

Private equity exit activity

In 2017, global private equity exit activity declined by 30.1% year on year to USD 250.0 billion across 1'674 transactions, according to Preqin. This marked the third consecutive year of decline in exit activity. The most prevalent exit strategy was trade sales, which accounted for 58.0% of aggregate exit value.

North America region held its lead in global private equity exit activity with an aggregate exit value of USD 141.5 billion across 778 transactions. The largest exit in the region and globally was the USD 7.1 billion sale of Lightower Fiber Networks, a telecommunications fiber network company. The transaction involved the transfer of ownership from investors including Berkshire Partners, Pamlico Capital and Partners Group, to telecommunication infrastructure operator Crown Castle International Corporation.

Europe reported 694 transactions worth USD 75.2 billion in aggregate exit value. The largest exit in the region for the year was the EUR 4.5 billion (USD 5.3 billion) trade sale of energy measuring solutions provider Ista International, by CVC Capital Partners, and Canada Pension Plan Investment Board, to property developer CK Asset Holdings Limited.

Asia recorded USD 22.4 billion in aggregate exit value across 126 transactions throughout the year. The largest exit in the region was Bain Capital and Goldman Sachs' trade sale of cosmetic skincare company Carver Korea, to fast moving consumer goods giant Unilever, for EUR 2.3 billion (USD 2.7 billion).

IPO activity

Driven by lower volatility across regions and high public market valuations, 2017 was the most active year for global IPO activity since 2007, according to Ernst and Young. During the year, 1'624 IPOs raised USD 188.8 billion, representing a 40% increase year on year. The Asia-Pacific region continued to dominate global IPO activity, despite weaker-than-expected activity levels in Asia-Pacific exchanges. Weaker-than-expected activity levels were partly due to uncertainty surrounding China's National People's Congress, changes in Hong Kong listing rules and the trend for smaller deals. Meanwhile, financial sponsor-backed IPOs registered a decline in terms of deal volume, accounting for 9.7% of IPOs in 2017, compared to 13% in 2016.

In 2017, the US reversed its third consecutive year of decline in global market share of IPO activity in terms of number of deals and proceeds raised. US exchanges hosted a total of 174 IPOs in 2017 that raised USD 39.5 billion in proceeds, representing a year-on-year increase of 84%. The most significant IPO in the US for the year was the listing of Snap Inc., the parent company of Snapchat, which raised USD 3.9 billion on NYSE.

IPO activity in the EMEIA (Europe, Middle East, India and Africa) region reached record-high levels not seen since 2007. IPO activity was driven by resilient economic growth and moderate inflation in the Eurozone, as well as economic reforms and positive investment climates in the Middle East and India. For the full year of 2017, USD 64.0 billion was raised from 469 IPOs, a year-on-year increase of 67% by proceeds. The largest IPO by proceeds was the USD 2.4 billion listing of Landis+Gyr, a technology company that specializes in utilities metering and energy management, on Switzerland's SIX stock exchange.

The Asia-Pacific region held on to its lead as the standout region for IPOs in terms of deal volume in 2017. While the region saw 935 IPOs, a year-on-year increase of 44%, proceeds remained stable at USD 73.2 billion. This was attributable to fewer mega-cap IPOs, which were made up for by smaller deals. The largest IPO in the region was the listing of Netmarble Games, a South Korea-based mobile gaming company, which took place on the Korea Exchange and raised USD 2.3 billion.

Fundraising activity

Private equity fundraising activity in 2017 stood at its highest level since 2011, with USD 453.3 billion in aggregate capital raised across 921 funds that held their final closing, based on Preqin. Despite a 25.9% decrease in the number of funds that held their final closing, capital raised increased by 9.6% year on year.

North America-focused funds stood at the forefront of global fundraising efforts, with USD 271.9 billion raised across 471 funds. The largest fund that held its final close was Apollo Investment Fund IX, which raised USD 24.7 billion, the highest amount ever achieved by a private equity fund.

European-focused funds raised USD 108.2 billion across 188 funds. CVC Capital Partners Fund VII was the largest European-focused fund that held its final close during the period, with a fund size of EUR 16.0 billion (USD 18.0 billion).

Asia-focused funds secured USD 63.9 billion in investor commitments across 191 funds. The largest fund that closed during the period was KKR Asian Fund III, which raised USD 9.3 billion, displacing its predecessor fund (KKR Asian Fund II) as the largest private equity fund dedicated to investing in the region.

Outlook

According to Partners Group's base case macroeconomic projection, continued low but steady growth - most likely at a slightly slower pace going forward - and gently rising inflation set the conditions for further tightening in certain regions (the US), although policy is likely to remain accommodative in others (the Eurozone, Japan). Partners Group continues to believe that markets are lenient about the pace of Fed rate hikes and while Partners Group does not project a more material correction of capital markets in the near future, higher rates are likely to temper rich equity valuations.

Partners Group expects GDP growth to remain on a modestly positive path in the US, with a fiscal boost from tax reform. Against this backdrop, the Fed should continue to gradually tighten monetary conditions via rate hikes and has already announced a balance sheet reduction. Partners Group deviates from consensus by projecting a faster rate hike cycle than priced in by markets, given a tight albeit somewhat divided labor market, a closing output gap and financial stability concerns among Fed policy makers. It is also noted, room for policy error is elevated, as reversing an unprecedented and unconventional easing policy is untested.

Partners Group's outlook for the Eurozone is centered on modest growth and policy divergence from the US, as the region is lagging the US in the macroeconomic cycle. While corporate earnings growth expectations have been lowered on the back of the stronger Euro and exports should be negatively affected, intra-regional trade should mitigate repercussions. Against this backdrop and due to the lack of inflationary pressures, accommodative monetary policy in the form of asset purchases and record low rates is likely to continue. As asset purchases are scaled back, peripheral European government bond spreads may widen somewhat over their German peers.

The outlook for emerging markets remains positive, as growth in commodity-exporting countries as well as Brazil and Russia is strengthening. However, growth in the Asia-Pacific region and emerging markets is expected to become more moderate. Eastern Europe has benefited from positive spillovers from the Eurozone; a removal of the EU sanctions currently imposed on Russia would further lift regional growth.

Partners Group maintains its cautious investment outlook and continues to seek defensive assets that benefit from structural or transformative trends. Platform expansion through add-on acquisitions remains a preferred investment theme and complements our initiatives to create value at the operational level.

Partners Group

Investment Advisor

Sources: Preqin "Q4 2017 Buyout Deals and Exits"; Preqin "Private Capital Fundraising Update"; Ernst & Young "Global IPO trends: Q4 2017"; Partners Group Research

3. Investment Advisor's report

Positive NAV performance continues in 2017

The net asset value ("NAV") of Princess Private Equity Holding Limited ("Princess" or "the Company") continued to develop positively in 2017. Princess achieved an NAV total return of 11.2% for the year in Euros. Share price total return over the same period was 29.6%, reflecting a material narrowing of the Company's discount to NAV.

Valuation developments at portfolio level during the year amounted to +16.2% of NAV, underpinned by the performance of Princess' direct private equity investments which generated weighted average EBITDA growth of +13.1% year on year. Currency movements were negative (-2.1% of NAV), primarily due to the appreciation of the Euro versus the US Dollar.

In 2017, Project Sun (name withheld due to a confidentiality agreement) was the largest negative value driver (EUR -3.8m). The largest positive contributors to Princess' NAV growth in 2017 were the direct investments in VAT (EUR +31.6m), Action (EUR +23.2m) and Form Technologies (EUR +10.8m).

● VAT GROUP AG

The share price of VAT Group AG, a global market leader in the production of high-end vacuum valves, gained 70.1% during the period, closing at CHF 144.40 as of 31 December 2017. VAT continued to report robust results over the third quarter of 2017. Group net sales increased by 28.7% year on year to CHF 166.9 million. This strong growth was driven primarily by continued customer investments in capacity expansion in semiconductors and displays. In January 2018, Princess fully realized its investment in VAT for a return of 6x invested capital and an IRR of 74%.

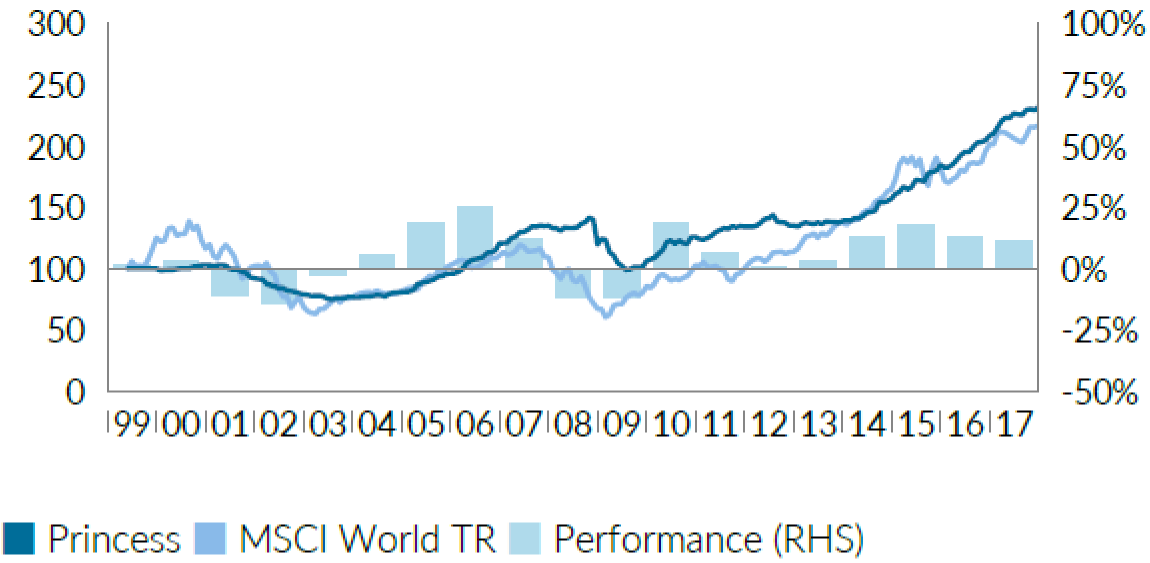
● ACTION

The carrying value of European non-food discount retailer Action continued to increase, supported by robust operating and financial performance. Revenue increased in 2017 mainly driven by new store expansion. The company has 1'095 stores, with 243 new stores opened during 2017. EBITDA for the twelve months ended October 2017 increased year on year, due to strong revenue growth and the company's focus on achieving cost efficiency.

● FORM TECHNOLOGIES

Dynacast International Inc. and its operating divisions, Signicast and OptiMIM, became a family of brands under a newly formed entity, Form Technologies. The company's acquisition of new investment casting capabilities under the strong market-leading Signicast brand was the basis for the brand re-organization. Form Technologies, a global manufacturer of customized and highly engineered metal components, was

NAV PERFORMANCE (SINCE INCEPTION)*



*As per reporting date. The Princess performance is calculated on a total return basis.

written up on the back of strong financial performance. For the twelve months ended 31 October 2017, adjusted EBITDA increased supported by a reduction in overheads from the successful implementation of a lean manufacturing initiative launched during 2017.

Investment activity

Princess invested a total of EUR 117.2 million in 2017, compared to EUR 116.6 million in the previous year. EUR 66.0 million was invested in eight new direct equity investments while EUR 12.4 million was allocated to add-on acquisitions in existing portfolio companies. A total of EUR 36.2 million was invested in private debt, split between EUR 13.5 million in mezzanine and second lien private debt investments and EUR 22.7 million in private and liquid loans for liquidity management purposes. Capital calls from Princess' legacy fund portfolio totaled just EUR 2.6 million.

The largest new investments in 2017 were:

Total investments for 2017

Investment	Strategy	Amount (EUR million)
Civica	Equity	12.3
United States Infrastructure Corporation	Equity	11.0
CPA Global	Equity	10.3
Cerba HealthCare	Equity	9.7
IDEMIA	Equity	9.0
STADA Arzneimittel AG	Equity	6.2
Hortifruti (Follow-on)	Equity	4.1
SPi Global	Equity	4.1
Key Retirement Group	Equity	3.4
Form Technologies (Follow-on)	Equity	2.9
Partners Group Pacific Restaurant Holdings (Follow-on)	Equity	2.1
Voyage Care (Follow-on)	Equity	1.7
Permotio International Learning (Follow-on)	Equity	0.9
Seabras-1 (Follow-on)	Infrastructure	0.9
IDEMIA	Debt	8.3
Prosol	Debt	5.0
European sports rights company	Debt	4.9
Springer Science+ Business Media	Debt	2.0
Caffè Nero	Debt	1.9
Cegid Group	Debt	1.2
Tricor Holdings Limited	Debt	0.9
Other		14.4
Total investments for 2017		**117.2**

● CIVICA

In October, Princess invested EUR 12.3 million in Civica, a leading UK-based provider of specialist software, digital solutions and outsourcing services. Civica provides business-critical software and technology-based outsourcing services to both public sector organizations and to commercial organizations in highly regulated sectors. The company has a broadly diversified customer base. Civica is considered an attractive investment opportunity, given its leading and defensible market positions, recurring revenues from multi-year contracts and strong financial performance with continuous growth, stable margins and high cash conversion.

● UNITED STATES INFRASTRUCTURE CORPORATION

In November, Princess allocated EUR 11.0 million to United States Infrastructure Corporation (USIC), a leading provider of underground utility locating services, on behalf of its clients. The company performs its services under long-term customer contracts, which provide stability and visibility into future cash flows. Partners Group will work closely with the management team on value creation initiatives to enhance operations through investments in technology and data management, expanding service offerings in adjacent markets, as well as growing the company both organically and through select acquisitions.

● CPA GLOBAL

Also in November, Princess invested EUR 10.3 million in CPA Global (CPA) as part of a consortium led by Leonard Green Partners. CPA is a leading provider of a broad range of software and services across the intellectual property (IP) life cycle. Partners Group has been an existing debt investor in CPA since 2013 and has significant experience working with other companies with similar dynamics in prior investments, providing additional insight into the deal. CPA is considered an attractive investment given its leading position in a growing market.

Distribution activity

Princess continued to benefit from a supportive environment for realizations, receiving record high portfolio distributions of EUR 191.1 million during 2017 (2016: EUR 185.5 million), equivalent to 29.4% of opening portfolio value. The direct portfolio was the key driver, accounting for EUR 147.4 million of distributions. The balance of EUR 43.7 million was received from the mature legacy fund portfolio which continued to generate a high volume of exits.

Post-year end, Partners Group agreed the sale of Trimco International at an investment multiple of 3.4x invested capital. Princess will receive proceeds of approximately USD 23.8 million following the closing of the transaction.

The largest distributions in 2017 were:

Total distributions for 2017

Investment	Exit (full or partial)	Strategy	Amount (EUR million)
VAT Group AG	Partial	Equity	78.3
Kerneos	Full	Equity	10.6
Hofmann Menue Manufaktur	Partial	Equity	9.7
KinderCare Education	Partial	Equity	6.7
Food company 1	Full	Equity	5.6
AWAS Aviation Holding	Full	Equity	4.4
MultiPlan 2016	Partial	Equity	4.0
Black Knight Financial Services	Partial	Equity	2.2
Project Icon	Partial	Equity	1.7
ConvaTec Inc	Full	Equity	1.6
Schenck Process GmbH	Partial	Equity	1.3
South Dakota Systems	Partial	Debt	3.0
Lightower	Full	Debt	2.0
Craveable Brands Limited	Partial	Debt	1.4
Boyd Corporation	Partial	Debt	1.3
Legacy fund portfolio			43.7
Other			13.6
Total distributions for 2017			**191.1**

The largest contributors from Princess' direct portfolio over the fourth quarter were VAT and Multiplan:

VAT GROUP AG

During the quarter, Princess received EUR 56.8 million from the placing of shares in VAT Group AG. In January 2018, Princess participated in a final placing of shares, fully exiting the investment in VAT for a return of 6.0x invested capital and an IRR of 74%.

MULTIPLAN

In November, Princess received a distribution of EUR 3.8 million from MultiPlan, a US-based provider of transaction-based cost management solutions to healthcare operators, following a successful refinancing of the business. MultiPlan has continued to perform well, driven by increased transaction volume in its analytics-based solutions and payment integrity solutions business segments. Since Princess' investment in 2016, MultiPlan has made five distributions, returning an aggregate of over 0.5x invested capital to investors.

Increase in total dividends to EUR 0.56 per share

Princess paid total dividends of EUR 0.56 per share during the year, an increase of 3.7% compared to 2016. In line with the Company's target to distribute 5-8% of NAV p.a. via semi-annual dividends, total dividends for the year represented 5.5% of opening NAV for 2017.

Liquidity and unfunded commitments

Reflecting the high level of realizations, Princess' net liquidity position increased to EUR 88.5 million from EUR 52.1 million at the start of the year. In addition, the Company's EUR 50.0 million revolving credit facility remained undrawn as of period end.

Total unfunded commitments at year-end amounted to EUR 119.2 million (2016: EUR 103.3 million). EUR 82.6 million of commitments related to Partners Group's direct investment programs. Commitments to third party funds amounted to EUR 36.6 million, the majority of which relate to funds for which the investment period has expired, and consequently are not expected to be called in full.

Outlook

The exit environment for private equity remains favorable. In 2017, we continued to see quality assets trade for near-record multiples. In this market environment, the Investment Advisor continues to explore opportunities to realize assets from Princess' direct portfolio to crystallize value for Shareholders. Reflecting the maturity of its underlying holdings, distributions from Princess' legacy funds portfolio are also expected to continue.

In spite of the near-record pricing, the investment teams continue to identify attractive investment opportunities with value creation potential. The approach is informed by the Investment Advisor's conviction that outperformance can only be achieved by having a value creation-focused investment process (i.e. focused on unlocking unrealized value), from sourcing, through due diligence and continuing during ownership. For new investments, the relative value outlook has remained relatively unchanged over the past year. The focus is on platforms with the potential to build resilient market leaders at a reasonable price. Next to platform investments, the Investment Advisor focuses on finding 'category winners' that are leaders in terms of market share or growth potential in sub-sectors benefitting from trend-based tailwinds and the Investment Advisor also seeks out niche leaders, not only with value creation potential but also with strong defensive capabilities.

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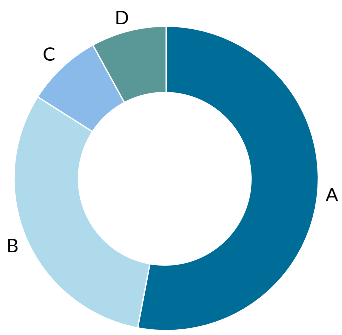
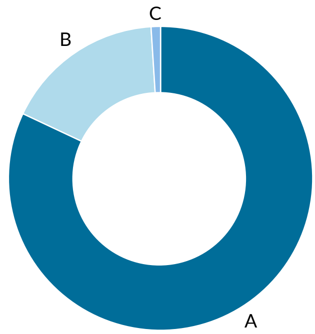
4. Portfolio composition



Investments by regional focus

A	Europe	53%	**C**	Asia-Pacific	8%
B	North America	31%	**D**	Rest of World	8%

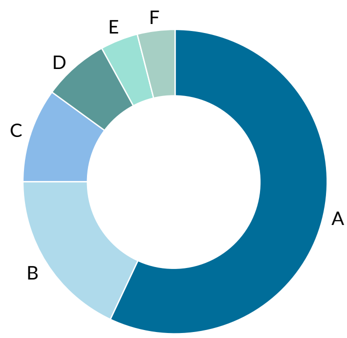


Investments by transaction type

A	Direct	82%	**C**	Secondary	1%
B	Primary	17%			

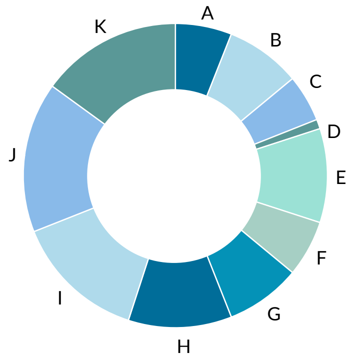
Portfolio assets by industry sector

A	Consumer discr.	32%	**F**	Industrial	8%
B	Telecom	2%	**G**	Materials	8%
C	Healthcare	14%	**H**	IT	14%
D	Consumer staples	8%	**I**	Energy	4%
E	Financial	10%			



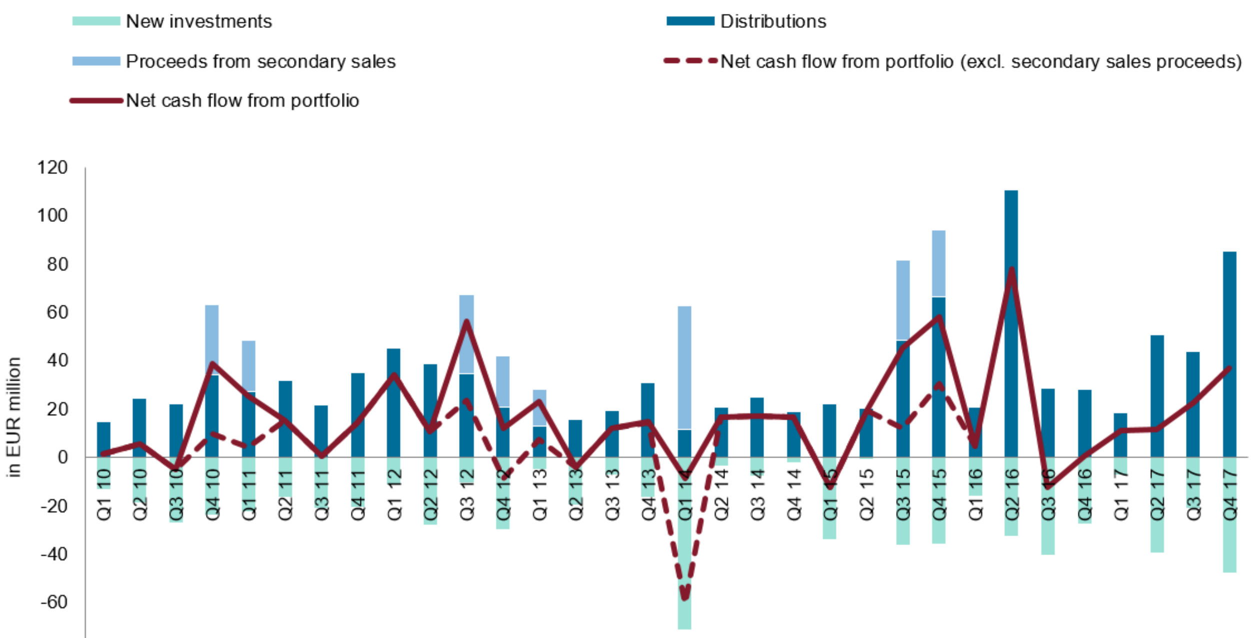
Investments by financing category

A	Small/Mid-cap	57%	**D**	Growth	7%
B	Special situations	18%	**E**	Mezzanine	4%
C	Large/mega-large-cap	10%	**F**	Venture capital	4%



Investments by investment year

A	Pre 2007	6%	**G**	2013	8%
B	2007	8%	**H**	2014	11%
C	2008	5%	**I**	2015	14%
D	2009	1%	**J**	2016	16%
E	2011	10%	**K**	2017	15%
F	2012	6%			



Development of net cash flows

NAV development

	Top 10	Top 20	Top 50
EV/EBITDA	13.0x	12.8x	12.2x
Net debt/EBITDA	4.6x	4.7x	4.7x
Leverage	37.9%	38.9%	40.6%
Weighted average EV	EUR 2.9bn	EUR 2.4bn	EUR 2.3bn

Key metrics of the top 50 direct investments

Asset allocation as per the reporting date; the portfolio composition may change over time.

As per the reporting date and based on available information. Key metrics are weighted averages based on the value of the portfolio companies as of year-end. Weighted average figures for direct equity investments, excluding listed and certain investments where M&A activity represents the main driver of the year-on-year growth.

The above allocations are provided for additional investor information only and do not necessarily constitute nor are necessarily managed as separate reportable segments by the Investment Manager, the Investment Advisor and Company.

Within section four, "Investments" refers to the value of the investments. The total of the investment portfolio excludes cash and cash equivalents.

5. Portfolio overview

Fifty largest direct investments (in EUR)

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception Residual cost	Since inception Net asset value	% of NAV
Action	Consumer discretionary	WEU	Small/Mid-cap	2011	0	58'266'636	7.9%
Permotio International Learning S.à r.l.	Consumer discretionary	WEU	Growth	2013	30'966'504	40'561'642	5.5%
Form Technologies	Materials	NAM	Small/Mid-cap	2015	22'285'739	36'058'517	4.9%
Foncia	Financials	WEU	Small/Mid-cap	2016	19'469'878	22'338'426	3.0%
KinderCare Education	Consumer discretionary	NAM	Small/Mid-cap	2015	8'917'082	21'778'636	2.9%
Fermo (Trimco International)	Industrials	APC	Small/Mid-cap	2012	n.a.	19'803'602	2.7%
Fermaca	Energy	ROW	Special situations	2014	12'157'829	19'370'270	2.6%
IDEMIA	Information technology	WEU	Large/mega-large-cap	2017	17'020'201	16'006'534	2.2%
Hofmann Menue Manufaktur	Consumer staples	WEU	Small/Mid-cap	2014	5'146'706	15'619'921	2.1%
Global Blue	Financials	WEU	Small/Mid-cap	2012	1'378'371	13'924'708	1.9%
MultiPlan 2016	Healthcare	NAM	Large/mega-large-cap	2016	4'355'125	12'886'016	1.7%
VAT Group AG	Industrials	WEU	Small/Mid-cap	2014	0	12'456'293	1.7%
Civica	Information technology	WEU	Small/Mid-cap	2013	12'445'373	12'445'373	1.7%
Vermaat	Consumer discretionary	WEU	Small/Mid-cap	2015	7'918'968	11'509'486	1.6%
Caffe Nero	Consumer staples	WEU	Mezzanine	2014	7'709'745	n.a.	n.a.
United States Infrastructure Corporation	Materials	NAM	Small/Mid-cap	2017	10'954'530	10'954'530	1.5%
CPA Global	Information technology	WEU	Large/mega-large-cap	2017	10'143'033	10'143'033	1.4%
Partners Group Pacific Restaurant Holdings	Consumer staples	NAM	Small/Mid-cap	2015	5'844'307	9'837'650	1.3%
PCI Pharma Services	Healthcare	NAM	Small/Mid-cap	2016	9'710'440	9'739'246	1.3%
Cerba HealthCare	Healthcare	WEU	Small/Mid-cap	2017	9'735'848	9'735'849	1.3%

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception Residual cost	Since inception Net asset value	% of NAV
Pharmaceutical developer	Healthcare	WEU	Small/Mid-cap	2013	9'868'011	9'348'007	1.3%
Guardian Early Learning Group	Consumer discretionary	APC	Small/Mid-cap	2016	7'877'187	9'164'842	1.2%
Curvature (fka Systems Maintenance Services)	Information technology	NAM	Small/Mid-cap	2016	9'797'402	8'706'973	1.2%
Voyage Care	Healthcare	WEU	Small/Mid-cap	2014	7'838'462	7'054'616	1.0%
STADA Arzneimittel AG	Healthcare	WEU	Large/mega-large-cap	2017	6'225'411	6'599'282	0.9%
Springer Science+Business Media	Consumer discretionary	WEU	Special situations	2010	6'105'082	n.a.	n.a.
Hortifruti	Consumer staples	ROW	Small/Mid-cap	2016	5'351'754	5'353'708	0.7%
Varsity Brands	Consumer discretionary	NAM	Small/Mid-cap	2014	2'218'579	5'329'594	0.7%
Logoplaste	Materials	WEU	Special situations	2016	4'850'538	n.a.	n.a.
Black Knight Financial Services	Financials	NAM	Large/mega-large-cap	2013	565'462	5'216'396	0.7%
TOUS	Consumer discretionary	WEU	Small/Mid-cap	2016	3'959'816	5'168'221	0.7%
CSS Corp Technologies (Mauritius) Limited	Telecommunication services	APC	Small/Mid-cap	2013	n.a.	n.a.	n.a.
Prosol	Consumer staples	WEU	Special situations	2017	4'864'981	5'061'272	0.7%
European Sports Rights Company	Consumer discretionary	WEU	Special situations	2006	4'817'621	4'924'071	0.7%
Universal Hospital Services, Inc.	Healthcare	NAM	Small/Mid-cap	2007	3'623'405	4'898'786	0.7%
Seabras-1	Telecommunication services	NAM	Special situations	2015	4'773'461	4'772'182	0.6%
ADT Corporation	Information technology	NAM	Large/mega-large-cap	2016	3'524'464	4'769'534	0.6%
Education publisher 2	Consumer discretionary	NAM	Large/mega-large-cap	2013	0	4'344'481	0.6%
Global vet business	Healthcare	WEU	Special situations	2014	4'019'093	4'172'404	0.6%
Cegid Group SA	Information technology	WEU	Special situations	2016	3'895'928	n.a.	n.a.
SPi Global	Information technology	APC	Small/Mid-cap	2017	4'018'448	4'018'448	0.5%
Cooperation Pharmaceutique Francaise SAS	Healthcare	WEU	Special situations	2015	3'292'400	n.a.	n.a.
Key Retirement Group	Financials	WEU	Small/Mid-cap	2017	3'432'880	3'432'880	0.5%

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception Residual cost	Since inception Net asset value	% of NAV
Polyconcept	Consumer discretionary	NAM	Small/Mid-cap	2016	3'242'087	3'260'978	0.4%
CapitalSpring Finance Company	Financials	NAM	Mezzanine	2013	1'836'169	2'518'290	0.3%
Infinite RF Holdings, Inc	Industrials	NAM	Special situations	2016	1'952'273	2'456'831	0.3%
Project Icon	Consumer discretionary	WEU	Small/Mid-cap	2011	2'940'193	2'413'503	0.3%
eResearch Technology, Inc.	Information technology	NAM	Special situations	2016	1'757'252	2'306'184	0.3%
Photonis	Information technology	WEU	Special situations	2011	1'553'557	2'128'790	0.3%
US entertainment company	Consumer discretionary	NAM	Large/mega-large-cap	2008	6'148'976	1'940'015	0.3%
Total fifty direct investments					223'590'706	515'889'274	69.5%

The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the audited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles. Residual cost is the initial investment cost after receipt of distributions from such an investment until the end of the reporting period. Negative residual costs (receipt of distributions > initial investment cost) will result in an amount of zero.

Fifty largest fund investments (in EUR)

Investment	Regional focus	Financing category	Vintage	Since inception Unfunded commitments	Since inception Net asset value	% of NAV
Anonymized Emerging Markets Venture Fund 2	ROW	Venture capital	2008	62'468	10'102'499	1.4%
3i Eurofund Vb	WEU	Small/Mid-cap	2006	370'655	8'980'643	1.2%
Ares Corporate Opportunities Fund III, L.P.	NAM	Special situations	2008	842'666	8'870'773	1.2%
Partners Group Global Real Estate 2008, L.P.	WEU	Special situations	2008	1'759'056	7'815'925	1.1%
Anonymized European Buyout Fund 7	WEU	Small/Mid-cap	2007	1'026'787	6'163'163	0.8%
Terra Firma Capital Partners III, L.P.	WEU	Large/mega-large-cap	2006	79'547	5'098'942	0.7%
MatlinPatterson Global Opportunities Partners III	NAM	Special situations	2007	268'500	4'755'876	0.6%
Pitango Venture Capital Fund III	ROW	Venture capital	2000	0	3'174'409	0.4%
August Equity Partners II A, L.P.	WEU	Small/Mid-cap	2007	n.a.	3'153'819	0.4%
Patria - Brazilian Private Equity Fund III, L.P	ROW	Small/Mid-cap	2007	n.a.	n.a.	n.a.
Index Ventures Growth I (Jersey), L.P.	WEU	Growth	2008	0	2'462'935	0.3%
INVESCO Venture Partnership Fund II-A, L.P.	NAM	Venture capital	2000	1'524'218	2'367'936	0.3%
Fenway Partners Capital Fund II, L.P.	NAM	Small/Mid-cap	1998	393'477	2'333'696	0.3%
SV Life Sciences Fund IV, L.P.	NAM	Venture capital	2006	204'224	2'265'092	0.3%
Penta CLO 1 S.A.	WEU	Special situations	2007	0	2'100'000	0.3%
Levine Leichtman Capital Partners II, L.P.	NAM	Mezzanine	1998	0	2'039'933	0.3%
Sterling Investment Partners II, L.P.	NAM	Small/Mid-cap	2005	1'027'987	1'894'688	0.3%
Alinda Infrastructure Parallel Fund II, L.P.	NAM	Special situations	2008	244'462	1'781'590	0.2%
Advent Latin American Private Equity Fund IV, L.P.	ROW	Large/mega-large-cap	2007	0	1'594'880	0.2%
Innisfree PFI Secondary Fund	WEU	Special situations	2007	29'287	1'586'022	0.2%
Summit Partners Europe Private Equity Fund, L.P.	WEU	Growth	2008	20'966	1'498'447	0.2%
Exxel Capital Partners VI, L.P.	ROW	Small/Mid-cap	2000	0	1'319'364	0.2%

Investment	Regional focus	Financing category	Vintage	Since inception: Unfunded commitments	Since inception: Net asset value	% of NAV
Ares Corporate Opportunities Fund II, L.P.	NAM	Special situations	2006	1'902'986	1'270'236	0.2%
Aksia Capital III, L.P.	WEU	Small/Mid-cap	2005	0	1'258'400	0.2%
Anonymized European Buyout Fund 3	WEU	Small/Mid-cap	2008	86'510	1'206'101	0.2%
The Peninsula Fund IV, L.P.	NAM	Mezzanine	2005	407'388	1'150'646	0.2%
Advent International GPE VI, L.P.	WEU	Small/Mid-cap	2008	0	1'093'966	0.1%
Sofinnova Capital VI FCPR	WEU	Venture capital	2008	49'799	1'017'525	0.1%
Russia Partners III, L.P.	ROW	Small/Mid-cap	2007	29'690	1'002'429	0.1%
Draper Fisher Jurvetson Fund VII, L.P.	NAM	Venture capital	2000	0	944'363	0.1%
OCM Mezzanine Fund II, L.P.	NAM	Mezzanine	2005	1'443'010	895'380	0.1%
Advent Latin American Private Equity Fund V, L.P.	ROW	Large/mega-large-cap	2009	38'167	888'880	0.1%
Searchlight Capital PV, L.P.	NAM	Special situations	2010	128'926	789'678	0.1%
Anonymized Asian Buyout Fund 3	APC	Small/Mid-cap	2007	260'251	766'935	0.1%
Helios Investors II, L.P.	ROW	Small/Mid-cap	2009	7'953	760'597	0.1%
Abris CEE Mid-Market Fund, L.P.	ROW	Small/Mid-cap	2007	0	698'138	0.1%
Peepul Capital Fund III, LLC	APC	Small/Mid-cap	2010	n.a.	n.a.	n.a.
Astorg V FCPR	WEU	Small/Mid-cap	2011	183'994	599'948	0.1%
Quadriga Capital Private Equity Fund IV L.P.	WEU	Small/Mid-cap	2012	119'575	592'783	0.1%
Capital Today China Growth Fund II, L.P.	APC	Venture capital	2009	0	573'846	0.1%
Valedo Partners Fund II AB	WEU	Small/Mid-cap	2011	60'817	569'262	0.1%
Montagu IV LP	WEU	Small/Mid-cap	2011	73'591	565'762	0.1%
HitecVision V, L.P.	WEU	Small/Mid-cap	2008	17'822	548'300	0.1%
TPG Asia V, L.P.	APC	Large/mega-large-cap	2007	180'337	548'252	0.1%
Vortex Corporate Development Fund, L.P.	NAM	Venture capital	2000	119'938	536'495	0.1%

Investment	Regional focus	Financing category	Vintage	Since inception Unfunded commitments	Since inception Net asset value	% of NAV
Hony Capital Fund 2008, L.P.	APC	Small/Mid-cap	2008	58'685	527'257	0.1%
Nmas1 Private Equity Fund II, L.P.	WEU	Small/Mid-cap	2008	36'301	524'506	0.1%
Clayton, Dubilier & Rice Fund VIII, L.P.	NAM	Large/mega-large-cap	2009	306'159	522'769	0.1%
Behrman Capital IV, L.P.	NAM	Small/Mid-cap	2007	20'045	500'987	0.1%
Menlo Ventures IX, L.P.	NAM	Venture capital	2000	0	498'728	0.1%
Total fifty fund investments				14'047'684	105'931'192	14.3%

The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the audited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles. Remaining net asset value is the net asset value of primary and secondary investments after receipt of distributions from such investments until the end of the reporting period.

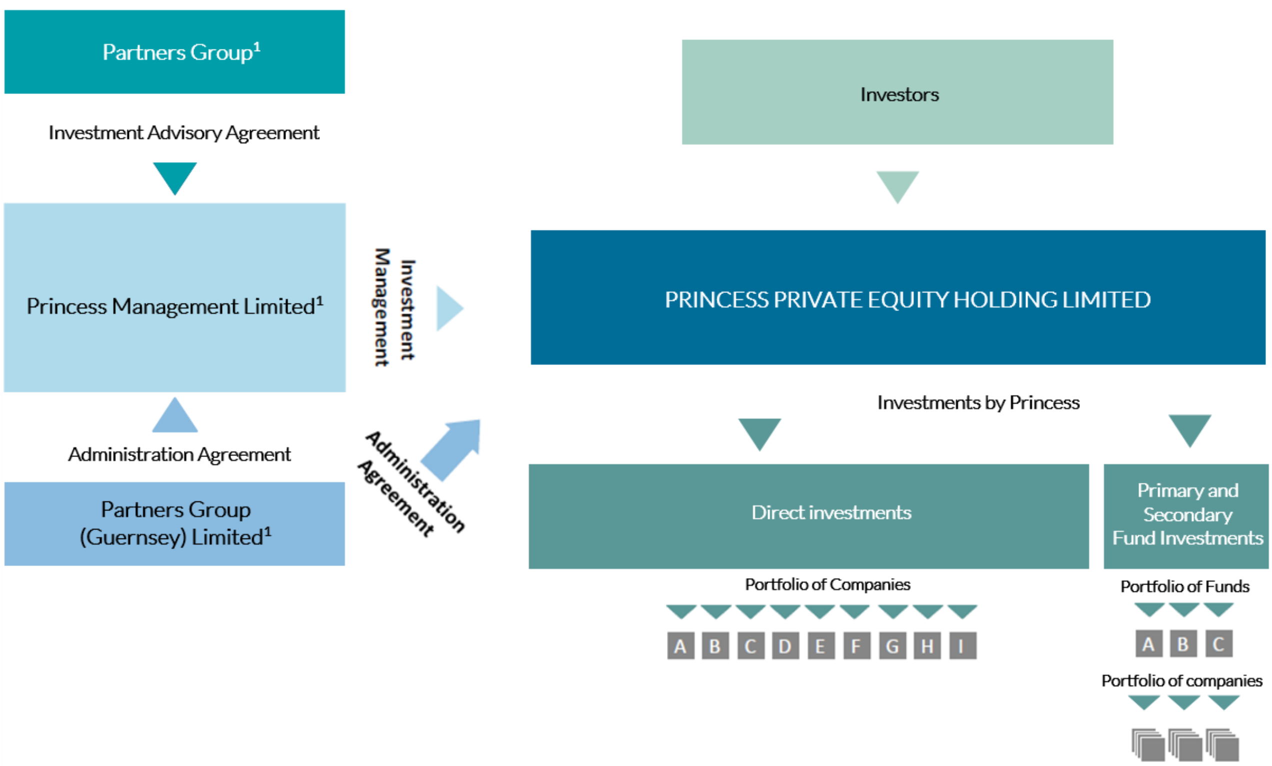
6. Structural overview

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 700 million through the issue of a convertible bond and invested the capital 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 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 consolidated all trading activity to the London Stock Exchange on 6 December 2012 and ceased being listed on the Frankfurt Stock Exchange.

On 6 September 2017, the Company announced the intention to introduce an additional market quote in Sterling (trading symbol: PEYS) for its existing ordinary shares in the London Stock Exchange, alongside the Company's existing Euro market quote. The purpose of the introduction of the Sterling quote was to broaden the potential ownership of the Company's ordinary shares. Following the introduction of the Sterling quote, which was admitted for trading on 8 September, Shareholders have the option to make a dividend currency election to receive dividends in Sterling. For the avoidance of doubt, all dividends continue to be declared in Euros and the default currency for dividend payments remains Euros.

Princess aims to provide Shareholders with long-term capital growth and an attractive dividend yield. The Company's investments are managed on a discretionary basis by Princess Management Limited, a wholly-owned subsidiary of Partners Group Holding AG, registered in Guernsey. The Investment Manager is responsible for, inter alia, 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 (the "Investment Advisor"), which is a global private markets investment management firm with EUR 61.9 billion in investment programs under management in private equity, private debt, private real estate and private infrastructure. Through the advisory agreement, Princess benefits from the global presence, the size and experience of the investment team and relationships with many of the world's leading private equity firms.



1) 100% owned by Partners Group Holding AG

7. Company information

Company	Princess Private Equity Holding Limited
Currency denomination	Euro
Dividends	Princess intends to pay a dividend of 5-8% p.a. on NAV
Incentive fee	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)
Incorporation	1999
Joint corporate brokers	JPMorgan Cazenove Numis Securities Ltd.
Listing	London Stock Exchange
Management fee	1.5% p.a.: Of the higher of NAV or value of Princess' assets less any temporary investments plus unfunded commitments
Securities	Fully paid-up ordinary registered shares
Structure	Guernsey company, Authorised closed-ended fund in Guernsey
Trading information	ISIN (Euro and Sterling Quote): GG00B28C2R28 WKN (Euro and Sterling Quote): A0M5MA Trading symbol (Euro Quote): PEY Bloomberg (Euro Quote): PEY LN Reuters (Euro Quote): PEY.L Trading symbol (Sterling Quote): PEYS Bloomberg (Sterling Quote): PEYS LN Reuters (Sterling Quote): PEYS.L
Voting rights	Each ordinary registered share represents one voting right

8. Board of Directors

Brian Human

Brian Human (Chairman) (British, born 1948) has been a Director of the Company since November 2003 and an independent Director since December 2007. He gained a Bachelor of Arts (Econ) degree from Rhodes University, South Africa. Brian has been in the finance industry since graduating in 1971. He emigrated to England in 1973, joining first 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 Credit ANZ Bank London, Senior Manager Business Banking ANZ Melbourne and general manager of Thailand-based General Finance and Securities Limited.

Richard Battey

Richard Battey (British, born 1952) is a resident of Guernsey. He is a Non-Executive Director of a number of investment companies and funds including Better Capital PCC Limited, Juridica Investments Limited, NB Global Floating Rate Income Fund Limited and Pershing Square Holdings, Ltd. He is a Chartered Accountant having qualified with Baker Sutton & Co. in London in 1977. Richard was formerly Chief Financial Officer of CanArgo Energy Corporation. Prior to that role he spent 27 years with the Schroder Group and worked first in London with J. Henry Schroder Wagg & Co. Limited and Schroder Investment Management and then in Guernsey, as a director of Schroders (C.I.) Limited from April 1994 to December 2004, where he served as Finance Director and Chief Operating Officer. He was a director of Schroder Group Guernsey companies covering banking, investment management, trusts, insurance and private equity administration retiring from his last Schroder directorship in December 2008.

Henning von der Forst

Henning von der Forst (German, born 1955) is a member of the Supervisory Board of Lingohr & Partner Asset Management GmbH. He was, until his retirement at the end of 2015 a member of the Executive Board of Directors and Chief Investment Officer of Nuernberger Insurance Group for 24 years and was a member of the Supervisory Board of various Nuernberger Group participations, real estate and investment companies. Furthermore, he was on the Board of Fürst Fugger Privatbank KG, Augsburg from 2005 until 2012. Prior to this, Henning worked as a marketing manager at SBCI Swiss Bank Corporation Investment Banking and as head of treasury and finance at VIAG Aktiengesellschaft (E.on today). He holds a master's degree in business administration from the University of Münster.

Fergus Dunlop

Fergus Dunlop (British, born 1958) is a Non-Executive Director of Partners Group Guernsey Limited. Between 2002 and 2007 Mr Dunlop joint-owned and managed an advisory business in Munich for institutional investors. He is a Fellow of the Institute of Directors and a Chartered Director. From 1997 to 2001 he worked in institutional sales with Mercury Asset Management (later Merrill Lynch, now BlackRock) in Frankfurt. From 1987 to 1997 he was with SGWarburg/Mercury in London, where he managed a joint venture with Munich Re. Fergus holds a master's degree in management from Oxford University.

Felix Haldner

Felix Haldner (Swiss, born 1963) is a member of Partners Group's Global Executive Board and is responsible for strategic client development and public affairs globally. He has been with Partners Group since 2001 and has 29 years of industry experience.

Steve Le Page

Steve Le Page (British, born 1956) is a Chartered Accountant and a Chartered Tax Adviser. Mr. Le Page was a partner with PwC in the Channel Islands from 1994 until his retirement in September 2013. Since retirement he had no financial connection or involvement with PwC. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures, including many listed investment funds. Mr. Le Page also led that firm's Audit and Advisory businesses for approximately ten years, and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm. Since his retirement, Mr. Le Page has built a small portfolio of non-executive director roles, including the listed funds Highbridge Multi-Strategy Fund Limited, MedicX Fund Limited, Volta Finance Limited and Channel Islands Property Fund Limted, all of which he serves as Chairman of the Audit Committee. He is a past Chairman of the Guernsey International Business Association and a past President of the Guernsey Society of Chartered and Certified Accountants. Mr. Le Page is resident in Guernsey.

9. Directors' report

Directors
B. Human (Chairman)
R. Battey
F. Dunlop
F. Haldner (appointed 23 August 2017)
S. Le Page (appointed 1 October 2017)
H. von der Forst
U. Wietlisbach (resigned 23 August 2017)

Secretary
Aztec Financial Services (Guernsey) Limited

Registered Office
Tudor House
St. Peter Port
Guernsey
GY1 6BD

The Directors present their report and audited consolidated financial statements for the period from 1 January to 31 December 2017.

Incorporation
Princess Private Equity Holding Limited (the "Company"), Princess Private Equity Subholding Limited (the "Subsidiary") and Princess Direct Investments, L.P. Inc. (the "Sub-Subsidiary" and together with the Company and Subsidiary the "Group") are entities 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 and income generation. The Investment Manager of the Company is Princess Management Limited (the "Investment Manager" or "Designated Manager") and the Investment Advisor is Partners Group AG (the "Investment Advisor"), a Swiss limited liability company. 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 investments, with a specific focus on direct investments. Under the Company's investment policy, as approved at the Annual General Meeting dated 12 May 2011, investments may include, inter alia:

- 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.
- 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.
- Listed private equity: interests in vehicles listed on public stock exchanges 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 the Investment Manager and the Investment Advisor 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 consolidated statement of comprehensive income and statement of financial position.

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 calls and distributions
- IRR reports at the underlying investment level
- Unfunded commitments
- Risk management and adherence to investment guidelines
- Corporate governance

Principal Risks and Uncertainties

The Board is responsible for managing and overseeing risk and reviews and assesses quarterly the risks which it considers apply to the Company. These risks encompass all risks to which the Company may be exposed, including the recent macro environment and uncertainties in respect of the valuation of unquoted investments as well as the cash flow modeling employed by the Company. The Directors have included the Statement of Principal Risks described in the Corporate Governance Report. Notes 4 and 17 of the audited consolidated financial statements provide further comment on certain other risks connected with the investments and financial assets / liabilities held by the Company and how they are managed.

Share Capital

Although the Shareholders granted to the Directors authorization to make market acquisitions of ordinary shares, the Company purchased and redeemed / cancelled no shares (31 December 2016: nil) during the year.

There was no change in the issued and paid up share capital as at 31 December 2017 and 31 December 2016.

There are no restrictions regarding the transfer of the Company's securities, no special rights with regard to control attached to the Company's securities; no agreements between holders of the Company's securities regarding their transfer known to the Company; and no agreements to which the Company is party that might be affected by a change of control following a takeover bid.

Shareholder Information

The net asset value and the net asset value per share are calculated (in Euro) every month at the last Business Day of each month by Partners Group (Guernsey) Limited acting as Administrator.

However, on 6 September 2017, the Company announced its intention to introduce an additional market quote in Sterling, that was admitted for trading on the London Stock Exchange on 8 September 2017.

Calculations are made in accordance with International Financial Reporting Standards ("IFRS") which require the Company's direct investments and fund investments to be valued at fair value, are announced by the Company on its website and are submitted to a regulatory information service approved by the UK Listing Authority as soon as practicable after the end of the relevant period.

Dividends

Dividends of EUR 0.28 per share were paid on 30 June 2017 and 22 December 2017. Previously, dividends of EUR 0.27 each were paid on 17 June 2016 and 16 December 2016. From the December 2017 dividend 1'373'376 shares elected to participate in the Dividend Reinvestment Plan, but this did not result in the issuance of any new shares resulting in the Company's issued and paid up share capital as at 31 December 2017 being 69'151'168 ordinary shares of EUR 0.001 each (31 December 2016: 69'151'168 ordinary shares of EUR 0.001 each).

However, it should be noted that the shareholders were able to elect to get their proportion of the December 2017 dividend paid in Sterling.

Results

The results for the period are shown in the audited consolidated statement of comprehensive income.

Directors, Directors' Interests and Directors' Remuneration Report

The Directors of Princess Private Equity Holding Limited are as shown above. The Directors had no beneficial interest in the Share Capital of the Company other than as shown below.

R. Battey: 40'000 shares
F. Dunlop: 8'000 shares
F. Haldner: 201'587 shares
B. Human: 2'000 shares

Messrs. Battey, Wietlisbach and Human were re-elected at the 2017 annual general meeting.

Messrs. Haldner and Le Page were appointed by the board on 23 August 2017 and 1 October 2017 respectively and will stand for election by the shareholders at the forthcoming annual general meeting.

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

No contract or arrangement existed in the period in which any of the Directors, other than Messrs. Haldner and Wietlisbach, who each had a material interest. Mr. Wietlisbach is a Director of and Shareholder in Partners Group Holding AG, the beneficial owner of both the Investment Manager and the Administrator. Mr. Haldner is a Shareholder in Partners Group Holding AG, the beneficial owner of both the Investment Manager and the Administrator.

No Director had a service contract with the Company other than Mr. Human who had a part time employment contract with the Company which ended in March 2008. Directors' remuneration is presented in the notes to these audited consolidated financial statements and is shown below. Neither Mr. Haldner nor Mr. Wietlisbach receive a fee for the provision of their individual services as a director of the Board. Directors' remuneration split as follows in EUR:

(31.12.2017 / 31.12.2016)
R. Battey (52'000 / 52'000)
F. Dunlop (46'000 / 46'000)
B. Human (57'500 / 57'500)
S. Le Page (11'500/ nil)
H. von der Forst (46'000 / 46'000)

Length of Service
Each of the Directors was first appointed to the Board on the dates shown below:

R. Battey: 28 May 2009
F. Dunlop: 28 May 2009
F. Haldner: 23 August 2017
B. Human: 19 November 2003
S. Le Page: 1 October 2017
H. von der Forst: 14 November 2012

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. Suitable insurance is in place and due for renewal on 7 December 2018.

Investment Management Arrangements
Princess Management Limited, a wholly owned subsidiary of Partners Group Holding AG, is the Investment Manager to the Company. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement (the "Advisory Agreement") with Partners Group AG. Mr. Wietlisbach is a founding partner of Partners Group AG and currently serves as a director of that firm. Details of the management fees are shown within the audited consolidated financial statements. The Advisory Agreement automatically renews every ten years but contains a three year's notice period. Termination will be without penalty or other additional payments save that the Company will pay management and performance fees due and additional expenses incurred. The Directors (other than Messrs. Dunlop, Haldner and Wietlisbach who are 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 as a whole, given the global reach and expertise of the Investment Manager and Investment Advisor.

Significant Events
At the Annual General Meeting held on 23 May 2017 the audited consolidated financial statements of the Company for the period ended 31 December 2016 together with the report of the Directors and Independent Auditors were received and adopted. Also on that date, the Shareholders approved granting the Directors (a) the ability to allot equity securities for cash or sell treasury shares for cash and (b) the general power to allot equity shares for cash or sell treasury shares for cash. Also at that meeting, the Shareholders authorized the Company to make market acquisitions of ordinary shares up to a maximum number of 14.99% of the ordinary shares in issuance at the date of the meeting, and this authority was still valid as at 31 December 2017.

Substantial Interest
The European Union 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 Conduct Authority (formerly UK Financial Services Authority). The Company must then disseminate this information to the wider market. Those shareholders who have declared accordingly that they held above 5% of ordinary shares, as at the period end were:

Bayer-Pensionskasse VVaG - 7.56%
Brewin Dolphin Limited - 5.03%
CCLA Investment Management Limited - 5.05%
CVP / CAP Coop - 5.07%
Deutsche Asset Management Investmentgesellschaft - 7.66%
Rathbone Brothers - 5.26%
Société Générale Option Europe - 5.31%

This information has been prepared based on disclosures made by Shareholders to the Company in accordance with stock exchange rules.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial period 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 Group and Company and of the profit or loss of the Group and 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 Group and Company will continue in business.

So far as the Board of Directors are aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information. The Directors confirm that they have complied with the above requirements in preparing the audited consolidated financial statements. The Directors of the Group and Company have elected to prepare audited consolidated financial statements for Princess Private Equity Holding Limited for the period ended 31 December 2017 as the parent of the Group in accordance with Section 244(5) of The Companies (Guernsey) Law, 2008. They are not required to prepare individual accounts for Princess Private Equity Holding Limited in accordance with Section 243 of The Companies (Guernsey) Law 2008 for the financial period.

To the best of our knowledge and belief:

- The Annual Report includes information detailed in the Chairman's report, the Investment Manager's report, the Directors' report and the notes to the audited consolidated financial statements, which includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces as required by DTR 4.1.8 and DTR 4.1.11; and
- The audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the audited consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, having taken advice from the Audit, Risk & Management Engagement Committee, consider that the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

The maintenance and integrity of the Group and Company's website is the responsibility of the Directors. The work carried out by the Independent Auditors does not involve consideration of these matters and accordingly, the Independent Auditors accept no responsibility for any changes that may have occurred to the audited consolidated financial statements after 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.

Going Concern

The Group closely monitors its future anticipated cash flows and based on these forecasts and the sensitivities which have been run on different scenarios the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate governance statement on pages 30 to 37 of this Annual Report. The Corporate governance statement forms part of the Directors' Report and is incorporated into it by cross-reference.

Company Secretary

The secretary of the Company as at 31 December 2017 was Aztec Financial Services (Guernsey) Limited.

Independent Auditors

At a general meeting held on 23 May 2017, Pricewaterhouse-Coopers CI LLP were re-appointed Independent Auditors of the Company for the period ended 31 December 2017, and the Directors were authorized to fix their remuneration.

R. Battey
Director

S. Le Page
Director

15 March 2018

10. Corporate governance statement

Corporate governance report

The Directors have determined to report against the Association of Investment Companies (the "AIC") Code of Corporate Governance for Guernsey companies ("AIC Code"), dated July 2016, and to follow AIC's Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code and AIC Guide are available on the AIC website www.theaic.co.uk. In assessing the Board's corporate governance practice for 2017, the Directors confirm that throughout the period the Company complied with the provisions of the AIC Guide.

The Company has complied with the relevant provisions of the UK Corporate Governance Code (the "UK Code") as issued by the Financial Reporting Council and dated April 2016, except as set out below:

- The role of the Chief Executive
- The role of the Senior Independent Director
- Executive Directors' remuneration
- The need for an internal audit function and the monitoring and reviewing of the effectiveness of such a function

For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an overseas investment company with an appointed Investment Manager. There are no Executives with contractual obligations directly with the Company and thus the Executive Directors' remuneration rules do not apply. The Audit, Risk & Management Engagement Committee and the Board of Directors regularly consider the risk and operational aspects of the Company. The Investment Manager has an appointed Compliance Officer. As there is delegation of operational activity to appointed service providers the Audit, Risk & Management Engagement Committee and the Board have determined there is no requirement for a direct internal audit function, although they do meet with the internal audit function of Partners Group Holding AG.

The Guernsey Financial Services Commission has a standing Code of Corporate Governance for the Finance Sector that was issued in 2011 (the "Guernsey Code"). In the introduction to the Guernsey Code it states that "Companies which report against the UK Corporate Governance Code or the AIC Code are also deemed to comply with the Code". As a company listed on the London Stock Exchange the Company is subject to the Disclosure Rules and Transparency Rules and the UK Code but uses the AIC Code instead as it is a member of AIC and considers this appropriate for a member company. As an AIC member domiciled in Guernsey which reports against the AIC Code, the Company is not required to report separately against the Guernsey Code.

Rules concerning the appointment and replacement of directors are contained in the Company's Articles of Incorporation and are discussed below.

AIFM Directive

In July 2014 the European Alternative Investment Fund Management Directive (AIFMD) came into effect. At present, the Board considers that the Company falls outside the scope of this Directive, in that the number of its shares in issue is static or declining, and accordingly it does not market inside the European Union. The Company will reconsider this in the event that it seeks to raise capital.

The Board

The Board consists of six directors all of whom are non-executive. The independent Chairman of the Board is Mr. Human, who was appointed on 28 May 2009 and is responsible for leading meetings of the Board to ensure that they are efficient and effective. Mr. Human 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 Messrs. Dunlop, Haldner and Wietlisbach, as independent of the Investment Manager and the Investment Advisor and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

Mr. Human was appointed Managing Director pursuant to a service contract dated 20 March 2007 until March 2008, during which time he was a part time employee of the Company. 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 Advisor, but this employment ceased in December 2007 and the Board now regards Mr. Human as independent. Further, the Board considers Mr. Human independent at the time of his appointment as Chairman.

Mr. Dunlop was not considered as independent from 25 April 2017 onwards as he was appointed as a Director of the Adminstrator.

Mr. Haldner was not considered as independent during the reporting period as he is a shareholder and employee in Partners Group Holding AG, the beneficial owner of the Investment Manager and the Adminstrator.

Mr. Wietlisbach was not considered as independent during the reporting period as he is a Director of and shareholder in Partners Group Holding AG, the beneficial owner of the Investment Manager and the Adminstrator.

The Board has a breadth of experience relevant to the Company and a balance of skills, experience and age. The Board recognizes the importance of diversity and notes that it continues to evaluate applicants to fill vacant positions without prejudice. Applicants are assessed on their broad range of skills, expertise and industry knowledge, and business and other experience.

Directors are appointed for a fixed term of no more than three years. The appointment may 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 and their continued satisfactory performance. 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, with both Messrs. Human and Haldner being subject to re-election on an annual basis, as the former has been a member of the Board of Directors since November 2003. Therefore Mr. Haldner together with Messrs. Battey, Human, and Le Page will stand for re-election at the 2018 Annual General Meeting. The Board continues to be satisfied with the performance of all the Directors, with Mr. Haldner being able to provide additional insight into the private markets industry and in particular both investor relations and investment activity.

Given Mr. Dunlop's role with the Investment Administrator he has indicated that he will resign immediately following the 2018 Annual General Meeting, and therefore will not be subject to re-election.

As the Company is not a FTSE 350 company, Directors are not subject to annual election by the shareholders nor is the external audit contract put out to tender at least every ten years.

Details relating to each Director's remuneration are disclosed in the Directors' report.

Directors' 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 Advisor and other third-party service providers, such as the Administrator and the Company Secretary. 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. These formal and informal discussions allow the non-executive Directors to constructively challenge and assist in the development of strategy. 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 London Stock Exchange listing process. This includes strategic discussions, monitoring of the share price (and associated premium or discount), approval of accounts, approval of dividends and the monitoring, evaluation, appointment and removal of service providers. The consent of the Board is required if the Investment Manager wishes to borrow more than 20% of the value of the Company assets or take a control position in an underlying investment (excluding investments in pooling vehicles).

The Board confirms that it has considered and authorized any conflicts or potential conflicts of interest in accordance with the Company's existing procedures. Also, it receives, on a quarterly basis, from the Investment Advisor an assessment of the performance of the investments which it monitors based on the Investment Advisor's internal rating system.

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. Such items include but are not limited to; investment performance, share price performance, review of marketing and shareholder communication. 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 brokers also attend 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 2017, compared against those for which they were eligible:

R. Battey (4/4)
F. Dunlop (4/4)
F. Haldner (1/1)
B. Human (4/4)
S. Le Page (1/1)
H. von der Forst (4/4)
U. Wietlisbach (2/3)

Committee of the Board

The Board has established an Audit & Management Engagement Committee which was renamed, on 16 November 2015 to the Audit, Risk & Management Engagement Committee (AR&ME Committee), which meets at least four times a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. It provides a forum through which the Company's external auditors may report to the Board. Furthermore it ensures that any reports issued by the Board present a fair, balanced and understandable assessment of the Company's position and prospects. The AR&ME Committee reviews the annual, half yearly and quarterly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company, together with the recommendation to appoint Independent Auditors.

The Board recognizes the importance of a sound risk management solution to safeguard Company's assets, protect the interests of the shareholders and meet its responsibilities as a listed company.

The AR&ME Committee is responsible for ensuring appropriate internal controls are in place and monitoring the risks and their potential impact on the Company.

The risk management framework includes a sound system of internal control that is designed to:

- identify and appraise all risks related to achieving the Company's objectives including all investment, regulatory, reputational, operational and financial risk;
- manage and control risk appropriately rather than eliminate it;
- ensure the appropriate internal controls are embedded within the business processes and form part of the Company's culture which emphasizes clear management responsibility and accountabilities;
- respond quickly to evolving risks within the Company and the external business environment; and

- include procedures for reporting any control failings or weaknesses to the appropriate level of management together with the details of corrective action.

The Group's and Company's external auditors are PricewaterhouseCoopers CI LLP. The AR&ME Committee is responsible for reviewing the independence and objectivity of the external auditors, and ensuring this is safeguarded notwithstanding any provision of any other services to the Group or Company. The Board of Directors recognizes the importance of safeguarding auditor objectivity and has taken the following steps to ensure that auditor independence is not compromised:

- The AR&ME Committee carries out each year an evaluation of the external auditors as to its independence from the Group and Company and relevant officers of the Group and Company in all material respects, and that it is adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this review the AR&ME Committee recommends to the Board the continuation, removal or replacement, of the external auditors. The external auditors may provide audit related services such as regulatory and statutory reporting and may also provide assistance on tax and regulatory matters given its knowledge of the Group's and Company's business. Such services will however be assessed on a case-by-case basis so that the best placed adviser is retained. Where the auditors are engaged to provide additional services, different teams are utilized by the auditors in providing these services.
- The AR&ME Committee gives careful consideration before appointing the auditors to provide other services. These other services are generally limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group's and Company's business is necessary. The external auditors did not provide any non-audit services during the year;
- The external auditors' report to the directors and the AR&ME Committee confirming their independence in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with SEC Independence Rules. In addition to the steps taken by the board to safeguard auditor objectivity, PricewaterhouseCoopers CI LLP operates a seven-year rotation policy for audit engagement leaders on listed companies such as Princess;
- PricewaterhouseCoopers CI LLP have remained in place as auditors for a considerable number of years and the audit contract has not been put out to tender in the last 10 years. Their performance is reviewed annually by the AR&ME Committee; and
- As part of its review the AR&ME Committee notes that the audit engagement leader was rotated in 2017.
- During the year PwC's 2015 year-end audit was selected for a quality review by the Financial Reporting Council (FRC). The Board discussed the findings of the review with PwC and was satisfied with the outcome.

Although the Directors believe that the Company and the Group have a robust framework of internal control in place, this can only provide reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The AR&ME Committee approaches its risk review covering qualitative and quantitative matters.

On a quarterly basis the AR&ME Committee reviews the principal risks faced by the Company and the Group, covering investment risk, strategic risk, regulatory risk, reputational risk, operational risk, financial risk and market abuse. For each of these risks the AR&ME Committee evaluated how these risks could arise, assigns responsibility to control such risks and determines the current likelihood and impact of the risk occurring. The AR&ME Committee makes decisions and requests additional reporting based on these findings.

On an annual basis the AR&ME Committee reviews certain quantitative reports covering foreign currency exchange risk, interest rate risk, liquidity risk, market price risk and counterparty risk as disclosed in the notes to the consolidated financial statements.

On an annual basis the Board of Directors meet with the internal audit team of Partners Group Holding AG to discuss the upcoming audit plan, covering those assigned to Partners Group Holding AG and its affiliated entities, and the material results or findings of any reports for the previous period that affect the Company and the Group. Additionally the Board of Directors is provided with a copy of the Internal Controls report audited by PricewaterhouseCoopers AG in accordance with the International Standard on Assurance Engagement 3402 "Assurance reports on controls at a service organization". This information allows the Board of Directors to manage and control the services delegated to Partners Group and to seek clarification or updates.

The Board reviewed the Risk Management and Internal Control Systems on 15 March 2017. Good stewardship must not inhibit sensible risk taking, which is critical to growth, and while no cost-effective management system which allows such risk taking can be perfect, and monitoring systems will continue to evolve, the review confirms the Board's opinion of the systems of risk management and internal controls were robust and effective.

Statement of Principal Risks

The Board is responsible for managing and overseeing risk and reviews and assesses quarterly the risks which it considers apply to the Company. These risks encompass all risks to which the Company may be exposed and are generally ranked by a risk index, taking into account likelihood and impact.

When assessing the likelihood and potential impact of such risks, the Board considers whether the outcome could pose:
- an immediate threat to the existence of the Company;
- a medium-term threat (resulting in the Company being placed into run-off);
- a reputational threat from which the Company could be expected to recover fully in due course; or
- no immediate threat to the Company or its operating activities.

The risks are split into three main sections; external (covering regulatory and reputational risk), investment (covering investment and strategic risk) and operational (covering operational risk, financial risk and market abuse).

In its assessment the Board considers that none of the risks present an immediate threat to the existence of the Company and have in each case worked with the Investment Manager, Investment Advisor, Company Secretary or broker to ensure that adequate measures are in place to mitigate the occurrence of these risks. The Board also obtains regular reporting so that these risks can be continuously assessed.

The following table provides details of the five possible risks that were ranked as having the highest risk likelihood and/or impact at the year end.

Key risk	Assessment	Potential impact	Control exercised by the Board
Risk of investments becoming highly illiquid.	Stable This risk was assessed as stable. IPO activity has increased but is vulnerable to a fall in public market.	Inability to realize investments.	Quarterly review of investment report, investment activity report and funding report by Investment Manager. Regular monitoring of cash flow receipts and unfunded commitments.
Loss from exposure to foreign exchange denominated hedged or un-hedged positions.	Increasing This risk was assessed as increasing, as volatility remains in the key foreign currency markets.	Decrease of net asset value outside of the control of the Investment Manager.	Quarterly review of foreign exchange exposure report and assessment of hedging strategy, as applicable.
Company's shares trade at a large discount.	Decreasing This risk was assessed as decreasing as the discount decreased during the year.	Lack of demand from shareholders and prospects.	Quarterly review of corporate broker report. Analyze cash receipts and unfunded commitments considering dividend expectations of shareholders as well.
Insufficient cash to fund existing commitments.	Stable This risk was assessed as stable as the Company continues to receive sufficient distributions to meet its cash requirements.	Company defaults on investments.	Quarterly review of investment report, investment activity report and funding report by investment manager. Receive cash flow from Partners Group.
Key service provider not executing prescribed roles under instruction of the Board.	Stable This risk was assessed as remaining stable and low as key service provider personnel are long-standing.	Instructions are not executed in a timely manner.	Review of open item list at board or committee meetings, compliance report and updates from internal auditor from Partners Group Holding AG.

Below is a summary of the Director attendance at AR&ME Committee meetings held in 2017, compared against those for which they were eligible:

R. Battey (4/4)
F. Dunlop (1/1)
B. Human (4/4)
S. Le Page (1/1)
H. von der Forst (4/4)

With the exception of Messrs. Haldner, Dunlop and Wietlisbach, the AR&ME Committee is composed of all the members of the Board, and has been chaired by Mr. Battey following his appointment on 28 May 2009. The Board is satisfied that at least one member of the AR&ME Committee has recent and relevant financial experience. Also, although Mr. Human is independent Chairman of the Company, he is also a member of the AR&ME Committee.

The AR&ME Committee recommended to the Board that the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of Shareholders as a whole, given the 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 undertakes an annual evaluation of its own performance and the performance of its committee and individual Directors, to ensure that they continue to act effectively and efficiently and to fulfill their respective duties, and to identify any training requirements. During this evaluation the Directors also reconfirmed that they continue to be able to allocate sufficient time to the Company in order to discharge their responsibilities. A full corporate governance review has been undertaken since the publication of the previous financial statements, which was facilitated by the Company Secretary. There were no matters of significance raised within the findings of the review and, as mentioned within this report, the non-independent directors were Messrs. Wietlisbach, Dunlop and Haldner.

The Board has undertaken an annual review of the effectiveness of the Company's and the Group's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. There were no significant matters raised within the findings of the review.

The Directors acknowledge that the Administrator has appropriate systems, controls and processes that are used in the production of the consolidated financial statements and that these are re-evaluated at the end of the financial reporting period through the approval of the relevant financial statements. Given the size and nature of the Company, it is not deemed necessary to form a separate remuneration or nomination committee. The Board, as a whole, will also consider new Board appointments.

In determining the process for the identification of suitable candidates to fill open positions within the Board of Directors, the Board recognizes the importance of diversity and that it is a much wider issue than gender. The Board expects that its members should collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Company's business.

The significant areas considered by the AR&ME Committee and discussed with the external auditors during the year were:

- Unquoted investments: reports from the Investment Manager are received on a quarterly basis on the portfolio development and the impact on the Direct and Indirect Investments, together with the significant unobservable valuation inputs for the level 3 investments. The AR&ME Committee was content after due challenge and debate with the assumptions and judgments applied in relation to the Investment Manager's recommendations adopted by the Directors in respect of the valuation of unquoted investments.
- Incentive fees: The Investment Manager calculates the incentive fee based on the investment management agreement between the Group and the Investment Manager. The final incentive fee calculation performed by the Investment Manager is also reviewed by the Administrator. The AR&ME Committee receives quarterly an overview of performance fees accrued and paid and applies analytical review to substantiate the figures calculated.

- Presumed risk of fraud and management override of controls: The AR&ME Committee considered the presumed risks of fraud as defined by auditing standards and was content that there were no issues arising.
- Financial statements: the presentation of the financial statements is considered, and in particular, the disclosures in connection with International Financial Reporting Standards. The AR&ME Committee is satisfied with the presentation of the audited consolidated financial statements of the Group.

Viability Statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed above. The Directors consider this is an appropriate period to assess the viability of an investment company for the purposes of giving assurance to shareholders.

The strategy and associated principal risks underpin the Group's three year plan and scenario testing, which is reviewed by the Directors on a quarterly basis. The three year plan is built on an investment by investment basis using a bottom up approach. The three year plan makes certain assumptions about the development of underlying investments, in terms of future expected capital calls and distributions, potential future investments and the ability to refinance debt when required. The plan is built, monitored and updated quarterly based on expected cash flow ratios and any changes to forward looking assumptions, which help to drive the model to determine when to make new investments.

The three year plan review is underpinned by the regular Board of Directors briefings provided by the Investment Manager, including discussions around liquidity reporting and risk management reports undertaken by the Board of Directors in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to realize investments at their fair value and secure new investments while maintaining sufficient working capital. These risks are considered within the Board of Directors' risk appetite framework.

Based on the Company's processes for monitoring, anticipating and managing cash flow, operating costs, share price discount, the Investment Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure and liquidity risk, the Directors have concluded that there is a reasonable expectation that the company will continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2020. The Directors also consider it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 2 to the audited consolidated financial statements.

Shareholder Communication

The Directors place great importance on shareholder communication while the Investment Manager and the Investment Advisor also carry out a program 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 statements as well as unaudited 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. In order to ensure that the Directors are aware of shareholders' views and concerns, at least one independent Director attends these quarterly conference calls. In addition the brokers also present a summary of shareholders' sentiment at the quarterly board meetings. These initiatives in combination assist the Board to develop a balanced understanding of the issues and concerns of major shareholders. In addition the Directors propose a separate resolution on each substantial issue tabled at the annual general meeting, including the approval of the financial statements, and publish on the Company's website, shortly after the Annual General Meeting, details of the valid proxies received, votes for and against and withheld in relation to each resolution. Regular news releases are also published.

R. Battey	S. Le Page
Director	Director
15 March 2018	

11. Independent Auditor's report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PRINCESS PRIVATE EQUITY HOLDING LIMITED

For the year ended 31 December 2017

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Princess Private Equity Holding Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2017, and of their consolidated financial performance and their 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, 2008.

What we have audited

The Group's consolidated financial statements comprise:

• the Consolidated Statement of Financial Position as at 31 December 2017;

• the Consolidated Statement of Comprehensive Income for the year then ended;

• the Consolidated Statement of Changes in Equity for the year then ended;

• the Consolidated Statement of Cash Flows for the year then ended; and

• the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with SEC Independence Rules. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the SEC Independence Rules.

Our audit approach

Overview

The Group's return is driven primarily by the performance of the underlying investment portfolio and so the underlying performance and prevailing trading conditions of these direct and indirect investments in unlisted companies, funds and listed companies are of particular relevance to our audit.

Context

Our 2017 audit was planned and executed having regard to the fact that the operations of the Group were largely unchanged from the prior year.
In light of this, our overall audit approach in terms of scoping and key audit matters were largely unchanged with continued scrutiny over the valuation of unlisted investments and the calculation of incentive fees.

Materiality

Overall Group materiality: €16.7 million which represents 2.25% of Net Assets

Audit Scoping

• The principal activities of the Group comprise investing in a portfolio of private market investments.
• The financial statements are a consolidation of the parent company and a number of subsidiaries which hold these investments. The subsidiaries and the parent company are all domiciled in Guernsey.

Key Audit Matters

• Valuation of the unlisted investments
• Calculation of incentive fees

Audit Scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality

€16.7 million (2016: €15.8 million)

How we determined it

2.25% of Net Assets (2016: 2.25% of Net Assets)

Rationale for the materiality benchmark applied

We believe that Net Assets is the primary measure used by the shareholders in assessing the performance of the Group, and this is a generally accepted auditing benchmark used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.83 million (2016: €0.79 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Valuation of the unlisted investments

Refer to the Directors' report, the Basis of preparation, the Principal accounting policies and notes 4, 9, 13, 17, 18 and 20 to the consolidated financial statements.

The Group has a diverse investment portfolio consisting of unlisted companies, funds and listed companies. The valuation of the portfolio of unlisted investments is significant in assessing the financial position and performance of the Group and is an area to which significant judgement is often applied and estimates made by the Directors.

The unlisted investments are valued on a basis considered most appropriate by the Directors, dependent on the nature of the underlying business which has been invested in. This includes:

- Applying a multiple to earnings;
- Applying a discount rate to future cash flows;
- Using recent transaction prices;
- Using net asset values received from the relevant general partners; and
- Using underlying asset valuations.

Where a multiple is applied to earnings, the multiple is normally calculated by taking a discount to the multiple of similar, listed companies. This discount typically reflects differences between these companies and the company being valued, for example, size and marketability differences between listed and unlisted companies.

Both determining the valuation methodology and determining the inputs to the valuation are subjective and complex. This, combined with the significance of the unlisted investments balance in the Consolidated Statement of Financial Position, meant that this was a key audit matter for our current year audit.

How our audit addressed the key audit matter

We updated and reconfirmed our understanding and evaluation of Management's processes and internal controls in so far as they apply to investment valuations, the valuation models used and the areas where significant judgements and estimates are made. We also performed tests over key controls in order to validate their operating effectiveness.

The unlisted investments are generally investments in private companies (direct investments) and are initially valued by Management and then subject to review by the Valuations Committee before being recommended to the Directors for review, challenge and approval. We discussed with and challenged Management as to the appropriateness of the valuation methodology applied, using our knowledge of the investments and the International Private Equity and Venture Capital Valuation guidelines.

For a sample of investments, we tested the valuation techniques that Management used to value these unlisted investments as follows:

● We obtained Management's valuation model containing earnings, trading multiples for listed comparable companies and the multiple used to value the investment, or the relevant cash flows models and discount rates applied.

● We checked the mathematical accuracy of the model.

● We obtained the management information including budgets, forecasts and cash flows for the portfolio companies being valued. We used this to corroborate the earnings and cash flows being used in the model in relation to the unlisted company being valued. We assessed the appropriateness of the earnings or cash flows being used based on our understanding of the financial performance of the portfolio companies, independently confirming a sample of the management information received by Management and challenged changes made by Management in the application of this input to the valuation.

● In testing Management's fair valuation process, we assessed trading multiples for the comparable companies identified by Management and compared them to the multiples used in the valuation. We also considered whether any other traded companies may be comparable and considered the impact of their inclusion in the sourced trading multiples on the valuation, where and if considered appropriate.

● We independently sourced, where appropriate, the basis of the discount rates used in any discounted cash flow calculations.

● We challenged Management on any adjustment to the comparable multiples to arrive at the multiple or discounted rate used in their valuation. This included considering changes in these discounts since the latter of the deal date and the prior year-end and considering how these changes compared relative to the performance of the portfolio company against the relevant industry sector.

● Where a recent transaction price had been used to fair value investments, we challenged Management on whether there had been any changes in facts and circumstances since the transaction was completed which may indicate that a change in valuation would be appropriate. Where the Group was a counterparty to such transactions, the transactions were subjected to audit testing. Where the Group was not a counterparty, we obtained a sample of the evidence of such transactions independently. This included the use of financial information to assess the performance of the underlying company or fund.

● Where underlying net asset valuations were used to value investments in funds (indirect investments), we corroborated these by tracing them to supporting documentation such as third party valuation reports received by Management. Such source documentation was also used to confirm details such as the Group's committed capital, unfunded commitments, percentage ownership and other specific details of the respective fund investments. We also evaluated the appropriateness of such source documentation by independently confirming a sample thereof with the administrators of the underlying funds. In addition, we evaluated the reliability of this information by comparing such source documentation used in the Group's prior year valuations against the audited financial statements issued by the underlying funds in which the Group was invested.

Based on this work, we were satisfied that the assumptions used by management were within an acceptable range and that the calculations were mathematically accurate.

Key audit matter: Calculation of incentive fees

See notes 5 and 15 of the consolidated financial statements for further information on the incentive fees payable by the Group. Incentive fees comprise amounts accrued and payable to Princess Management Limited ('the "Investment Manager'") to compensate them for services provided in a way which aligns their remuneration with the Group's investment performance.
The incentive fee calculations, which are undertaken in accordance with the investment management agreement between the Group and the Investment Manager are relatively complex, which increases the risk of error.

Incentive fees are calculated based on the fair value and cash flows of each direct and secondary investment. This calculation is performed separately for each direct and secondary investment, and also includes adjustments for such items as fee rebates. This means that some of the calculations can be based on complex calculations with a number of data inputs.

We focused on both the accuracy and occurrence of the incentive fee calculation due to the complexity of the calculation and also due to the nature of the incentive fees which means that there may be an incentive for these to be overstated.

How our audit addressed the key audit matter

Our audit approach was based upon the specifics of the incentive fee arrangements as set out in the investment management agreement and the notes to the consolidated financial statements, and which are described in the Company's offering documents.

In assessing the accuracy and occurrence of the incentive fees:

- We obtained a summary of incentive fees charged and examined the offering documents and investment management agreement to ensure that any incentive fees are being calculated and accrued only when applicable;

- We also ensured that all parameters of the incentive fee calculation were included, as set out in the offering documents and investment management agreement;

- We performed controls testing over the occurrence of the investment disposals, the value of such disposals and the gains realised on such disposals. This included ensuring that the returns achieved exceeded the conditions in place for the incentive fee to be triggered; and

- We recalculated the incentive fee attributable to the Investment Manager using the applicable methodology. We did not identify any differences through this testing.

Other information

The Directors are responsible for the other information. The other information comprises the Key figures, the Chairman's report, the Market overview, the Investment Manager's report, the Portfolio composition, the Portfolio overview, the Structural overview, the Company information, the Board of Directors, the Directors' report and the Corporate governance statement., but does not include the consolidated financial statements and our auditor's report thereon.

Other than as specified in our report, our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

● Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

● Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

● Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

● Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

● Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

● Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit;
- Proper accounting records have not been kept; or
- The consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- The Directors' statement set out on page 25 in relation to going concern. As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern;
- The Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;
- The part of the Corporate Governance Statement relating to the Group's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 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.

John Luff
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
15 March 2018

12. Audited consolidated financial statements

Audited consolidated statement of comprehensive income

for the period from 1 January 2017 to 31 December 2017

In thousands of EUR	Notes	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Net income from financial assets at fair value through profit or loss		**79'458**	**115'202**
Private equity		*82'056*	*107'870*
Interest & dividend income	19	1'280	5'979
Revaluation	9,20	106'572	97'171
Net foreign exchange gains / (losses)	9,21	(25'796)	4'720
Private debt		*(221)*	*4'536*
Interest income (including PIK)	19	2'156	2'120
Revaluation	9,20	4'013	1'731
Net foreign exchange gains / (losses)	9,21	(6'390)	685
Private real estate		*(721)*	*27*
Revaluation	9,20	(720)	22
Net foreign exchange gains / (losses)	9,21	(1)	5
Private infrastructure		*(1'656)*	*2'769*
Revaluation	9,20	357	1'930
Net foreign exchange gains / (losses)	9,21	(2'013)	839
Net income from cash & cash equivalents and other income		**(302)**	**4**
Interest income / (expense)	19	(1)	(37)
Net foreign exchange gains / (losses)	21	(301)	41
Total net income		**79'156**	**115'206**
Operating expenses		**(19'868)**	**(24'845)**
Management fees	22	(11'191)	(10'258)
Incentive fees	15,22	(6'030)	(13'236)
Administration fees	22	(370)	(338)
Service fees	22	(250)	(250)
Other operating expenses		(1'396)	(690)
Revaluation of other long-term receivables	20	1	(14)
Other net foreign exchange gains / (losses)	21	(632)	(59)
Other financial activities		**18'574**	**(7'497)**
Setup expenses - credit facilities		(507)	(909)
Other finance cost		(264)	(247)
Net gains / (losses) from hedging activities	10,20	19'344	(6'341)
Other income		1	-
Surplus / (loss) for period		**77'862**	**82'864**
Other comprehensive income for period; net of tax		-	-

In thousands of EUR	Notes	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Total comprehensive income for period		**77'862**	**82'864**
Weighted average number of shares outstanding		69'151'168.00	69'151'168.00
Basic surplus per share for period		1.13	1.20
Diluted surplus per share for period		1.13	1.20

The earnings per share is calculated by dividing the surplus / (loss) for period by the weighted average number of shares outstanding

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Audited consolidated statement of financial position

As at 31 December 2017

In thousands of EUR	Notes	31.12.2017	31.12.2016
ASSETS			
Financial assets at fair value through profit or loss			
Private equity	9,18	525'538	539'374
Private debt	9,18	100'711	78'194
Private real estate	9,18	7'816	11'397
Private infrastructure	9,18	19'520	21'847
Other long-term receivables		2'644	3'009
Non-current assets		**656'229**	**653'821**
Other short-term receivables		2'199	10'026
Hedging assets	10,18	2'166	-
Cash and cash equivalents	11	97'416	65'751
Current assets		**101'781**	**75'777**
TOTAL ASSETS		**758'010**	**729'598**
EQUITY AND LIABILITIES			
Share capital	12	69	69
Retained earnings		331'945	254'083
Reserves	12	410'031	448'756
Total equity		**742'045**	**702'908**
Hedging liabilities	10,18	-	2'843
Accruals and other short-term payables		15'965	23'847
Liabilities falling due within one year		**15'965**	**26'690**
TOTAL EQUITY AND LIABILITIES		**758'010**	**729'598**

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Audited consolidated statement of changes in equity

for the period from 1 January 2017 to 31 December 2017

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	254'083	448'756	702'908
Dividend paid during period	-	-	(38'725)	(38'725)
Surplus / (loss) for period	-	77'862	-	77'862
Equity at end of period	**69**	**331'945**	**410'031**	**742'045**

for the period from 1 January 2016 to 31 December 2016

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	171'219	486'098	657'386
Dividend paid during the period	-	-	(37'342)	(37'342)
Surplus / (loss) for period	-	82'864	-	82'864
Equity at end of period	**69**	**254'083**	**448'756**	**702'908**

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Audited consolidated statement of cash flows

for the period from 1 January 2017 to 31 December 2017

In thousands of EUR	Notes	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Operating activities			
Surplus / (loss) for period before interest expense		77'862	82'864
Adjustments:			
Net foreign exchange (gains) / losses	21	35'133	(6'231)
Investment revaluation	20	(110'222)	(100'854)
Revaluation of other long-term receivables	20	(1)	14
Net result from interest income	19	(3'386)	(2'302)
Net result from dividend income	19	(49)	(5'760)
Revaluation on forward hedges	10,20	(19'344)	6'341
(Increase) / decrease in receivables		7'686	(8'730)
Increase / (decrease) in payables		(8'008)	1'180
Realized gains / (losses) from forward hedges	10	14'335	(2'198)
Purchase of private equity investments	9	(70'224)	(65'226)
Purchase of private debt investments	9	(34'524)	(29'600)
Purchase of private real estate investments	9	252	221
Purchase of private infrastructure investments	9	-	(5)
Distributions from and proceeds from sales of private equity investments	9	167'278	140'147
Distributions from and proceeds from sales of private debt investments	9	7'585	16'538
Distributions from and proceeds from sales of private real estate investments	9	2'608	2'473
Distributions from and proceeds from sales of private infrastructure investments	9	671	1'800
Interest & dividends received	19	3'039	12'614
Net cash from / (used in) operating activities		**70'691**	**43'286**
Financing activities			
Dividends paid	12	(38'725)	(37'342)
Net cash from / (used in) financing activities		**(38'725)**	**(37'342)**
Net increase / (decrease) in cash and cash equivalents		**31'966**	**5'944**
Cash and cash equivalents at beginning of period	11	**65'751**	**59'766**
Effects of foreign currency exchange rate changes on cash and cash equivalents	21	(301)	41
Cash and cash equivalents at end of period	11	**97'416**	**65'751**

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Notes to the audited consolidated financial statements

for the period from 1 January 2017 to 31 December 2017

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 6BD. The Company is a Guernsey limited liability company that invests in a broadly diversified portfolio of private market investments through its wholly-owned subsidiary, Princess Private Equity Subholding Limited (the "Subsidiary"). The Subsidiary also holds certain investments through its wholly-owned subsidiary Princess Direct Investments, L.P. Inc. (the "Sub-Subsidiary"). The Sub-Subsidiary, the Subsidiary and the Company form a group (the "Group"). Both of these subsidiaries are consolidated as they are deemed to provide investment related services to the Company.

The shares of the Company were listed on the Prime Standard of the Frankfurt Stock Exchange from 13 December 2006 until 5 December 2012 (date of delisting). The shares of the Company remain listed on the main market of the London Stock Exchange, where they have been listed since 1 November 2007.

2 Basis of preparation

The consolidated financial statements comprise the financial statements of the Group. The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") 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 consolidated 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 consolidated 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 may ultimately differ from those estimates. The areas where assumptions, judgments and estimates are significant to the consolidated financial statements are disclosed in a subsequent note; "critical accounting estimates and judgments".

The Directors of the Company have elected to prepare consolidated financial statements for Princess Private Equity Holding Limited for the period ended 31 December 2017 as the parent of the Group in accordance with Section 244(5) of The Companies (Guernsey) Law, 2008. They are not required to prepare individual accounts for Princess Private Equity Holding Limited in accordance with Section 243 of The Companies (Guernsey) Law 2008 for the financial period.

3 Principal accounting policies

The following accounting policies have been applied consistently, except where otherwise noted, in dealing with items which are considered material in relation to the Group's audited consolidated financial statements.

From 1 January 2017 the following existing revised IFRS and interpretations to existing standards were required to be adopted. The Group has consequently adopted all relevant and below mentioned standards since 1 January 2017.

Amendments to IAS 12 (effective 1 January 2017) - Recognition of Deferred Tax Assets for Unrealized Losses
Annual improvements 2014-2016 (effective 1 January 2017) Amendments to IFRS 12
Amendment to IAS 7 "Statement of cash flows" (effective 1 January 2017) related to the Disclosure Initiative

The Directors of the Company have assessed the impact of the adoption of the IAS 7 amendment and concluded that it has no impact on the Group's cash flow statement and related disclosures. The changes in liabilities arising from financing activities can be found in the notes to the audited consolidated financial statements. The audited consolidated financial statements provide information on the previous reporting period even though the standard does not require disclosure of comparative figures.

The following standards that are mandatory for future accounting periods, but where early adoption is permitted now, have not been duly adopted:

Annual improvements 2014-2016 (effective 1 January 2018) Amendments to IFRS 1 and IAS 28
IFRS 15 (effective 1 January 2018) - Revenue from Contracts with Customers
IFRS 9 (effective 1 January 2018) - Financial Instruments

The Directors of the Company are in the process of assessing the impact of these standards and believe that these new accounting standards and interpretations will not significantly affect the Group's results of operations or financial position.

On adoption of IFRS 9 the Group's investment portfolio will continue to be classified as fair value through profit and loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Group's audited consolidated financial statements.

Segmental reporting

IFRS 8 - Operating segments requires segments to be identified and presented following a 'management approach' under which segment information is presented on the same basis as that used for internal reporting and monitoring purposes. Operating segments are reported in a manner consistent with internal reporting of the Partners Group AG (the "Investment Advisor"), who have also been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, and is appointed by the Directors. Operating segments have been identified as: private equity, private debt, private real estate, private infrastructure and private resources. Only those segments applicable within the reporting periods have been reflected in these audited consolidated financial statements.

Consolidation

The Directors of the Company have determined that the Company is an investment entity in accordance with IFRS 10 based on the fact that it meets the relevant definition criteria. The Company:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

As a result, the Group does not consolidate any entities other than the Subsidiaries, as further described in note "Critical accounting estimates and judgments".

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated on consolidation.

A list of the Group's subsidiaries is set out in a subsequent note. The consolidation is performed using the purchase method. All Group companies have 31 December as the end of their reporting periods.

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

Income from bank deposits and interest income from short-term investments are included on an accruals basis using the effective interest rate method. Gains and losses from short-term investments and gains and losses from cash and cash equivalents also include the increase or decrease in the value of short-term investments purchased at a discount or a premium. All realized and unrealized surpluses and losses are recognized in the audited consolidated statement of comprehensive income. Dividend income is recognized when the right to receive payment is established.

Expenditure
All items of expenditure are included in the audited consolidated financial statements on an accruals basis.

Foreign currency translation
(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates (the "Functional Currency") that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Group's economic environment has been assessed and determined in accordance with the primary and secondary indicators defined in IAS 21 - The Effects of Changes in Foreign Exchange Rates. The audited consolidated financial statements are presented in Euros, which is the Company's Functional and the Company and Group's presentation Currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the reporting period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the audited consolidated statement of comprehensive income.

Financial assets and financial liabilities at fair value through profit or loss
(a) Classification

The Group classifies its investments in private equity, private debt, private real estate, private infrastructure and private resources, 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 Directors of the Company 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 purpose of selling or repurchasing in the short-term.

Where the Group has hedged the value of non-Functional Currency investments against the Functional Currency the Group does not use hedge accounting as defined in IAS 39. Derivative financial instruments are classified as financial assets and liabilities held for trading. They are initially recognized in the audited consolidated statement of financial position at fair value and are subsequently remeasured to fair value. As a result, the realized gains/losses and the unrealized changes in fair value are recognized in the audited consolidated statement of comprehensive income under the heading "Other financial activities". The fair values of various derivative instruments used for hedging purposes, if any, are disclosed in the notes.

Financial assets and financial liabilities at fair value through profit or loss at inception consist of interests which are acquired by the Group (including all related securities) in (typically unlisted) direct private equity investments ("Direct Investments") and all other types of investments, which comprise of investments in other investment vehicles ("Indirect Investments"). These 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 Princess Management Limited (the "Investment Manager") and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

In setting the Group's investment policy the Directors have determined their intention to focus on making investments in entities that adopt an internationally recognized standard of accounting.

(b) Recognition and derecognition

All transactions relating to financial assets and financial liabilities at fair value through profit or loss are recognized on the settlement date or when all risks and rewards of ownership have been transferred.

Any distributions, including return of principal of investment, received from the underlying Direct and Indirect Investments are recognized when the Group's right to receive payment has been established.

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.

Cash and PIK interest relating to debt investments held at fair value through profit or loss are recognized on an accruals basis within interest income (including PIK) in the audited consolidated statement of comprehensive income when the Group's right to receive payment is established.

(c) Measurement

As a matter of principle, 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 are presented in the audited consolidated statement of comprehensive income within net income from financial assets at fair value through profit or loss in the period in which they arise.

Distributions from Indirect Investments held at fair value through profit or loss are recognized in the audited consolidated statement of financial position when the Group's right to receive payment is established. Distributions received from Indirect Investments are recognized first as a repayment of the original capital contributed to the Indirect Investments which is substantially in keeping with the distribution arrangements prescribed by the constituent documents of the Indirect Investments. On repayment of any of the original capital contributed in full to the Indirect Investments, all subsequent distributions are recognized in the audited consolidated statement of comprehensive income within revaluation.

Any interest and dividend distributions derived from Direct Investments are recognized when the Group's right to receive payment is established and included within interest and dividend income in the audited consolidated statement of comprehensive income.

(d) Fair value estimation

The fair values of financial instruments whose principal markets are actively traded exchange markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the price within the bid-ask spread which is most representative of fair value at the end of the reporting period.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each period. Quoted market prices or dealer quotes for specific similar instruments are also used for long-term debt where appropriate. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques, such as, option pricing models and estimated discounted value of future cash flows.

Short-term investments

Short-term investments consist of investments in treasury bills and money-market funds with a stated maturity between 3 and 12 months at the date of acquisition. Short-term investments are initially recognized at fair value and subsequently measured at fair value through profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the audited consolidated statement of financial position where there is currently a legally and contractually enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. A current legally and contractually enforceable right to offset must not be contingent on a future event. Furthermore, it must be legally and contractually enforceable in (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the Group and all of the counterparties.

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. Bank overdrafts are included within liabilities falling due within one year in the audited consolidated statement of financial position. Cash and cash equivalents may include unrestricted variation margin balances received from counterparties as collateral on derivative asset positions, which are due back to those counterparties on settlement of the derivatives.

Other short-term receivables and long-term receivables

Other short-term receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets unless the maturities are more than 12 months after the end of the reporting period where they are classified as non-current assets. Other short-term receivables are stated at the contractual amount less impairment, if any, as this is a reasonable approximation of fair value. Other short-term receivables may include variation margin balances paid to counterparties on derivative liability positions, which are due back from those counterparties on settlement of the derivatives.

Other long-term receivables also include amounts receivable by the Group at the reporting date which represent distributions from underlying investments that are held through special purpose vehicles that could be subject to corporate tax in jurisdictions different to that of the Group. In certain cases, all distributions received from underlying investments must be retained in such vehicles until the investment is fully realized in order to benefit from such structuring. It has been determined that future payments may need to be made by the special purpose vehicles to tax authorities in the jurisdictions in which these are based, and as such not all of the amounts paid by the underlying investment may be recoverable in full by the Group should the distributions be taxed. As a result, these long-term receivable balances are assessed for taxes owing and the resulting revaluation of these long-term receivables is recorded under 'revaluation of long-term receivables' in the audited consolidated statement of comprehensive income. These underlying investments and related calls and distributions have been accounted for on a look-through basis.

Deferred receivables on investments

Deferred receivables on investments meet the definition of a financial asset as they are a contractual right for a specified amount at a specified date. Initially deferred receivables on investments which represent a financial asset are recognized at fair value. Subsequently these are measured at amortized cost using the effective interest method. They are classified as assets falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as non-current assets. A deferred receivable on investments is derecognized when the obligation under the asset is received or discharged.

Accruals and other short-term payables

Accruals and other short-term payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year. Accruals and other short-term payables are stated at the carrying amount as this is a reasonable approximation of fair value. Accruals and other short-term payables may include variation margin balances received as cash from counterparties on derivative asset positions, which are payable back to those counterparties on the settlement of the derivatives

Borrowings
Borrowings consist of credit facilities and loans received either from financial institutions or from related parties. Such borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. In the audited consolidated statement of financial position borrowings are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year.

Deferred payments
Deferred payments meet the definition of a financial liability as they are a contractual obligation for a specified amount at a specified date. Initially deferred payments which represent a financial liability are recognized at fair value. Subsequently these are measured at amortized cost using the effective interest method. They are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year. A deferred payment is derecognized when the obligation under the liability is paid or discharged.

Equity
Shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

4 Critical accounting estimates and judgments

There is significant subjectivity in the valuation of Direct and Indirect Investments with very little transparent market activity to provide support for fair value levels at which willing buyers and sellers would transact. In addition there is subjectivity in the cash flow modeling due to the fact that the underlying investments, in many cases, require funding based on the future development of their investments. The estimates and judgments employed therein are therefore 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.

Unquoted investments
For the valuation of such investments the Investment Manager reviews the latest information provided by underlying investments and other business counterparties, which frequently does not coincide with the valuation date, and applies widely recognized market and income valuation methods to such information such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation as well as market prices to estimate a fair value as at the end of the reporting period. In order to determine the underlying assumptions of such methods significant judgment is required. The areas of such judgment include, but are not limited to:

- Selection of the valuation technique;
- Selection of a set of comparable listed companies;
- Selection of performance measures of such listed companies in order to determine comparable trading multiples;
- Determination of adjustments to comparable trading multiples based on qualitative factors;
- Determination of future cash flows;
- Selection of recent transactions for the sales comparison method;
- Determination of applicable capitalization rates for the income method; and
- Determination of applicable discount rates considering own and counterparties' credit risk.

As part of the fair valuation of such investments, the Investment Manager uses observable market data (whenever possible), unobservable data and cash flow data to consider and determine the fair values of the underlying investments. Furthermore the Investment Manager considers the overall portfolio against observable data and general market developments to determine if the values attributed appear to be fair based on the current market environment. The Investment Manager makes practical efforts to obtain the latest available information pertaining to the underlying unquoted investments.

As part of the continuous evaluation of the fair value of the underlying unquoted investments, the fair value assessment procedures are determined by the Investment Manager independent of the Investment Advisor's investment committee. In addition, the Investment Manager is also responsible for ensuring that these procedures are adhered to during the assessment of the fair values.

Based on an assessment of relevant applicable indicators of fair value, the Group estimates the fair values as at the valuation date. Such indicators may include, but are not limited to:

- An underlying investment's most recent reporting information including a detailed analysis of underlying company performance and investment transactions with the Indirect Investments between the latest available reporting of the underlying investment and the end of the reporting period of the Group;
- Review of a Direct Investment's most recent accounting and cash flow reports and models, including data supplied by both the sponsor and the company and any additional available information between the date of these reports and the end of the reporting period of the Group;
- Review of recent transaction prices and merger and acquisition activity for similar Direct Investments;
- Review of the Indirect Investment's application of generally accepted accounting principles and the valuation method applied for its underlying investments such as discounted cash flow and multiple analysis, which are based on available information; and
- Review of current market environment and the impact of it on the Direct and Indirect Investments.

The variety of valuation bases adopted, quality of management information provided by the underlying Indirect Investments 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. There are significant estimates and assumptions that are used in establishing the fair value of financial assets and liabilities. As a result, the actual amounts realized on the sale of these instruments may differ from the fair values reflected in these financial statements and these differences may be significant as a result of the judgments applied.

Cash flow modeling

In addition to the review of historical data within the cash flow modeling, the Investment Manager also takes into account current portfolio data together with the expected development of the market environment based on observable market information and subjects this to simulations and stress-tests to consider certain scenarios which could occur and their potential impact on the Group and its investment commitment and funding strategy.

The results of such observations are included within the investment models to provide an insight into future expected cash flows and the liquidity requirements of the Group.

As at the end of the reporting period, the Group estimates the cash flow requirements based on an assessment of all applicable indicators, which may include but are not limited to the following:

- Historical statistical data: external and internal data serve as the statistical basis of the quantitative model;
- Current portfolio company information: the model is updated to take into account current data from the Group's Direct and Indirect Investments;
- Input from the Investment Advisor's investment professionals: qualitative and quantitative inputs from the general market environment and the specific portfolio in the model;
- Monte-Carlo simulations and stress-tests: stochastic behavior of private market cash flows combined with valuations and tailor-made scenario analyses provide the basis for commitment decisions and quantitative risk management; and
- Use of borrowings and anticipated usage of such borrowings for anticipated drawdowns in relation to unfunded commitments to Direct and Indirect Investments.

There is uncertainty in the estimates and judgment in the cash flow modeling assumptions concerning the future and as such the Investment Manager, on instruction from the Board of Directors, continuously compares these assumptions against actual developments and adjusts and reports the cash flow model accordingly, including the short term credit facility.

Investment entity status of Subsidiaries
The assessment whether to consolidate the Subsidiaries which relate to the Company's investment activities requires judgment as to whether those subsidiaries meet the definition of an investment entitiy. Management has concluded that the Subsidiary and the Sub-Subsidiary do not meet the definition of an investment entity as each of their primary service is to provide investment related services to the parent company. These Subsidiaries continue to be consolidated.

5 Expenses

Management fees
Under the Investment Management Agreement ("IMA") between the Company and Investment Manager the Company pays, in arrears, to the Investment Manager quarterly management fees. The quarterly management fees are calculated as 0.375% of the higher of the sum of Private Equity Net Assets which is the higher of (i) the net asset value of the Company and (ii) the value of the assets less any temporary investments of the Company, plus the amount of the unfunded commitment of the Company or the Net Assets of the Group at the end of the quarter.

Administration fees
The administration fees are paid quarterly in advance pursuant to the Administration Agreement between the Company and Partners Group (Guernsey) Limited (the "Administrator"). The quarterly administration fees are 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.

Service fees
For the services provided, the Company shall pay the Investment Manager a quarterly compensation of EUR 62'500 excluding VAT, if any, including any overhead, travel, out-of-pocket, IT and other infrastucture expenses in connection with the provision of services under the Investor Relations Agreement.

Incentive fees
In accordance with the IMA, the Investment Manager is entitled to receive a share of the realized profits of the Company, otherwise referred to as incentive fees ("Incentive Fees"). In accordance with the IMA, Incentive Fees are calculated on each reporting date, taking into account the required performance conditions and distribution arrangements of the Company.

Distributions of cash proceeds derived from each secondary investment are distributed to the Company or due to the Investment Manager as Incentive Fees in the following order of priority: (i) The Company shall receive distributions equal to its aggregate secondary investment contributions in respect of the relevant secondary investment plus an amount (the "Preferred Return") calculated at the rate of 8% per annum compounded annually on their contributions and distributions derived from the relevant secondary investment. (ii) Thereafter the Investment Manager shall receive Incentive Fees until such time as the Investment Manager has received 10% of the sum of the distributed Preferred Returns and the Incentive Fees made under this clause. (iii) Thereafter, 90% shall be distributed to the Company and 10% shall be allocated to the Investment Manager as additional Incentive Fees.

Distributions of cash proceeds derived from each Direct Investment are distributed to the Company or due to the Investment Manager as Incentive Fees in the following order of priority: (i) The Company shall receive distributions equal to its aggregate Direct Investment contributions in respect of the relevant Direct Investment plus an amount (the "Preferred Return") calculated at the rate of 8% per annum compounded annually on their contributions and distributions derived from the relevant Direct Investment. (ii) Thereafter the Investment Manager shall receive Incentive Fees until such time as the Investment Manager has received 15% of the sum of the distributed Preferred Returns and the Incentive Fees made under this clause. (iii) Thereafter, 85% shall be distributed to the Company and 15% shall be allocated to the Investment Manager as additional Incentive Fees.

Incentive Fees are calculated on an annual basis based on the value of each direct and secondary investment as measured at the reporting date, whether or not such investments are made through a pooling vehicle. This calculation is performed separately for each direct and secondary investment.

The foreign currency exchange fluctuations are included in this calculation.

The change in Incentive Fees is accounted for on an accruals basis and is presented separately in the audited consolidated statement of comprehensive income.

During the reporting period EUR 14'407'761 in Incentive Fees were paid (2016: EUR 12'234'892).

6 Taxation

The Company and the Subsidiaries are exempt from taxation in Guernsey under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and are each liable for the payment of an annual fixed rate of GBP 1'200 per annum for the granting of the exemption.

The Group may incur withholding taxes imposed by certain countries on income from underlying investments. Such income is recorded gross of withholding taxes in the audited consolidated statement of comprehensive income.

7 Dividends

During the reporting period, the Board of Directors of Princess Private Equity Holding Limited paid two interim dividends, each of EUR 0.28 per Ordinary Share, which were paid on 30 June 2017 and 22 December 2017, in total amounting to EUR 38.7 million (2016: EUR 0.27 per Ordinary Share amounting to EUR 37.3 million).

8 Segment calculation

The Investment Advisor makes strategic allocations of assets between segments on behalf of the Group. The Group has determined the operating segments based on the internal reporting provided by the Investment Advisor to the Board of Directors on a regular basis.

The Investment Advisor considers that the investment portfolio of the Group may consist of up to five sub-portfolios, which are managed by specialist teams within the Investment Advisor. Only those segments applicable within the reporting period have been reflected in these audited consolidated financial statements and the notes below. There were no changes in the reportable segments during the period.

The Investment Advisor assesses the performance of the reportable segments based on the net income from and capital appreciation of the financial assets at fair value through profit or loss by segment, based on the fair value methodologies adopted by the Group. This measurement basis excludes any additional general income and expenses which are not allocated to segments but are managed by the Administrator on a central basis.

Total assets allocated to reportable segments are those financial instruments presented in the audited consolidated statement of financial position by segment, and the Group's other assets, receivables, liabilities and cash are not considered to be segment assets or liabilities and are managed centrally by the Administrator. Hedging gains and losses are attributable to hedging activities of the Group and managed on a central basis by the Investment Advisor and Administrator and the Group's management and performance fees paid are not considered to be segment expenses.

The segment information provided by the Investment Advisor with respect to reportable segments for the period is as follows:

In thousands of EUR	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Private equity		
Interest & dividend income	1'280	5'979
Revaluation	106'572	97'171
Net foreign exchange gains / (losses)	(25'796)	4'720
Total net income private equity	**82'056**	**107'870**
Segment result private equity	**82'056**	**107'870**
Private debt		
Interest income (including PIK)	2'156	2'120
Revaluation	4'013	1'731
Net foreign exchange gains / (losses)	(6'390)	685
Total net income private debt	**(221)**	**4'536**
Segment result private debt	**(221)**	**4'536**
Private real estate		
Revaluation	(720)	22
Net foreign exchange gains / (losses)	(1)	5
Total net income private real estate	**(721)**	**27**
Segment result private real estate	**(721)**	**27**
Private infrastructure		
Revaluation	357	1'930
Net foreign exchange gains / (losses)	(2'013)	839
Total net income private infrastructure	**(1'656)**	**2'769**
Segment result private infrastructure	**(1'656)**	**2'769**
Non attributable		
Interest & dividend income	(1)	(37)
Net foreign exchange gains / (losses)	(301)	41
Total net income non attributable	**(302)**	**4**
Segment result non attributable	**(20'170)**	**(24'841)**
Other financial activities not allocated	18'574	(7'497)
Surplus / (loss) for period	**77'862**	**82'864**

9 Financial assets at fair value through profit or loss

9.1 PRIVATE EQUITY

In thousands of EUR	31.12.2017	31.12.2016
Balance at beginning of period	539'374	512'404
Purchase of Direct and Indirect Investments	70'224	65'226
Distributions from and proceeds from sales of Direct and Indirect Investments	(167'278)	(140'147)
Reclassification of investments	2'417	-
Accrued cash and PIK interest	25	-
Revaluation	106'572	97'171
Foreign exchange gains / (losses)	(25'796)	4'720
Balance at end of period	**525'538**	**539'374**
Movement in unrealized gains / (losses) still held at end of period	**28'201**	**52'525**

The balance at the beginning of the period includes investments classified as level 1 in accordance with IFRS 13 with a fair value of EUR 51'220'256 (2016: EUR 12'118'535). The balance at the end of the period includes investments classified as level 1 in accordance with IFRS 13 with a fair value of EUR 13'311'218 (2016: EUR 51'220'256). During the reporting period, certain investments with a fair value of EUR 2'413'503 were transferred out of level 1 into level 3 (2016: certain investments with a fair value of EUR 39'492'794 were transferred out of level 3 into level 1).

Based on a reassessment of the classification criteria for one investment, an amount of EUR 2'416'730 was reclassified from Private debt to Private equity during the reporting period (2016: nil).

9.2 PRIVATE DEBT

In thousands of EUR	31.12.2017	31.12.2016
Balance at beginning of period	78'194	72'376
Purchase of Direct and Indirect Investments	34'524	29'600
Distributions from and proceeds from sales of Direct and Indirect Investments	(7'585)	(16'538)
Reclassification of investments	(2'417)	(5'108)
Accrued cash and PIK interest	372	535
Interest received	-	(5'087)
Revaluation	4'013	1'731
Foreign exchange gains / (losses)	(6'390)	685
Balance at end of period	**100'711**	**78'194**
Movement in unrealized gains / (losses) still held at end of period	**(2'701)**	**1'955**

Based on a reassessment of the classification criteria for one investment, an amount of EUR 2'416'730 was reclassified from Private debt to Private equity during the reporting period (2016: one investment of EUR 5'107'653 was reclassified from Private debt to Private infrastructure).

9.3 PRIVATE REAL ESTATE

In thousands of EUR	31.12.2017	31.12.2016
Balance at beginning of period	11'397	14'064
Purchase of Direct and Indirect Investments	(252)	(221)
Distributions from and proceeds from sales of Direct and Indirect Investments	(2'608)	(2'473)
Revaluation	(720)	22
Foreign exchange gains / (losses)	(1)	5
Balance at end of period	**7'816**	**11'397**
Movement in unrealized gains / (losses) still held at end of period	**(806)**	**27**

9.4 PRIVATE INFRASTRUCTURE

In thousands of EUR	31.12.2017	31.12.2016
Balance at beginning of period	21'847	15'765
Purchase of Direct and Indirect Investments	-	5
Distributions from and proceeds from sales of Direct and Indirect Investments	(671)	(1'800)
Reclassification of investments	-	5'108
Revaluation	357	1'930
Foreign exchange gains / (losses)	(2'013)	839
Balance at end of period	**19'520**	**21'847**
Movement in unrealized gains / (losses) still held at end of period	**(1'655)**	**6'182**

Based on a reassessment of the classification criteria for one investment, an amount of EUR 5'107'653 was reclassified from Private debt to Private infrastructure during the previous reporting period.

10 Foreign exchange forward / option contracts

In thousands of EUR	31.12.2017	31.12.2016
Foreign exchange forward contracts		
Unrealized gains / (losses)	5'009	(4'143)
Realized gains / (losses)	14'335	(2'198)
Total gains / (losses) from forward contracts	**19'344**	**(6'341)**

All contracts captured in the table below may be settled on a gross basis.

Open foreign exchange forward/option contracts	Volume of currency sold (in thousands)	Volume of currency bought (in thousands)	Value date	Fair value (in thousands of EUR)
As at 31.12.2017				
Foreign exchange forward contract	GBP 7'900	EUR 8'824	25.01.2018	(75)
Foreign exchange forward contract	GBP 9'100	EUR 10'219	25.01.2018	(31)
Foreign exchange forward contract	USD 99'000	EUR 83'755	22.02.2018	1'458
Foreign exchange forward contract	USD 71'700	EUR 60'418	22.02.2018	814
As at 31.12.2016				
Foreign exchange forward contract	USD 151'000	EUR 141'194	23.03.2017	(2'843)

11 Cash and cash equivalents

In thousands of EUR	31.12.2017	31.12.2016
Cash at banks	97'416	65'751
Total cash and cash equivalents	**97'416**	**65'751**

12 Share capital, Treasury shares and Reserves

12.1 CAPITAL

In thousands of EUR	31.12.2017	31.12.2016
Issued and fully paid		
69'151'168 Ordinary shares of EUR 0.001 each out of the bond conversion	69	69
Total issued and fully paid shares	**69**	**69**

At the annual general meeting held in May 2017, the shareholders renewed the authority granted to the Directors to purchase up to 14.99 per cent of the issued share capital of the Company (2016: At the annual general meeting held in May 2016, the shareholders renewed the authority granted to the Directors to purchase up to 14.99 per cent of the issued share capital of the Company).

During the reporting period the Company did not buy back shares (2016: none). As disclosed in the table above, no shares were cancelled during the reporting period and no shares were held as treasury shares at the end of the reporting period (2016: none).

The total authorized shares consists of 200'100'000 Ordinary shares of EUR 0.001 each (total value EUR 200'100) (2016: 200'100'000 Ordinary shares of EUR 0.001 each).

12.2 RESERVES

In thousands of EUR	31.12.2017	31.12.2016
Distributable reserves		
Distributable reserves at beginning of reporting period	448'756	486'098
Dividend payment	(38'725)	(37'342)
Total distributable reserves at end of reporting period	**410'031**	**448'756**

13 Commitments to Direct and Indirect Investments

In thousands of EUR	31.12.2017	31.12.2016
Unfunded commitments translated at the rate prevailing at end of period	119'213	103'263

14 Short-term credit facilities

On 14 December 2016, the Company renewed a multi-currency revolving credit facility (the "Facility") with an international financial institution for EUR 50'000'000, which ends on 14 December 2020.

Interest on principal drawn is calculated at a margin of 2.95% to 3.25% per annum above the applicable LIBOR rate or, in relation to any loan in EUR, the applicable EURIBOR rate. A commitment fee of 0.90% per annum is charged on the daily undrawn facility commitment. In addition, an arrangement fee of EUR 425’000 was payable upon closing and a monitoring fee of EUR 25'000 payable annually.

The Facility, in relation to the Company, is secured, inter alia, by way of a pledge over the shares in Princess Private Equity Subholding Limited, a wholly owned subsidiary of the Company and a pledge over the bank accounts and the inter-company loans within the Group.

The Company must maintain a total net asset value of at least EUR 350'000'000 and a total asset ratio (total debt plus current liabilities as a percentage of restricted net asset value, as defined in the credit facility agreement) not greater than 25%.

As at the end of the reporting period and the previous reporting period, no event of default has occured.

15 Incentive fees

In thousands of EUR	31.12.2017	31.12.2016
Balance at beginning of period	19'448	18'447
Change in incentive fees attributable to Investment Manager	6'030	13'236
Incentive fees paid/payable	(14'408)	(12'235)
Balance at end of period	**11'070**	**19'448**
Incentive fees accrued	30'433	33'294
Incentive fees rebates accrued	(19'363)	(13'846)
Total net incentive fees	**11'070**	**19'448**

The incentive fee balance as at the end of each period presented above represents a net amount which consists of incentive fees accrued and incentive fee rebates accrued. Both net incentive fee balance, as well as gross incentive fees accrued and incentive fee rebates accrued as at the end of each period are presented separately.

16 Earnings per share and net assets per share

Basic earnings per share are calculated by dividing the surplus or loss for the financial period attributable to the shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares, if any. There were no dilutive effects on the Company's shares during 2017 and 2016.

The net asset value per share is calculated by dividing the net assets in the audited consolidated statement of financial position by the number of shares outstanding at the end of the reporting period.

In thousands of EUR	**31.12.2017**	**31.12.2016**
Net assets of the Group	742'045	702'908
Outstanding shares at the end of the reporting period	69'151'168.00	69'151'168.00
Net assets per share at period-end	**10.73**	**10.16**

17 Financial risk management

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 program 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 currency exchange forward or option contracts to hedge certain exposures.

17.1 FOREIGN CURRENCY EXCHANGE RISK

The Group holds assets and liabilities denominated in currencies other than its Functional Currency. The value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The main currency risk for the Group results from assets and liabilities held in other currencies where a change of exchange rates can have a material impact on the value of assets and liabilities. The Investment Manager's hedging committee meets on a quarterly basis to review the foreign currency exchange rate risk and decides on the use of derivative financial instruments such as foreign currency exchange forward and option contracts to hedge certain exposures at its discretion. Furthermore, the Investment Advisor's risk management committee reviews the foreign currency exchange risk on a monthly basis and proposes changes to the actual hedging positions if necessary.

The annual volatility uses cross-currency rates from 1 January 2001 to the respective period end and based on the assumption that the non-Functional Currency fluctuates by the annual volatility, shows below the amount by which the value of those applicable net assets and the corresponding results would fluctuate either higher or lower. The foreign currency exposures below are presented net of any foreign currency hedging instruments outstanding as at the end of the respective period.

The Group has used the volatility analysis since 1 January 2001 as this provides an analysis of long term trends.

In thousands of EUR	**31.12.2017**	**31.12.2016**
Net assets denominated in AUD	30	93
Net assets denominated in CHF	7'093	35'041
Net assets denominated in GBP	11'876	12'675
Net assets denominated in SEK	12	659
Net assets denominated in USD	99'265	111'837
Net assets denominated in NOK	6	7
Applicable annual volatility AUD	9.28%	9.35%
Applicable annual volatility CHF	6.65%	6.74%
Applicable annual volatility GBP	8.18%	8.25%
Applicable annual volatility SEK	5.55%	5.62%
Applicable annual volatility USD	10.01%	10.19%
Applicable annual volatility NOK	7.02%	7.05%
Fluctuation of net assets and corresponding results depending on above mentioned volatility	**11'384**	**14'850**

17.2 INTEREST RATE RISK

The Group may invest in interest-bearing mezzanine and senior debt investments that are exposed to cash flow interest rate risk due to changes in market interest rates. The interest on mezzanine and senior debt investments 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 limited. As at 31 December 2017 there were no term deposits (2016: nil).

As part of the Investment Manager's continuous monitoring of liquidity it analyses the interest rates quoted against the general market to ensure that these are competitive and takes action as appropriate.

Other than as stated herein, the income and operating cash flows are substantially independent from changes in market interest rates.

A change of 25 basis points in interest rates at the reporting date would have resulted in either an increase or a (decrease) in surplus or loss by the amounts stated below. This analysis assumes that all other variables in particular foreign currency rates remain constant and is performed on the same basis for the previous reporting period.

The table 'Variable Rate Instruments' presents the exposure of the Group to variable rate instruments at the end of each period presented. The tables 'Sensitivity Analysis Reporting Period' and 'Sensitivity Analysis Previous Reporting Period' present the sensitivity of the Group's variable rate instruments to movement in interest rates as at the end of each period, respectively.

17.3 VARIABLE RATE INSTRUMENTS

In thousands of EUR	**31.12.2017**	**31.12.2016**
Mezzanine and senior debt instruments	51'161	29'346
Cash and cash equivalents	97'416	65'751
Total variable rate instruments	**148'577**	**95'097**

17.4 SENSITIVITY ANALYSIS REPORTING PERIOD

In thousands of EUR	**25bp increase**	**25bp decrease**
Impact on variable rate instruments	371	(371)

17.5 SENSITIVITY ANALYSIS PREVIOUS REPORTING PERIOD

In thousands of EUR	**25bp increase**	**25bp decrease**
Impact on variable rate instruments	238	(238)

17.6 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 underlying investments and investments in subsidiaries) exposure. A negative credit development or a default of an investment 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 assets within the private debt operating segment or where the Group holds a direct interest.

It is expected that investments will include those 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 Investment Manager ensures that surplus cash is invested in temporary investments. In addition, where the Group holds significant amounts of cash the Investment Manager may seek to diversify this exposure across multiple financial institutions.

In addition the Investment Advisor regularly conducts a concentration risk analysis on the underlying investments and has concluded that no action needs to be taken.

The Group may also invest in mezzanine and senior debt facilities of alternative investment backed underlying investments. These underlying investments' financial performance is monitored on a monthly basis and classified by an internal rating system, which consists of five categories; too early, with issues, on plan, above plan and outperformer. When assessing the investment the Investment Manager takes into account a number of factors including the financial position and actual versus expected performance. The term "too early" is used during the period just after the initial investment when there is insufficient information to assess the actual performance of the underlying investment. If an underlying investment's performance is classified as "with issues", the mezzanine or senior debt facility will be closely and regularly monitored by the Investment Advisor with regular communications being held with the manager of the underlying investment so that the actual value can be assessed and, if necessary, written down. The amount of any unrealized loss is disclosed herein and the change of credit quality, if any, is reflected in the fair value of the instrument.

The Group provides mezzanine and senior debt facilities to private companies which are represented as debt instruments. No collateral is received from the underlying companies. The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due, it is believed that the risk of default is small and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions.

As part of the quarterly fair value assessment the Investment Advisor takes into consideration any breaches in covenants and any changes in general market conditions.

As at 31 December 2017, and excluding the effect of foreign currency exchange rates, the Group has not incurred unrealized losses on mezzanine or senior debt investments (2016: EUR nil).

The Group has no significant concentration of credit risk other than as detailed herein.

The table 'Rating of Mezzanine and Senior Debt Investments' presents the classification of the Group's mezzanine and senior debt investments in the categories described above at the end of each reporting period presented. The tables 'Duration of Credit Risk Reporting Period' and 'Duration of Credit Risk Previous Reporting Period' present the duration of credit risk of the Group as at the end of each period, respectively.

17.7 RATING OF MEZZANINE AND SENIOR DEBT INVESTMENTS

In thousands of EUR	**31.12.2017**	**31.12.2016**
Too early	16'694	18'451
With issues	-	-
On plan	34'467	10'505
Above plan	-	390
Outperformer	-	-
Total	**51'161**	**29'346**

17.8 DURATION OF CREDIT RISK REPORTING PERIOD

In thousands of EUR	Not past due	Past due less than 1 year	Past due more than 1 year
Hedging assets	2'166	-	-
Cash and cash equivalents	97'416	-	-
Other short-term receivables	2'199	-	-
Other long-term receivables	2'644	-	-
Mezzanine and senior debt instruments	51'161	-	-

As at the end of the reporting period, the Group held cash and cash equivalents of EUR 97'415'855 (2016: EUR 65'750'622) with an international Swiss based banking group which at that date had a rating of Baa2 (Moody's).

17.9 DURATION OF CREDIT RISK PREVIOUS REPORTING PERIOD

In thousands of EUR	Not past due	Past due less than 1 year	Past due more than 1 year
Hedging assets	-	-	-
Cash and cash equivalents	65'751	-	-
Other short-term receivables	10'026	-	-
Other long-term receivables	3'009	-	-
Mezzanine and senior debt instruments	29'346	-	-

17.10 LIQUIDITY RISK

Liquidity risk arises where the Group may not be able to meet the obligations as and when these fall due for settlement.

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 Investment Advisor's 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 facility, reducing the amount of listed private equity, if any, or the selling of investments on the secondary market.

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 deterioration in their creditworthiness.

The table 'Overcommitment Strategy' presents the Group's exposure at the end of each period presented. The tables 'Liquidity Risk Reporting Period' and 'Liquidity Risk Previous Reporting Period' present the maturity bands of the Group's assets and liabilities at the end of each period, respectively.

17.11 OVERCOMMITMENT STRATEGY

In thousands of EUR	31.12.2017	31.12.2016
Unfunded commitments to Direct and Indirect Investments	(119'213)	(103'263)
Liabilities falling due within one year	(15'965)	(23'847)
Hedging liabilities	-	(2'843)
Hedging assets	2'166	-
Current assets	99'615	75'777
Other long-term receivables	2'644	3'009
Total	**(30'753)**	**(51'167)**

17.12 LIQUIDITY RISK REPORTING PERIOD

In thousands of EUR	Less than 3 months	3 to 12 months	More than 12 months
Unfunded commitments to Direct and Indirect Investments	(119'213)	-	-
Liabilities falling due within one year	(15'965)	-	-
Hedging assets	2'166	-	-
Current assets	99'615	-	-
Other long-term receivables	-	-	2'644
Undrawn credit facility	50'000	-	-
Total	**16'603**	**-**	**2'644**

17.13 LIQUIDITY RISK PREVIOUS REPORTING PERIOD

In thousands of EUR	Less than 3 months	3 to 12 months	More than 12 months
Unfunded commitments to Direct and Indirect Investments	(103'263)	-	-
Liabilities falling due within one year	(23'847)	-	-
Hedging liabilities	(2'843)	-	-
Current assets	75'777	-	-
Other long-term receivables	-	-	3'009
Undrawn credit facility	50'000	-	-
Total	**(4'176)**	**-**	**3'009**

17.14 CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base so as to retain investor, creditor and market confidence with regards to the investment objectives of the Group. The Group's capital is represented by the Equity of the Company. The Board of Directors also monitors and manages where appropriate the level of discount between the market price of its equity and the Group's net asset value per share in open market transactions.

As a result of the outstanding credit facility agreement, the Group is required to meet certain covenants as described in the Short-term credit facilities note. The Group monitors compliance with these externally imposed restrictions and during the reporting period and the previous reporting period there were no breaches with respect to these covenants.

17.15 MARKET PRICE RISK

Financial assets at fair value through profit or loss held directly or indirectly bear a risk of loss of capital. The Investment Manager moderates this through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group checks its performance against the Cambridge Associates' Private Equity Performance Index (that is calculated based on quarterly cash flows from the Europe all private equity data in Euros and the United States all private equity data in US dollars that have both been given equal weighting) which it uses as its primary benchmark, given the current weighting of the portfolio. The Group checks on a regular basis the weightings of the index, its composition, price development and volatility.

The annual volatility of the benchmark is shown for the period from 1 January 2001 to the relevant period end by using the quarterly data. Under the assumption that financial assets at fair value through profit or loss fluctuate with the annual volatility the value and the result of such assets, if any, would be impacted by the values shown which could be either higher or lower.

17.16 MARKET PRICE RISK

In thousands of EUR	**31.12.2017**	**31.12.2016**
Financial assets at fair value through profit or loss	653'585	650'812
Total assets subject to market risk	**653'585**	**650'812**
Annual expected volatility	9.93%	10.16%
Potential impact on audited consolidated financial statements	**64'901**	**66'123**

17.17 OFFSETTING FINANCIAL INSTRUMENTS

As at 31 December 2017 and 2016 the Group was subject to master netting arrangements (typically one per counterparty) with one or more derivative counterparties as specified in the tables below. All of the derivative assets and liabilities of the Group are held with these counterparties. The Group may maintain variation margin balances for the purpose of providing or receiving collateral on derivative positions. The following tables present the Group's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

Amounts in "D" below relate to amounts subject to set-off that do not qualify for offsetting under "B" below. This includes amounts which are subject to set-off against the financial asset or financial liability disclosed in "A" which have not been offset in the audited consolidated statement of financial position.

The Group and its counterparties have elected to generally settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in an early termination event as defined in the relevant master netting agreement. Per the terms of the master netting agreements, an early termination event includes the following:

- Failure by a party to make payment when due;
- Failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 20 business days after such failure;
- Bankruptcy of a party.

17.18 OFFSETTING REPORTING PERIOD

Financial assets subjected to offsetting, enforceable master netting arrangements and similar agreements:

	A	**B**	**C=A-B**	**D**			**E=C-D**
in thousands of EUR							
31.12.2017	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set-off in the audited consolidated statement of financial position	Net amounts of financial assets presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position			Net amount
Derivative assets				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty D	2'272	75	2'197	-	-	1'240	957

Financial liabilities subjected to offsetting, enforceable master netting arrangements and similar agreements:

	A	**B**	**C=A-B**	**D**			**E=C-D**
in thousands of EUR							
31.12.2017	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set-off in the audited consolidated statement of financial position	Net amounts of financial liabilites presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position			Net amount
Credit Facility Drawn				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty B	31	-	31	-	-	-	31

17.19 OFFSETTING PREVIOUS REPORTING PERIOD

Financial liabilities subjected to offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C=A-B	D			E=C-D
in thousands of EUR							
31.12.2016	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set-off in the audited consolidated statement of financial position	Net amounts of financial liabilites presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position			Net amount
Derivative Liabilities				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty D	2'843	-	2'843	-	2'843	-	-

17.20 STRUCTURED ENTITIES

IFRS 12 - Disclosure of interests in other entities requires the Group to disclose details regarding structured entities invested into by the Group. A structured entity in accordance with IFRS 12 is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- Restricted activities.
- A narrow and well-defined objective, such as to provide a source of capital for funding to an entity or provide investment opportunities to investors by passing on risks and rewards associated with the assets of the structured entity to investors.
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

All Indirect Investments held by the Group are considered by the Directors of the Company to be structured entities as determined by IFRS 12. Income generated from such Indirect Investments is accounted for within the line item Revaluation in the audited consolidated statement of comprehensive income. The tables 'Structured Entities Reporting Period' and 'Structured Entities Previous Reporting Period' below disclose the risk concentration with respect to geographic region and investment strategy of the underlying Indirect Investments. The net asset values of each line represent the fair value of the respective Indirect Investments as well as the maximum exposure to loss resulting from such investments. Such Indirect Investments are included within the line item financial assets at fair value through profit or loss in the audited consolidated statement of financial position.

17.21 STRUCTURED ENTITIES REPORTING PERIOD

NAV in thousands of EUR	31.12.2017
Region & Strategy	
North America	
Buyout	224'476
Special situations	73'271
Venture capital	7'655
Western Europe	
Buyout	63'903
Real estate	7'816
Special situations	2'100
Venture capital	20'746
Infrastructure	4'024
Rest of World	
Buyout	19'690
Venture capital	13'763

17.22 STRUCTURED ENTITIES PREVIOUS REPORTING PERIOD

NAV in thousands of EUR	31.12.2016
Region & Strategy	
North America	
Buyout	62'952
Special situations	215'559
Venture capital	9'617
Western Europe	
Buyout	108'524
Real estate	11'397
Special situations	6'861
Venture capital	22'274
Rest of World	
Buyout	25'351
Venture capital	15'419

18 Fair value measurement

IFRS 13 - Fair value measurement requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as observable prices or firm broker quotes) or indirectly (that is, derived from observable prices including discount adjustments to quoted prices in the case of regulatory restrictions to sell such securities) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. For this purpose the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Company. The Company considers the observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below analyze within the fair value hierarchy the Group's financial assets measured at fair value at the end of the respective period.

In the event that the Group holds any quoted investments including any shares received as a result of an IPO or listed private market investments these are valued based on quoted market prices in active markets and therefore classified in level 1.

The Directors have assessed that any derivatives used for hedging and short-term investments valued based on market dealer quotes, can be redeemed at the value stated and are therefore classified in level 2.

Level 3 comprises unquoted investments where the Investment Manager reviews the latest information provided by underlying investments and other business partners, which may not coincide with the reporting date of the Group or the valuation date of the investments, and applies widely recognized valuation methods to value such investments as detailed in the note on critical accounting estimates and judgments.

The reconciliation of each class of financial instrument designated as level 3 is presented in the note on financial assets at fair value through profit or loss.

The tables 'Fair Value Estimation Reporting Period' and 'Fair Value Estimation Previous Reporting Period' present the Group's classification of investments in each of the three levels as described above.

18.1 FAIR VALUE ESTIMATION REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	2'166	-	2'166
Financial assets at fair value through profit or loss - equity securities	13'311	-	539'563	552'874
Financial assets at fair value through profit or loss - debt investments	-	-	100'711	100'711
Total assets	**13'311**	**2'166**	**640'274**	**655'751**
Liabilities				
Total liabilities	**-**	**-**	**-**	**-**

The Board of Directors have determined that any of the Group's transfers between level 1, 2 and 3 are deemed to have happended at the end of the respective Reporting Period. During the Reporting Period, certain investments with a fair value of EUR 2'413'503 were transferred out of level 1 into level 3 (2016: certain investments with a fair value of EUR 39'492'794 were transferred out of level 3 into level 1).

18.2 FAIR VALUE ESTIMATION PREVIOUS REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss - equity securities	51'220	-	521'398	572'618
Financial assets at fair value through profit or loss - debt investments	-	-	78'194	78'194
Total assets	**51'220**	**-**	**599'592**	**650'812**
Liabilities				
Derivatives used for hedging	-	(2'843)	-	(2'843)
Total liabilities	**-**	**(2'843)**	**-**	**(2'843)**

18.3 FINANCIAL STATEMENT LINE ITEMS NOT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

All assets and liabilities presented in the audited consolidated statement of financial position, except for those presented in the tables above, are presented at either amortized cost or their face value, both of which are deemed to be a reasonable approximation of their fair values.

- Cash and cash equivalents as well as bank overdrafts are measured at values that would be reflective of level 1 prices in accordance with the fair value hierarchy presented above. These include cash in hand, deposits held with banks, other short-term investments in active markets and bank overdrafts.
- Other receivables are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above. These include contractual amounts for settlement of trades and other obligations due to the Group.
- Accruals and other short-term payables represent the contractual amounts and obligations due by the Group for settlement of trades and expenses and are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above, except for incentive fee accruals due by the Group which are reflective of level 3 prices in accordance with such hierarchy.

- Deferred payments and deferred receivables are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above. These consist of payments for financial assets purchased and receivables for financial assets sold for which it was agreed with the contractual counterparty to defer one or more payment installments.
- Borrowings include credit facilities and loan granted to the Group and are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above.
- Equity is a residual amount calculated by subtracting the total liabilities of the Group from the total assets of the Group. As the lowest level of input that is significant to the fair value measurement of the inputs into this equation is level 3 in accordance with the fair value hierarchy presented above, the values at which equity is measured would be reflective of level 3 prices in accordance with such hierarchy.

18.4 SIGNIFICANT UNOBSERVABLE VALUATION INPUTS

Level 3 investments may consist of Direct and Indirect equity and debt Investments. Level 3 Indirect Investments are generally valued at the Indirect Investments' net asset values last reported by the Indirect Investments' governing bodies. When the reporting date of such net asset values does not coincide with the Group's reporting date, the net asset values are adjusted as a result of cash flows to/from an Indirect Investment between the most recently available net asset value reported, and the end of the reporting period of the Group. The valuation may also be adjusted for further information gathered by the Investment Advisor during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by Indirect Investments, syndicated transactions which involve such companies and the application of reporting standards by Indirect Investments which do not apply the principle of fair valuation.

The main inputs into the Group's valuation models for Direct equity and debt Investments include: EBITDA multiples (based on budgeted/forward looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for the equivalent period), discount rates, capitalization rates, price to book as well as price to earnings ratios and enterprise value to sales multiples. The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes.

In order to assess level 3 valuations in accordance with the Investment Management Agreement, the Investment Advisor reviews the performance of the Direct and Indirect Investments held on a regular basis. The valuations are reviewed on an ongoing basis by the Investment Advisor's investment committee who report to the Investment Manager. The investment committee considers the appropriateness of the valuation model inputs as well as the valuation result using various valuation methods and techniques generally recognized within the industry. From time to time the Group may consider it appropriate to change the valuation model or technique used in the fair valuation depending on the individual investment circumstances, such as its maturity, stage of operations or recent transaction.

The Group utilizes comparable trading multiples in arriving at the valuation for the Direct Investments. Comparable companies multiple techniques assume that the valuation of unquoted Direct Investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. The Investment Advisor determines comparable public companies based on industry, size, development stage, strategy, etc. Subsequently the most appropriate performance measure for determining the valuation of the relevant Direct Investment is selected (these include but are not limited to EBITDA, price/earnings ratio for earnings or price/book ratio for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued Direct Investment and the comparable company set. The indicated fair value of the Direct Investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

When applying the discounted cash flow method, the Investment Advisor discounts the expected cash flow amounts to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the Direct Investment. Direct Investments can be valued by using the 'cash flow to investor' method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the 'free cash flow to company' method and subsequently subtracting the Direct Investment's net debt in order to determine the equity value of the relevant Direct Investment. The Investment Advisor determines the expected future cash flows based on agreed investment terms or expected growth rates. In addition and based on the current market environment an expected return of the respective Direct Investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

If broker quotes are available, Direct debt Investments are valued by the Investment Advisor utilizing such quotes, which are provided by an independent third party broker. Broker quotes are applied to the nominal value of such Direct debt Investments. Broker quotes utilized for valuing Direct debt Investments represent indicative quotes for investments traded in an inactive market.

The Group utilizes the sales comparison method in arriving at the valuation for Direct real estate Investments. The sales comparison method compares a Direct real estate Investment's characteristics with those of comparable properties which have recently been traded in the market. The Investment Advisor determines comparable assets based on, but not limited to, size, location, development stage and property type. Furthermore the most appropriate measure for determining the valuation of the relevant Direct real estate Investment is selected (amongst others price per room, price per square foot, price per square meter). The comparable price per unit might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property and access to public transportation. The indicated fair value of the Direct real estate Investment is determined by applying the relevant price per unit to the respective Direct real estate Investment. The sales comparison method is most appropriate for Direct real estate Investments where the investment's size (e.g. number of rooms, square feet, square meters or other square measures) is known and similar properties have recently traded in the market.

When applying the income method the Investment Advisor compares a Direct real estate Investment's net operating income to capitalization rates recently observed in the market to determine the present value. The Investment Advisor determines comparable assets based on, but not limited to, size, development stage and property type. The capitalization rates from recent sales of comparable properties might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property, tenant mix and access to public transportation. The indicated fair value of the Direct real estate Investment is determined by applying the relevant capitalization rate to the Direct real estate Investment's net operating income. The income method is most appropriate for income generating Direct real estate Investments where the net operating income is known and similar properties have recently traded in the market.

The values of Level 3 Direct equity Investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 Direct equity Investments may vary between different Direct Investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 Direct debt Investments are generally valued using a waterfall approach including different seniority levels of debt. Thus the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation. No interrelationship between unobservable inputs used in the Group's valuation of its level 3 investments has been identified.

The tables below present the investments whose fair values are recognized in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

If presented, the category "Direct Investments" in the tables below may include certain Indirect Investments where the Investment Advisor has full visibility of the underlying portfolio and hence performs a full valuation on such investments as if they were Direct Investments. If presented, the category "Direct Investments" in the tables below may include certain investments using the valuation technique "Reported fair value". Such Direct Investments invest solely into underlying Indirect Investments, hence their fair value is based on reported fair value rather than a Direct Investment valuation.

The sensitivity analysis below represents the potential change in fair value for each category of investments presented in absolute values. Should the significant unobservable input for each category of investments increase or decrease by 5%, the value of each category of investments would follow by the absolute positive or negative amount respectively.

With regards to Direct debt Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this include, but are not limited to, the fact that the income generated from Direct debt Investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that Direct debt Investments are valued using a waterfall approach as described above. The credit risk resulting from investing into a Direct debt Investment is assessed by performing an enterprise valuation of the issuer's company. Provided that the results of such a valuation provides sufficient evidence that the equity of such a company still has a positive value, there is no indication that the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such Direct debt Investment at this value. Should a significant unobservable valuation input into such an enterprise valuation be changed in either direction, the value of a respective Direct debt Investment would not fluctuate proportionately. Any fluctuation in the enterprise value of a lender's company would only have an impact on the value of a Direct debt Investment if the results of such a valuation would provide sufficient evidence that the enterprise value of the company is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in.

With regards to Direct real estate debt Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this conclusion include, but are not limited to the fact that the income generated from Direct real estate Investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that Direct real estate Investments are valued using a waterfall approach as described above. The risk resulting from investing into a Direct real estate debt Investment is assessed by evaluating the gross asset value of the property. Provided that the results of such valuation provide sufficient evidence that the gross asset value exceeds the debt balance (i.e. the equity has a positive value), there is no indication that the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such Direct real estate debt Investments at this value. Should a significant unobservable valuation input into the determination of gross asset value be changed in either direction, the value of a respective Direct real estate debt Investment would not fluctuate proportionately. Any fluctuation in gross asset value of the property would only have an impact on the value of a Direct real estate debt Investment if the results of such a valuation would provide sufficient evidence that the gross asset value of the property is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in. With regards to Direct real estate equity Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this conclusion include, but are not limited to, the fact that variations in property location, quality and business plan result in comparisons across properties that are not meaningful. Unobservable inputs for a specific region will vary greatly based on the property's micro location, building finishes and amenities and leasing strategy. One-to-one comparisons are not possible even for buildings that are physically close to each other due to the differences in property features and occupancy.

A sensitivity analysis has not been presented for Direct Investments that have been acquired within the last three months of the reporting period and where the acquisition cost was deemed to be fair value in accordance with IFRS 13 as it is the view of the Investment Advisor that insufficient time has passed to determine a reliable sensitivity range based on valuation inputs that would be considered appropriate by market participants.

18.5 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE REPORTING PERIOD

Type of security	Fair value at 31.12.2017	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
Fair value in thousands of EUR						
Direct Investments						
Direct equity investments	196'398	Market comparable companies	Enterprise value to EBITDA multiple	5.00x - 17.60x (13.05x)	17'808	(17'808)
	15'496	Discounted cash flow	Discount factor	12.00% - 12.00% (12.00%)	132	(132)
	5	Exit price	Recent transaction price	n/a	n/a	n/a
	26'605	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	11'099	Market comparable companies	Enterprise value to EBITDA multiple	6.59x - 13.00x (11.76x)	n/a	n/a
	40'062	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
Indirect Investments						
	348'954	Adjusted reported net asset value	Reported net asset value	n/a	17'448	(17'448)
	1'655	Adjusted reported net asset value	Fair value adjustments	n/a	83	(83)

n/a - not meaningful as outlined in the note above

18.6 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE PREVIOUS REPORTING PERIOD

Type of security	Fair value at 31.12.2016	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
Fair value in thousands of EUR						
Direct Investments						
Direct equity investments	140'170	Market comparable companies	Enterprise value to EBITDA multiple	5.90x - 16.00x (11.66x)	12'755	(12'755)
	284	Exit price	Recent transaction price	n/a	n/a	n/a
	44'983	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	9'263	Market comparable companies	Enterprise value to EBITDA multiple	5.90x - 13.00x (11.12x)	n/a	n/a
	19'693	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
Indirect Investments						
	383'083	Adjusted reported net asset value	Reported net asset value	n/a	19'154	(19'154)
	2'116	Adjusted reported net asset value	Fair value adjustments	n/a	106	(106)

n/a - not meaningful as outlined in the note above

19 Dividend and interest income and expense

In thousands of EUR	31.12.2017	31.12.2016
Interest income		
From financial assets at fair value through profit or loss	3'387	2'339
From cash and cash equivalents	(1)	(37)
Dividend income		
From financial assets at fair value through profit or loss	49	5'760
Total dividend and interest income	**3'435**	**8'062**
Interest expense		
Total interest expense	**-**	**-**
Net result from dividends and interest	**3'435**	**8'062**

20 Revaluation and realized gains and (losses)

In thousands of EUR	31.12.2017	31.12.2016
On financial assets at fair value through profit or loss	110'222	100'854
On option and forward hedges	19'344	(6'341)
On other long-term receivables	1	(14)
Total revaluation and realized gains and (losses)	**129'567**	**94'499**

21 Foreign exchange gains and (losses)

In thousands of EUR	31.12.2017	31.12.2016
On financial assets at fair value through profit or loss	(34'200)	6'249
On payables and receivables	(632)	(59)
On cash and cash equivalents	(301)	41
Total foreign exchange gains and (losses)	**(35'133)**	**6'231**

22 Related party transactions and balances

A related party to the Group is an entity which has the ability to directly or indirectly control the Group, or vice versa, or to exercise significant influence over the Group in making financial and operating decisions or is a member of the key management team, including their immediate families, of the Group or its Board of Directors. Entities are also related where they are members of the same group. In this regard the following are considered related parties in the context of these financial statements; Partners Group Holding AG, all entities owned and controlled by Partners Group Holding AG, all entities advised by Partners Group AG, and each of their key management.

The following represents the transactions and balances of the Group with related parties:

22.1 TRANSACTIONS

In thousands of EUR	31.12.2017	31.12.2016
Management fee expenses:		
Princess Management Limited	11'191	10'258
Administration fee expenses:		
Partners Group (Guernsey) Limited	370	338
Service fee expenses:		
Princess Management Limited	250	250
Incentive fee expenses:		
Princess Management Limited	(6'030)	(13'326)
Incentive fee paid:		
Princess Management Limited	14'408	12'235
Reimbursement of fees due to investments:		
Other expenses to related parties:		
Director's fee expenses:	**203**	**204**
Invested amounts and distributions from / (to) Partners Group advised products (investment side), net.	**69'584**	**42'465**

Commitments made during the period to funds or limited partnerships advised by Partners Group amounted to EUR 412'454'330 (2016: EUR 24'467'292).

22.2 PERIOD-END BALANCES

In thousands of EUR	31.12.2017	31.12.2016
Accrued incentive fee:		
Princess Management Limited	(11'070)	(19'448)
Commitments to Partners Group advised products (investment side)	**653'587**	**568'723**
Fair value of investments advised by Partners Group or related parties	**412'454**	**418'671**

23 Number of employees

As at the end of the reporting period and previous reporting period, no persons were employed by the Group.

24 Pension scheme

The Group does not operate a pension scheme.

25 Group entities - significant subsidiaries

Princess Private Equity Subholding Limited
Incorporated in Guernsey
Ownership interest as at 31 December 2017 and 31 December 2016: 100%
Activity: Investment holding company

Princess Direct Investments, L.P. Inc.
Incorporated in Guernsey
Ownership interest as at 31 December 2017 and 31 December 2016: 100%
Activity: Investment holding partnership

26 Events after the reporting date

The Board of Directors is of the opinion that no events took place between the end of the reporting period and the date of approval of these consolidated financial statements that would require disclosure in or adjustments to the amounts recognized in these audited consolidated financial statements.

27 Approval of these financial statements

The Board of Directors approved these consolidated financial statements on 15 March 2018.

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Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

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