



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PRINCESS PRIVATE EQUITY HOLDING LIMITED

## Annual Report 2018

Audited consolidated financial statements for the period from 1 January 2018 to 31 December 2018



## 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 AG, mainly invests directly but also holds primary and secondary fund invest-

ments. 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.

This document is not intended to be an investment advertisement or sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the product described herein. This report was prepared using financial information contained in the Company's books and records as of the reporting date. The charts and figures detailed in the Chairman's report, Market overview, Investment Advisor's report, Portfolio composition, Portfolio overview, Structural overview and Company Information have not been audited. This report describes past performance, which may not be indicative of future results. The Company does not accept any liability for actions taken on the basis of the information provided. Please consult the constituent documents for a more complete description of the terms.

Cover image is for illustrative purposes only.

## Key figures

In EUR	31 December 2017	31 December 2018
Total fund size	742'045'291	<b>753'654'265</b>
NAV per share	10.73	<b>10.90</b>
Total dividend per share	0.56	<b>0.56</b>
Share price	10.58	<b>8.40</b>
Discount	-1.4%	<b>-22.9%</b>
Cash and cash equivalents	97'415'855	<b>26'496'950</b>
Credit line used	0	<b>35'000'000</b>
Value of investments	653'584'982	<b>758'633'349</b>
Unfunded commitments	119'213'044	<b>93'775'304</b>
Investment level	88.1%	<b>100.7%</b>
Net current assets	88'460'309	<b>-4'979'085</b>
Over-commitment ratio	4.1%	<b>13.1%</b>
Over-commitment ratio incl. credit line	-2.6%	<b>11.1%</b>

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.

## Table of contents

<b>1</b>	<b>Chairman's report</b>	<b>5</b>
<b>2</b>	<b>Market overview</b>	<b>6</b>
<b>3</b>	<b>Investment Advisor's report</b>	<b>9</b>
<b>4</b>	<b>Portfolio composition</b>	<b>13</b>
<b>5</b>	<b>Portfolio overview</b>	<b>16</b>
<b>6</b>	<b>Structural overview</b>	<b>21</b>
<b>7</b>	<b>Company information</b>	<b>22</b>
<b>8</b>	<b>Board of Directors</b>	<b>23</b>
<b>9</b>	<b>Directors' report</b>	<b>25</b>
<b>10</b>	<b>Corporate governance statement</b>	<b>30</b>
<b>11</b>	<b>Independent Auditor's report</b>	<b>39</b>
<b>12</b>	<b>Consolidated financial statements</b>	<b>46</b>

# 1. Chairman's report

Dear Valued Investor,

In my role as Chairman of the Board of Princess Private Equity Holding Limited ("Princess" or "the Company"), I am pleased to present the 2018 Annual Report and audited consolidated financial statements.

In 2018, Princess' net asset value ("NAV") developed positively and closed the reporting period at EUR 10.90 per share, representing a total return of 6.8% for the year. Princess paid dividends totaling EUR 0.56 per share to investors over the year 2018 in line with the Company's target to distribute 5-8% of NAV p.a. via semi-annual dividends. The performance of underlying portfolio companies was the main driver of the positive NAV development. Despite the positive NAV development, Princess' share price development was not immune to the market volatility that characterized the end of 2018, declining by 17.3% during the fourth quarter. Share price total return for the year was -16.0%. The share price has recovered some ground post year-end, returning +10.4% in 2019 year-to-date as of 21 February 2019.

Princess received distributions of EUR 131.8 million during the year, representing 20.2% of opening value of investments. Princess' direct portfolio was the key driver of proceeds, generating EUR 93.6 million.

During 2018 Partners Group AG (the "Investment Advisor") remained highly selective in its investment process, deploying a total of EUR 157.0 million on behalf of the Company. Princess benefitted from the flexibility of its global mandate to deploy capital in investments in the United States, Europe and Asia and across a range of industries. Against a backdrop of volatile equity markets, the Board takes comfort from the Investment Advisor's focus on value creation as the primary driver of returns. Princess' portfolio companies continue to trade well and to generate attractive EBITDA growth.

There were a number of changes at Board level during 2018. Brian Human stood down as Chairman at the end of August and retired from the Board at the end of November, allowing time for an orderly succession. I have succeeded Mr Human as Chairman and consequently have stepped down as Chairman of the Audit, Risk and Management Engagement (AR&ME) Committee. Stephen Le Page was appointed as Chairman of the AR&ME Committee and, following its split

during the year into two separate committees, is now Chairman of both the Audit & Risk Committee and Management Engagement Committee. Fergus Dunlop resigned as a Director of the Company in May this year after having served on the Board since 2009.

On behalf of the Board I would like to thank Brian and Fergus for their service to shareholders and to the Board. Having served as a Director since 2003, Brian has supported the Company throughout its listing on the London Stock Exchange in November 2007 and through the subsequent strategic repositioning of the portfolio to focus on direct investments. His contribution throughout the last 15 years has been invaluable. I would also like to thank Fergus for his diligent service to the Board over the past nine years, especially in the area of risk management.

Princess also announced the appointments of Fionnuala Carvill and Merise Wheatley as non-executive Directors of the Company with effect from 1 September 2018. Ms Fionnuala Carvill is a Chartered Fellow of The Chartered Institute for Securities & Investment, a Fellow of the London Institute of Banking & Finance (Chartered Institute of Bankers), a Fellow of ICSA: The Governance Institute and a Chartered Governance Professional. Ms Merise Wheatley is a Fellow of the Association of Chartered Certified Accountants with over thirty years' experience at Board level in risk financing and insurance management.

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 it to discharge its responsibilities effectively.

My fellow Directors and I thank you for the continued trust you have shown in Princess. We believe that Princess continues to represent an attractive investment opportunity, providing shareholders with exposure to a global portfolio of leading private companies. 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.

Richard Battey  
Chairman

## 2. Market overview

### Macroeconomic activity

After a strong start to the year, the last quarter of 2018 was marked by economic growth concerns and turbulent moves in the financial markets. The performance of the large majority of higher risk assets turned into negative territory in October, extending losses through December. As the price of oil declined sharply, inflation expectations retreated. Coupled with the slowing growth momentum, the market priced out the prospect of further Fed rate increases over the next one to two years.

While the slowing economic momentum in the US was to be expected against the backdrop of higher US interest rates, tighter financial conditions, rising trade tariffs, slower growth in Europe and China and an eventually waning fiscal effect, it seems at this stage that recession fears are premature. Even though early economic indicators such as manufacturing activity (sourced from the Institute of Supply Management) and consumer confidence point to slowing momentum, hard data remained mostly solid, including the buoyant US labor market and robust Christmas sales for consumer-related companies.

In Europe, Brexit discussions, the Italian budget revision and slowing manufacturing activity dominated headlines. GDP growth for the third quarter disappointed in various countries, including Germany, which to a large extent can be attributed to the auto sector and new emission standards. Nevertheless, the labor market is holding up. With the European Central Bank terminating monthly asset purchases as 2018 drew to an end, greater uncertainty about the global economy and also within the Eurozone has delayed market expectations regarding the European Central Bank's target rate increases beyond 2019. In the UK, Brexit negotiations are ongoing with no clear outcome in sight as the March deadline approaches. Consumer and business confidence declined in light of continued uncertainty.

In Asia, certain segments of the Chinese economy are feeling the impact of US trade tariffs and select companies in the consumer space have reported lower demand in the fourth quarter of 2018. Fiscal and monetary easing is aimed at supporting growth, but most likely at lower levels compared to 2018.

### Private equity buyout activity

Aggregate global private equity buyout activity for 2018 registered a year-on-year increase of 17.6% to USD 456.0 billion, while the number of deals increased by 5.7% to 5'106, according to Preqin. Large-cap and upper mid-cap investments with a transaction value of more than USD 1 billion continued to dominate buyout activity, accounting for 73.6% of aggregate deal value.

North America continued to dominate global buyout deal activity with 57.8% of total deal value in 2018. On a year-on-year basis, buyout activity in North America rose by 50.9% to USD 263.7 billion across 2'787 transactions. The largest transaction announced in the region was the USD 21.0 billion takeover of Dr Pepper Snapple Group, an American soft drink company, by JAB Holding's investment firm Keurig Green Mountain.

Private equity buyout activity in Europe was reported at USD 136.7 billion, representing an increase of 39.4% from the previous year. Of the 1'779 transactions announced during the year, the largest was the USD 17.0 billion buyout of Refinitiv, a spin-off of Thomson Reuters' Financial & Risk business, by a consortium of investors led by Blackstone Group.

Buyout activity in Asia saw an uptick in deal count from 195 to 284, albeit with smaller transaction value. Compared to 2017, total deal value in the region declined significantly by 37.5% to USD 39.1 billion, and accounted for 8.6% of the global aggregate. The largest transaction in the region was the CNY 15.5 billion (USD 2.3 billion) acquisition of New Classics Media Corporation, a film and television production company in China, by a consortium including Carlyle Group, Shanghai Xuanting Entertainment Information Technology and Trustbridge Partners.

### Private equity exit activity

In 2018, global private equity exit activity increased by 9.9% year-on-year to USD 326.1 billion across 1'958 transactions, stemming three consecutive years of decline, according to Preqin. Trade sales continued to be the most prevalent exit strategy, accounting for 58.2% of total exit value.

North America continued to account for the largest share of global private equity exit activity, representing 54.7% of the total activity. Compared to the previous year, exit activity in the region grew by 26.1% to USD 178.4 billion across 928 transactions. The largest exit announced in the region and globally was the sale of technology company BMC Software by a consortium led by Bain Capital and Golden Gate Capital in a USD 8.3 billion transaction.

In Europe, 796 exits were completed in 2018 with an aggregate value of USD 105.2 billion, representing a year-on-year increase of 39.9%. The largest exit in the region was CVC Capital Partners' sale of Sky Bet, a UK-based gambling company, to The Stars Group in a transaction valuing the business at GBP 3.6 billion (USD 4.7 billion).

Aggregate exit value in Asia rose by 20.4% year-on-year to USD 27.0 billion across 128 transactions. The largest exit in the region was the KRW 2.3 trillion (USD 2.0 billion) sale of South Korea-based insurance company Orange Life Insurance, by owners KDB Capital, Korea Teachers' Pension Fund and MBK Partners, to financial holding company Shinhan Financial Group.

### IPO activity

In spite of equity market volatility, geopolitical tensions and ongoing trade issues between the US, the European Union and China, global IPO activity in 2018 ended on the back of investor confidence, large pools of liquidity, strong valuations and low interest rates, according to EY. While global IPO volume dropped by 21% year-on-year to 1'359, IPO proceeds increased by 6% to USD 204.8 billion, largely attributed to a number of unicorn companies and mega IPOs that went public. The Asia-Pacific region continued to dominate the global IPO landscape in 2018, accounting for 49% of deal count and 48% by proceeds. Most noticeably, the largest IPO globally was the JPY 2.7 trillion (USD 23.5 billion) listing of SoftBank Corporation, the telecommunications unit of multinational holding conglomerate SoftBank Group Corporation, on the Tokyo Stock Exchange. The listing is also the second largest in history, behind the USD 25 billion IPO of Alibaba Group Holding in September 2014.

For the full-year 2018, the US exchanges hosted 205 IPOs that raised USD 52.8 billion in proceeds, representing year-on-year increases of 14% and 31%, respectively. Healthcare and technology companies continued to dominate the IPO activity in the country. The most significant IPO in the US for the year was the USD 2.8 billion listing of life insurance company AXA Equitable on the New York Stock Exchange.

IPO activity in the EMEIA (Europe, Middle East, India and Africa) region for 2018 decreased year-on-year in terms of proceeds (-26%) and deal count (-16%), to USD 47.7 billion across 432 transactions, mainly attributed to an unclear path to Brexit, political challenges in the European Union, as well as uncertainties surrounding US trade and tariffs. The largest IPO by proceeds in the region was the listing of medical technology company Siemens Healthineers on the Deutsche Börse, which raised EUR 4.2 billion (USD 5.2 billion).

In the Asia Pacific region, the number of IPOs decreased by 31% year-on-year to 666, while proceeds rose by 28% to USD 97.1 billion due to a number of mega IPOs. The largest IPO in the region was the abovementioned listing of SoftBank Corporation on the Tokyo Stock Exchange.

### Fundraising activity

Private equity fundraising activity reduced from its highest level seen in 2017, declining by 24.7% year-on-year to USD 426.0 billion across 1'175 funds, according to Preqin. This can be attributed to timing effect and a smaller number of mega-funds raised in 2018. The ten largest funds raised a total of USD 125 billion, accounting for almost a quarter of the aggregate capital raised. The largest fund that held its final close during the year was Carlyle Partners VII, with a fund size of USD 18.5 billion. Meanwhile, private equity dry powder reached a record of USD 1.2 trillion as of December 2018.

North America-focused funds continued to stand at the forefront of global fundraising efforts, with USD 240.4 billion raised across 639 funds. The largest fund that held its final close was the abovementioned Carlyle Partners VII, representing 7.7% of aggregate capital in the region.

Europe-focused funds reported a total of USD 89.5 billion in investor commitments. The largest of the 196 funds that held its final closing during the year was EQT VIII, with a fund size of EUR 10.8 billion (USD 13.4 billion).

Asia-focused funds raised USD 80.0 billion across 250 funds in 2018. The largest fund that closed in the region was Hillhouse Fund IV, which reached a fund size of USD 10.6 billion.

### Outlook

Partners Group's base case assumption projects a period of continued modest growth. However, the combination of rising interest rates in the US, potential effects of trade conflicts, structural challenges in Europe and divergence in emerging markets should raise volatility in capital markets, as already witnessed in the October equity market sell-off. This is typical for the later stages of an economic expansion,

especially in a market where elevated valuations are largely based on a low risk-free rate. In this environment, testing the resilience of the assets we plan to invest in is of vital importance. In addition, deep sector insights are required to identify the most compelling investment opportunities in

high growth sub-sectors benefiting from transformative trends. Once we have invested in an asset, we believe a long-term entrepreneurial approach to governance and the successful implementation of value creation initiatives are crucial in generating outperformance.

*Sources: Preqin "Q4 2018 Buyout Deals and Exits"; Preqin "Q4 2018 Private Capital Fundraising Update"; EY "Global IPO trends: Q4 2018"; Evercore YE 2018 Secondary Market Survey Results; Partners Group Research*



### 3. Investment Advisor’s report

#### Positive NAV development in 2018

The net asset value (“NAV”) of Princess Private Equity Holding Limited (“Princess” or “the Company”) closed the financial year at EUR 10.90 per share. Including the annual dividend of EUR 0.56 (2017: EUR 0.56) this represents a total return of +6.8% for 2018 (2017: +11.2%). NAV total return for the fourth quarter was negative (-2.3%) with declines in comparable public multiples partially offset by positive EBITDA growth from portfolio companies. The share price total return was -16.0% for the year. The negative share price performance was driven by a weak fourth quarter during which Princess' share price declined by 17.3% on a total return basis, as global equity markets also fell sharply.

Valuation developments (+10.2%) were the main driver of NAV growth, while currency movements over the year were flat. The largest contributors to Princess' NAV growth over 2018 were the direct investments in Action (EUR +14.0m), Permotio International Learning (“Permotio”) (EUR +12.5m) and Ceridian HCM (EUR +10.9m).

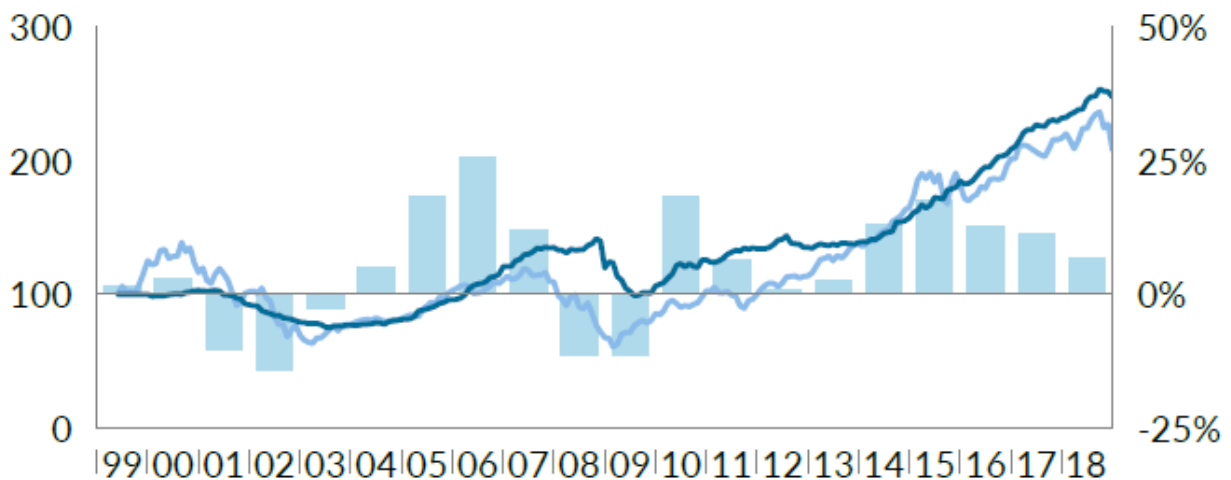
#### ● ACTION

Action, the European non-food discount retailer, continued to expand its operations over the year. Revenue as well as EBITDA grew year on year, driven mainly by new store openings and strong like-for-like sales growth. Action opened over 100 stores during the reporting period. Action's strategy continues to focus on strengthening its unique customer value proposition, international business expansion and the development of a scalable business model.

#### ● PERMOTIO

Permotio International Learning, an investment vehicle formed to create a leading international schools group through a 'buy and build' strategy, was positively revalued on the back of strong financial performance. During 2018, revenue increased mainly driven by add-on acquisitions. EBITDA also grew over the same period, primarily attributable to the aforementioned add-on investments and strict operational control by the group's management team. As of November 2018, Permotio had built a portfolio of 33 schools in 7 countries, educating over 27'000 students. In addition to growth from acquisitions, Permotio also achieved like-for-like revenue growth from increases in fees and student enrolments.

NAV PERFORMANCE (SINCE INCEPTION)\*



■ Princess ■ MSCI World TR ■ Performance (RHS)

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

● CERIDIAN HCM

Ceridian, a global human capital management (HCM) software provider, experienced a positive revaluation over the year. Following the company's listing on the New York Stock Exchange in April 2018 its stock price increased by 56.8% to USD 34.49 as at 31 December 2018.

Amongst the largest contributors to the Company's NAV increase over the last quarter of 2018 were the following direct investments:

● HOFMANN MENUE MANUFAKTUR

Hofmann, a leading German producer and supplier of ready-to-eat cook & frozen products, was written up over the fourth quarter of 2018 as the company continued to achieve positive financial performance. For the twelve months ended 30 November 2018, Hofmann reported an increase in revenue. The revenue uplift was mainly attributable to new customer contract wins in the social organizations segment and a strong momentum in the business canteens segment.

● VERMAAT

Vermaat, a leading Dutch premium hospitality and catering services provider, was written up over the fourth quarter of 2018, supported by healthy financial performance. For the twelve months ended November 2018, revenues increased as well as adjusted EBITDA. The company has benefited from strong sales growth within the corporate, travel and OSP verticals as well as new store openings and the recent acquisition of Bos & Bos Catering in northern Netherlands. The strategic acquisition added seven leisure and travel locations to Vermaat's existing portfolio, which further strengthened the company's market share in the region.

Investment activity

Princess invested a total of EUR 157.0 million in 2018, compared to EUR 117.2 million in the previous year.

Total investments for 2018

Investment	Strategy	Amount (EUR million)
GlobalLogic	Equity	21.9
Hearthside Food Solutions	Equity	19.8
Techem	Equity	19.2
Ammega (Megadyne - Ammeraal Beltech)	Equity	19.2
SRS Distribution, Inc.	Equity	14.1
Vishal Mega Mart	Equity	13.8
Amann Girrbach	Equity	8.6
SHL	Equity	6.3
Trimco (joint-investment 2018)	Equity	5.7
Permotio International Learning S.à r.l. (Follow-on)	Equity	4.1
Cerba HealthCare	Equity	1.6
Guardian Early Learning Group	Equity	1.0
Envision Healthcare Holdings, Inc.	Debt	19.1
Other		2.6
<b>Total investments for 2018</b>		<b>157.0</b>

The largest new investments in the fourth quarter were:

● VISHAL MEGA MART

In November, Princess invested EUR 13.8 million in Vishal Mega Mart, one of India's largest value retail brands. Vishal is the franchisor of the Vishal Mega Mart brand and wholesale supplier to a franchisee network of over 250 hypermarket stores in India. These stores combine a private label, fast-fashion offering with a variety of general merchandise and food & grocery products. Partners Group was attracted to Vishal as it serves the organized retail market segment, which makes up only 9% of India's retail industry and is expected to significantly expand over the coming years. Partners Group believes that Vishal offers a unique value proposition to an underserved customer segment and will continue to experience strong industry tailwinds. In addition, Vishal led by a strong execution- focused management team has developed a highly replicable and scalable model offering consumers an aspirational product assortment at compelling value. Going forward, Partners Group will work closely with Vishal to further expand the company's presence, maximize supply chain efficiency and increase product assortment.

● ENVISION HEALTHCARE HOLDINGS

In October, EUR 19.1 million was provided as mezzanine financing to Envision Healthcare in support of KKR's privatization of the company. The acquisition of Envision Healthcare was valued at USD 9.9 billion in an all-cash transaction for USD 46 per share. Headquartered in the US, the company offers an array of clinical solutions, including ambulatory surgery services, post-acute care, as well as physician-led services. Split up into five divisions, with the two largest being emergency department and hospitalist services and anesthesiology services, the physician-led business serves more than

1'800 clinical departments in healthcare facilities across 45 states as of June 2018. Partners Group was attracted to the investment based on Envision Healthcare's strong market position, diversified platform and free cash flow generative profile of the business.

### Distribution activity

Princess continued to benefit from a supportive environment for realizations, receiving portfolio distributions of EUR 131.8 million during 2018 (2017: EUR 191.1 million), equivalent to 20.2% of opening portfolio value. The direct portfolio was the key driver, accounting for EUR 93.6 million of distributions, including the full exits of Trimco International (return of 3.4x invested capital), VAT Group (6.0x) and Varsity Brands (3.4x). The balance of EUR 38.2 million was received from the Company's mature legacy fund portfolio, which continued to generate a high volume of exits.

### Total distributions for 2018

Investment	Exit (full or partial)	Strategy	Amount (EUR million)
Trimco	Full	Equity	19.7
Varsity Brands	Full	Equity	13.1
VAT Group AG	Full	Equity	12.7
Action	Partial	Equity	8.2
Black Knight Financial Services, Inc.	Partial	Equity	5.2
Vermaat	Partial	Equity	3.8
IDEMIA	Full	Debt	7.0
CEVA Santé Animale	Full	Debt	4.3
Legacy fund portfolio			38.2
Other			19.6
<b>Total distributions for 2018</b>			<b>131.8</b>

The largest contributor from Princess' direct portfolio over the fourth quarter was Vermaat:

#### ● VERMAAT

Princess received distributions of EUR 3.8 million from a shareholder loan repayment from Vermaat, a leading Dutch premium hospitality and catering services provider. The proceeds allowed Partners Group to partially de-risk the investment and to return a substantial portion of cost to investors. The proceeds stemmed from a refinancing of the 2015 acquisition debt for Vermaat. The refinancing lowers the company's total annual interest expenses, while increasing the size of the revolving capital facility to cover working capital and to fund potential acquisitions. Since Partners Group's acquisition in December 2015, Vermaat has performed above expectations, with revenue and EBITDA exceeding the base-case.

### Share price development and dividend

Global markets suffered a volatile end to 2018 as investors reacted anxiously to rate hike fears and growth concerns as well as to several geopolitical uncertainties. This financial markets backdrop negatively affected Princess' share price which declined by 17.3% on a total return basis during the fourth quarter, resulting in a total return performance of -16.0% during 2018. The Company paid total dividends of EUR 0.56 per share during the year. 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 5.2% of opening NAV for 2018.

### Liquidity and unfunded commitments

Reflecting the Company's investment activity, Princess' net liquidity position decreased to EUR -5.0 million. As of the end of the reporting period, the Company had drawn EUR 35 million out of the available EUR 50 million revolving credit facility. In addition to the remaining undrawn credit facility, Princess maintains a liquidity buffer of first lien senior loans, which can be sold if necessary to generate liquidity. As of year-end, Princess held EUR 29.0 million of its investment portfolio in first lien loans.

Total unfunded commitments at 31 December 2018 amounted to EUR 93.8 million (2017: EUR 119.2 million). EUR 55.2 million of commitments related to Partners Group's direct investment programs, while commitments to third party funds amounted to EUR 38.5 million (predominantly pre-crisis vintages which, in the Investment Advisor's view, are unlikely to be called in full). In line with the strategy to focus on direct investments, no new third party fund commitments were made.

### Outlook

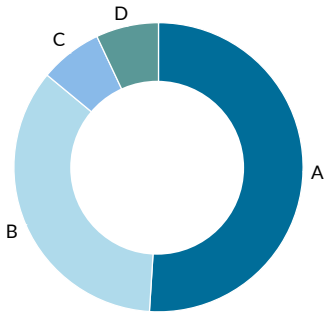
Reflecting a volatile fourth quarter, declines in public company multiples resulted in a negative revaluation for a number of portfolio companies. However, from a fundamental perspective, Princess' portfolio companies continued to perform well and to grow EBITDA, and therefore suffered a materially lower correction than public markets. Should global growth continue to slow materially, we may see an impact on fundamentals.

Hence, according to Partners Group's relative value approach, the Investment Advisor will focus on assets and business models with strong pricing power and margin stability. These elements are vital to protecting and strengthening revenues and valuations. Once invested in an asset, we believe that entrepreneurial ownership, strong governance and a focus on value creation are the only ways to generate ongoing outperformance.

Partners Group  
Investment Advisor

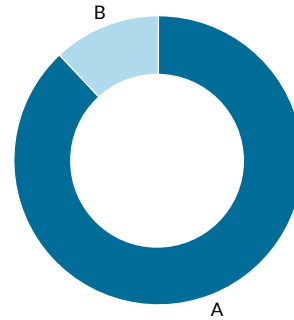
Zug, 13 March 2019

## 4. Portfolio composition



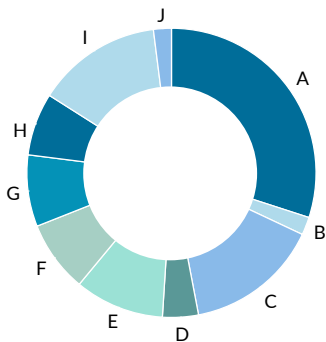
Investments by regional focus

<b>A</b> Europe	51%	<b>C</b> Rest of World	7%
<b>B</b> North America	35%	<b>D</b> Asia-Pacific	7%



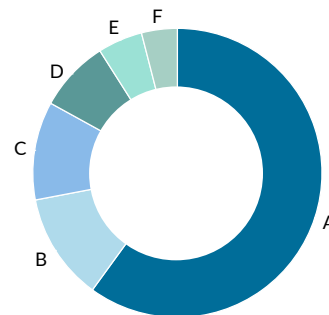
Investments by transaction type

<b>A</b> Direct	88%	<b>B</b> Funds	12%
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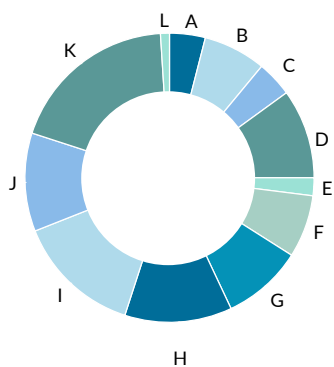
Portfolio assets by industry sector

<b>A</b> Consumer discr.	30%	<b>F</b> Financial	8%
<b>B</b> Utilities	2%	<b>G</b> Industrial	8%
<b>C</b> Healthcare	15%	<b>H</b> Materials	7%
<b>D</b> Energy	4%	<b>I</b> IT	14%
<b>E</b> Consumer staples	10%	<b>J</b> Telecom	2%



Investments by financing category

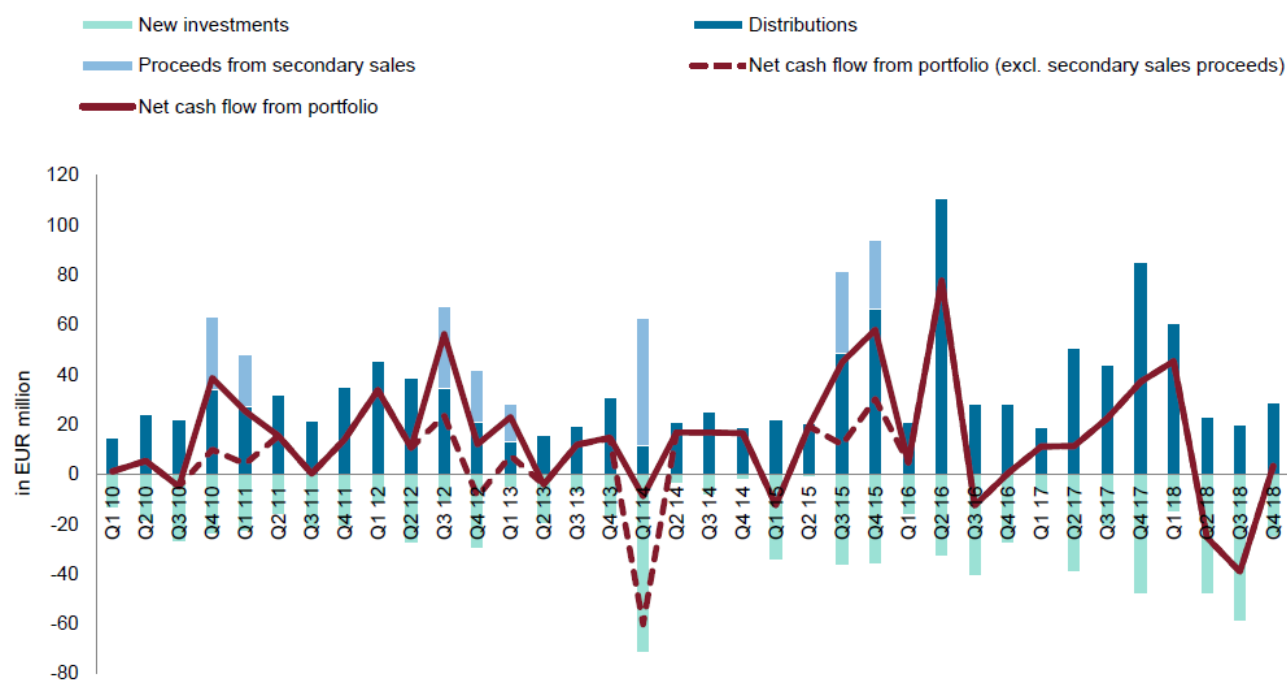
<b>A</b> Small/Mid-cap	60%	<b>D</b> Growth	8%
<b>B</b> Special situations	12%	<b>E</b> Mezzanine	5%
<b>C</b> Large/mega-large-cap	11%	<b>F</b> Venture capital	4%



### Investments by investment year

<b>A</b>	Pre 2007	4%	<b>G</b>	2014	9%
<b>B</b>	2007	7%	<b>H</b>	2015	12%
<b>C</b>	2008	4%	<b>I</b>	2016	14%
<b>D</b>	2011	10%	<b>J</b>	2017	11%
<b>E</b>	2012	2%	<b>K</b>	2018	19%
<b>F</b>	2013	7%	<b>L</b>	Other	1%

### Development of net cash flows



## NAV development



## Key metrics of the top 50 direct investments

	Top 10	Top 20	Full sample
EV/EBITDA	13.6x	13.7x	13.0x
Net debt/EBITDA	5.3x	5.5x	5.4x
Leverage	41.6%	42.9%	43.2%
Weighted average EV	EUR 3.1bn	EUR 3.0bn	EUR 2.5bn

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

The information provided is 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 are 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		% of NAV
					Residual cost	Net asset value	
<b>Action</b>	Consumer discretionary	WEU	Small/Mid-cap	2011	0	64'028'832	8.5%
<b>Permotio International Learning S.à r.l.</b>	Consumer discretionary	WEU	Growth	2013	35'000'225	57'088'004	7.6%
<b>Form Technologies</b>	Materials	NAM	Small/Mid-cap	2015	23'399'085	34'844'970	4.6%
<b>Foncia</b>	Financials	WEU	Small/Mid-cap	2016	19'469'878	27'410'130	3.6%
<b>Fermaca</b>	Energy	ROW	Special situations	2014	12'765'207	27'044'613	3.6%
<b>KinderCare Education</b>	Consumer discretionary	NAM	Small/Mid-cap	2015	9'362'560	24'213'791	3.2%
<b>GlobalLogic</b>	Information technology	NAM	Small/Mid-cap	2018	22'500'589	22'500'589	3.0%
<b>Hofmann Menue Manufaktur</b>	Consumer staples	WEU	Small/Mid-cap	2014	5'146'706	22'030'012	2.9%
<b>Hearthside Food Solutions</b>	Consumer staples	NAM	Small/Mid-cap	2018	20'186'587	20'298'065	2.7%
<b>Envision Healthcare Holdings, Inc.</b>	Healthcare	NAM	Mezzanine	2018	18'885'768	19'273'534	2.6%
<b>Techem Metering GmbH</b>	Industrials	WEU	Large/mega-large-cap	2018	19'244'061	19'244'061	2.6%
<b>Ammega (Megadyne - Ammeraal Beltech)</b>	Industrials	WEU	Small/Mid-cap	2018	19'213'454	19'213'454	2.5%
<b>MultiPlan 2016</b>	Healthcare	NAM	Large/mega-large-cap	2016	4'572'698	14'702'667	2.0%
<b>SRS Distribution, Inc.</b>	Materials	NAM	Small/Mid-cap	2018	14'569'644	14'607'315	1.9%
<b>PCI Pharma Services</b>	Healthcare	NAM	Small/Mid-cap	2016	10'415'871	14'248'831	1.9%
<b>Vishal Mega Mart</b>	Consumer discretionary	APC	Small/Mid-cap	2018	13'847'438	13'847'438	1.8%
<b>Cerba HealthCare</b>	Healthcare	WEU	Small/Mid-cap	2017	11'327'126	13'591'704	1.8%
<b>Global Blue</b>	Financials	WEU	Small/Mid-cap	2012	834'111	13'466'502	1.8%
<b>United States Infrastructure Corporation</b>	Utilities	NAM	Small/Mid-cap	2017	11'501'794	12'903'192	1.7%
<b>Civica</b>	Information technology	WEU	Small/Mid-cap	2013	11'240'105	12'900'682	1.7%



Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception		% of NAV
					Residual cost	Net asset value	
<b>Vermaat</b>	Consumer discretionary	WEU	Small/Mid-cap	2015	4'117'913	11'791'034	1.6%
<b>Caffe Nero</b>	Consumer staples	WEU	Mezzanine	2014	7'053'649	n.a.	n.a.
<b>IDEMIA</b>	Information technology	WEU	Large/mega-large-cap	2016	10'530'976	10'913'130	1.4%
<b>Agiliti Health, Inc.</b>	Healthcare	NAM	Small/Mid-cap	2007	3'804'423	10'522'600	1.4%
<b>CPA Global</b>	Information technology	WEU	Large/mega-large-cap	2017	10'032'219	10'456'039	1.4%
<b>Ceridian HCM</b>	Industrials	NAM	Large/mega-large-cap	2007	449'683	10'164'547	1.3%
<b>Guardian Early Learning Group</b>	Consumer discretionary	APC	Small/Mid-cap	2016	8'465'481	9'011'573	1.2%
<b>Amann Girrbach</b>	Healthcare	WEU	Small/Mid-cap	2018	8'341'150	8'364'070	1.1%
<b>Partners Group Pacific Restaurant Holdings</b>	Consumer staples	NAM	Small/Mid-cap	2015	6'136'276	8'049'611	1.1%
<b>Voyage Care</b>	Healthcare	WEU	Small/Mid-cap	2014	7'752'826	7'752'825	1.0%
<b>STADA Arzneimittel AG</b>	Healthcare	WEU	Large/mega-large-cap	2017	6'225'411	7'162'239	1.0%
<b>Hortifruti</b>	Consumer staples	ROW	Small/Mid-cap	2016	5'571'770	6'661'001	0.9%
<b>Trimco Joint-investment 2018</b>	Industrials	APC	Small/Mid-cap	2018	6'077'888	6'309'312	0.8%
<b>SHL</b>	Information technology	WEU	Small/Mid-cap	2018	6'158'110	6'301'694	0.8%
<b>CSS Corp Technologies (Mauritius) Limited</b>	Telecommunication services	APC	Small/Mid-cap	2013	n.a.	n.a.	n.a.
<b>Springer Science+Business Media</b>	Consumer discretionary	WEU	Special situations	2010	5'655'400	n.a.	n.a.
<b>Logoplaste</b>	Materials	WEU	Special situations	2016	4'663'228	n.a.	n.a.
<b>Seabras-1</b>	Telecommunication services	NAM	Special situations	2015	5'022'419	5'111'036	0.7%
<b>SPI Global</b>	Information technology	APC	Small/Mid-cap	2017	4'574'750	5'064'978	0.7%
<b>Prosol</b>	Consumer staples	WEU	Special situations	2017	4'661'419	4'975'499	0.7%
<b>TOUS</b>	Consumer discretionary	WEU	Small/Mid-cap	2015	3'959'816	4'963'823	0.7%
<b>Polyconcept</b>	Consumer discretionary	NAM	Small/Mid-cap	2016	3'404'054	4'946'239	0.7%
<b>European Sports Rights Company</b>	Consumer discretionary	WEU	Special situations	2006	4'478'693	4'647'332	0.6%

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception		% of NAV
					Residual cost	Net asset value	
<b>Key Retirement Group</b>	Financials	WEU	Small/Mid-cap	2017	3'395'375	4'525'657	0.6%
<b>Cegid Group SA</b>	Information technology	WEU	Special situations	2016	3'704'627	n.a.	n.a.
<b>ADT Corporation</b>	Information technology	NAM	Large/mega-large-cap	2016	3'030'037	3'776'997	0.5%
<b>BarBri</b>	Consumer discretionary	NAM	Small/Mid-cap	2011	1'788'826	2'940'378	0.4%
<b>Pharmaceutical developer</b>	Healthcare	WEU	Small/Mid-cap	2013	10'360'995	2'566'301	0.3%
<b>Photonis</b>	Information technology	WEU	Special situations	2011	1'373'637	2'545'367	0.3%
<b>eResearch Technology, Inc.</b>	Information technology	NAM	Special situations	2016	1'592'343	2'452'513	0.3%
<b>Total fifty direct investments</b>					417'288'342	661'729'486	87.8%

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.

## Twenty largest fund investments (in EUR)

Investment	Regional focus	Financing category	Vintage	Since inception		% of NAV
				Unfunded commitments	Net asset value	
<b>Anonymized Emerging Markets Venture Fund 2</b>	ROW	Venture capital	2008	1'139'830	9'285'223	1.2%
<b>Ares Corporate Opportunities Fund III, L.P.</b>	NAM	Special situations	2008	848'778	7'654'578	1.0%
<b>Index Ventures Growth I (Jersey), L.P.</b>	WEU	Growth	2008	0	6'726'396	0.9%
<b>3i Eurofund Vb</b>	WEU	Small/Mid-cap	2006	287'195	6'711'251	0.9%
<b>Anonymized European Buyout Fund 7</b>	WEU	Small/Mid-cap	2007	1'026'787	5'874'742	0.8%
<b>Partners Group Global Real Estate 2008, L.P.</b>	WEU	Special situations	2008	1'759'056	4'788'024	0.6%
<b>Terra Firma Capital Partners III, L.P.</b>	WEU	Large/mega-large-cap	2006	79'547	4'164'625	0.6%
<b>Pitango Venture Capital Fund III</b>	ROW	Venture capital	2000	0	3'970'688	0.5%
<b>INVESCO Venture Partnership Fund II-A, L.P.</b>	NAM	Venture capital	2000	1'600'365	2'913'052	0.4%
<b>SV Life Sciences Fund IV, L.P.</b>	NAM	Venture capital	2006	126'975	2'905'985	0.4%
<b>Patria - Brazilian Private Equity Fund III, L.P.</b>	ROW	Small/Mid-cap	2007	n.a.	n.a.	n.a.
<b>MatlinPatterson Global Opportunities Partners III</b>	NAM	Special situations	2007	201'344	2'459'672	0.3%
<b>Summit Partners Europe Private Equity Fund, L.P.</b>	WEU	Growth	2008	2'069	1'599'609	0.2%
<b>Innisfree PFI Secondary Fund</b>	WEU	Special situations	2007	27'837	1'587'898	0.2%
<b>Exxel Capital Partners VI, L.P.</b>	ROW	Small/Mid-cap	2000	0	1'384'880	0.2%
<b>Sterling Investment Partners II, L.P.</b>	NAM	Small/Mid-cap	2005	1'079'343	1'368'603	0.2%
<b>Alinda Infrastructure Parallel Fund II, L.P.</b>	NAM	Special situations	2008	232'048	1'226'959	0.2%

Investment	Regional focus	Financing category	Vintage	Since inception		% of NAV
				Unfunded commitments	Net asset value	
<b>Ares Corporate Opportunities Fund II, L.P.</b>	NAM	Special situations	2006	1'998'055	1'224'127	0.2%
<b>August Equity Partners II A, L.P.</b>	WEU	Small/Mid-cap	2007	n.a.	1'190'880	0.2%
<b>Sofinnova Capital VI FCPR</b>	WEU	Venture capital	2008	49'799	1'009'890	0.1%
<b>Total twenty fund investments</b>				11'258'750	70'768'525	9.4%

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

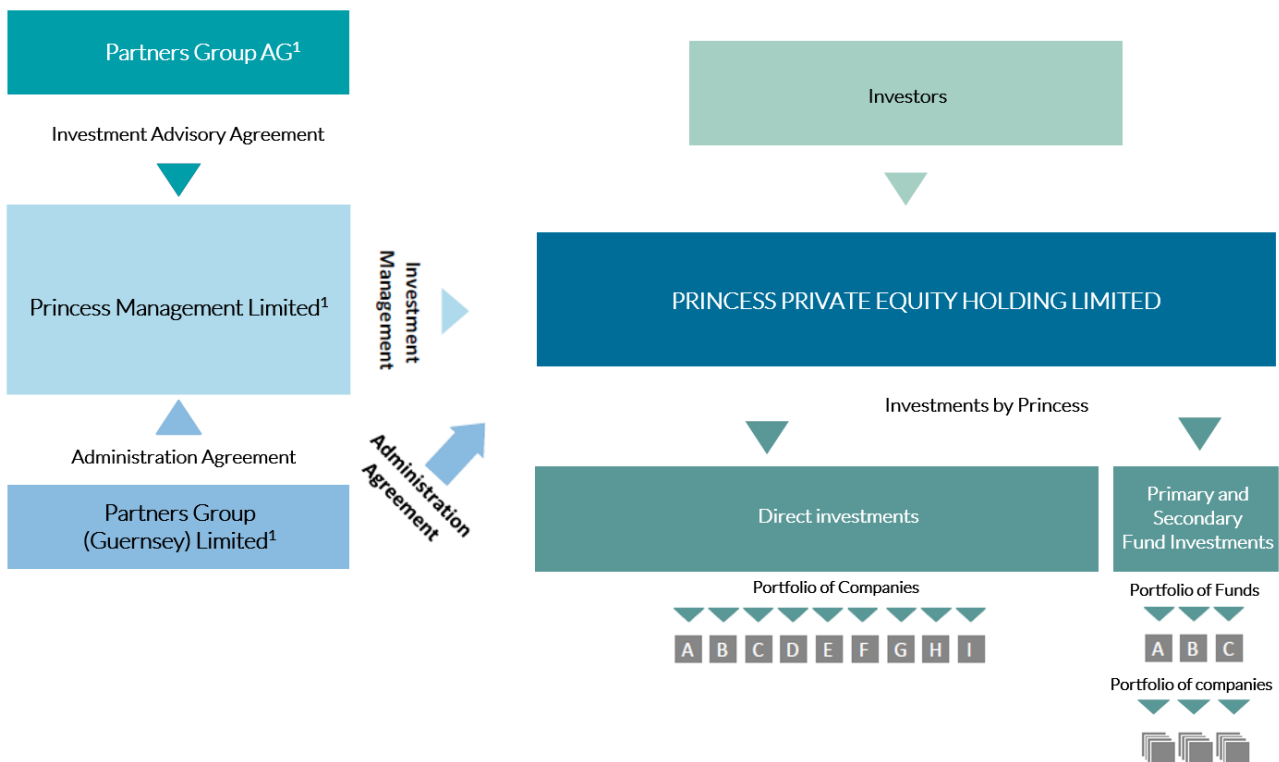
Princess Private Equity Holding Limited is a Guernsey-registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700 million through the issue of a convertible bond and invested the capital by way of commitments to private equity 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 2017, 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 AG (the "Investment Advisor"), which is a global private markets investment management firm with EUR 73 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

<b>Company</b>	Princess Private Equity Holding Limited
<b>Currency denomination</b>	Euro
<b>Dividends</b>	Princess intends to pay a dividend of 5-8% p.a. on opening NAV
<b>Incentive fee</b>	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)
<b>Incorporation</b>	1999
<b>Joint corporate brokers</b>	JPMorgan Cazenove Numis Securities Ltd.
<b>Listing</b>	London Stock Exchange
<b>Management fee</b>	1.5% p.a. of the higher of NAV or value of Princess' assets less any temporary investments plus unfunded commitments
<b>Securities</b>	Fully paid-up ordinary registered shares
<b>Structure</b>	Guernsey company, Authorised closed-ended fund in Guernsey
<b>Trading information</b>	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
<b>Voting rights</b>	Each ordinary registered share represents one voting right

## 8. Board of Directors

### Richard Battey

Richard Battey (Chairman) (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, NB Global Floating Rate Income Fund Limited and Pershing Square Holdings Limited. 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.

### Steve Le Page

Steve Le Page (Chairman of the Audit & Risk Committee, Management Engagement Committee and Non-Executive Director) (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. 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, Volta Finance Limited, Channel Islands Property Fund Limited and Tufton Oceanic Assets Limited, 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.

### Fionnuala Carvill

Fionnuala Carvill (British, born 1964) is a Chartered Fellow of The Chartered Institute for Securities & Investment; a Fellow of the London Institute of Banking & Finance (Chartered Institute of Bankers); a Fellow of ICSA: The Governance Institute and a Chartered Governance Professional. Ms Carvill is a Non-Executive Director of Investec Bank (Channel Islands) Limited and The Chartered Institute for

Securities & Investment. Previous executive positions held include Managing Director of Kleinwort Benson (Channel Islands) Investment Management Limited, Director of Kleinwort Benson (Channel Islands) Limited, Commission Secretary and Head of Innovation at the Guernsey Financial Services Commission and Director of Rothschild Bank (CI) Limited. Ms Carvill is a past President and committee member of The Chartered Institute for Securities & Investment, Guernsey Branch, a Liveryman of the Worshipful Company of International Bankers and was granted Freedom of the City of London in 2007. She holds a Master's degree in Corporate Governance (Distinction).

### Felix Haldner

Felix Haldner (Swiss, born 1963), Non-Executive Director, is a Partner at Partners Group and responsible for strategic client development in Europe and public affairs globally, based in Zug. Previously, he served as Head of the Investment Structures business department and was a member of the Global Executive Board. He has been with Partners Group since 2001 and has 30 years of industry experience. Prior to joining Partners Group, he worked at PricewaterhouseCoopers. He holds a master's degree in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar and is a certified Swiss tax expert. He is President of the Swiss Funds' and Asset Management Association.

### Henning von der Forst

Henning von der Forst (German, born 1955), Non-Executive Director, is a Member of the Supervisory Board of the Nuerenberger life and non-life insurance company and of various investment trusts and investment companies. Previously he served as a Member of the Executive Board of Directors as Chief Investment Officer of Nuerenberger Insurance Group. There he was responsible for the Asset Management, Banking Services and Treasury, Investor Relations and International Relations from 1992 until his retirement in 2015. Prior to this, he worked as a marketing manager at SBCI Swiss Bank Corporation Investment Banking, London, and as Head of the Group Treasury and Finance Department with VIAG Aktiengesellschaft, Bonn (E.on today). He holds a master's degree in business administration from the University of Münster.

### Merise Wheatley

Merise Wheatley (British, born 1958), Non-Executive Director, has over thirty years' experience at Board level in risk financing and insurance management. She is a Fellow of the Association of Chartered Certified Accountants having completed her training with Abbey Life Assurance and National Mutual Life Association of Australasia in the UK and qualified in 1982. Merise is currently a Client Service Director at Artex Risk Solutions (Guernsey) Limited where her responsibilities include the strategic development of client companies to meet shareholder objectives, and the provision of services to a portfolio of clients in a diverse range of industries. She serves as a director on the boards of a number of non-listed regulated insurance entities in Guernsey and Malta. Merise has worked for Artex, formerly Heritage Insurance Management, since 2009 and her career also includes five years as Managing Director of Heath Lambert Insurance Management in Guernsey and Malta and fourteen years with Marsh and Johnson & Higgins in Guernsey and Grand Cayman from 1988 to 2002. Merise is a past Chairman of the Guernsey International Insurance Association and was a member of the 2007 Insurance Business Law Review Steering Group, chairing the Corporate Governance Working Party. In 2007 she achieved the Diploma in Company Direction awarded by the UK Institute of Directors.

### Past Directors

#### Fergus Dunlop

Fergus Dunlop (British, born 1958) has been 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.

#### Brian Human

Brian Human (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.



## 9. Directors' report

### Directors

R. Battey (Chairman)  
 F. Carvill (appointed 1 September 2018)  
 F. Dunlop (resigned 16 May 2018)  
 F. Haldner  
 B. Human (resigned 30 November 2018)  
 S. Le Page  
 H. von der Forst  
 M. Wheatley (appointed 1 September 2018)

### 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 2018.

### 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. As at the period end, five of the six of the Board are 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 attractive dividend yield, through investment in a diversified portfolio of private equity and private debt investments, rather than through fund investments. In future, the Company aims to invest up to 100 per cent of its capital in private equity and private

debt direct investments but on occasion may also make fund investments and invest in other private market investments such as private real estate and private infrastructure. 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:

- Share price and NAV developments
- Net cash flow

- Capital calls and distributions
- IRR reports and general performance reporting 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 impact of risks that it considers apply to the Company. These risks encompass the major risks to which the Company may be exposed, including the recent macro environment and uncertainties in respect of the valuation of unquoted investments, and their impact on the cash flow modeling employed by the Company is also considered. The Directors have included a Statement of Principal Risks 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 authorization to the Directors to make market acquisitions of ordinary shares, the Company purchased and redeemed / cancelled no shares (31 December 2017: nil) during the year.

There was no change in the issued and paid up share capital as at 31 December 2018 and 31 December 2017.

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 of the net asset value 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 13 July 2018 and 14 December 2018. In the previous year, dividends of EUR 0.28 each were paid on 30 June 2017 and 22 December 2017. It should be noted, that since the December 2017 dividend, shareholders have been able to elect to get their dividends paid in Sterling or to elect to participate in the Dividend Reinvestment Plan, but this does not result in the issuance of any new shares. Accordingly, the paid up share capital as at 31 December 2018 was 69'151'168 ordinary shares of EUR 0.001 each (31 December 2017: 69'151'168 ordinary shares of EUR 0.001 each).

### 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: 50'000 shares  
F. Haldner: 213'311 shares

Since the year-end, S. Le Page purchased 7'500 shares.

Messrs. Battey, Haldner, Human (resigned 30 November 2018) and Le Page were re-elected at the 2018 annual general meeting.

Mses. Carvill and Wheatley were both appointed by the board on 1 September 2018 and will stand for election by the shareholders at the forthcoming annual general meeting. The Directors decided on 21 November 2018 that they would all put themselves forward for annual re-election starting from the 2019 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 has an interest, other than Mr. Haldner, who is a shareholder in Partners Group Holding AG, the beneficial owner of both the Investment Manager and the Administrator, and Mr. Dunlop who is a non-executive director of Partners Group (Guernsey) Limited, Administrator to the Company.

No Director had a service contract with the Company other than Mr. Human who had a part time employment contract with the Company that ended in March 2008. Directors' remuneration is presented in the notes to these audited consolidated financial statements and is shown below. Mr. Haldner did not receive a fee for the provision of his services as a director of the Board. Directors' remuneration split as follows in EUR:

(31.12.2018 / 31.12.2017)

R. Battey (56'247 / 52'000)

F. Carvill (16'712 / nil)

F. Dunlop (18'630 / 46'000)

B. Human (53'743 / 57'500)

S. Le Page (53'764 / 11'500)

H. von der Forst (50'000 / 46'000)

M. Wheatley (16'712 / nil)

#### Length of Service

Each Director was first appointed to the Board on the dates shown below:

R. Battey: 28 May 2009

F. Carvill: 1 September 2018

F. Dunlop: 28 May 2009 (resigned on 16 May 2018)

F. Haldner: 22 August 2017

B. Human: 19 November 2003 (resigned on 30 November 2018)

S. Le Page: 1 October 2017

H. von der Forst: 13 November 2012

M. Wheatley: 1 September 2018

#### 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 07 December 2019.

#### 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. 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 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 and Haldner 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

There were no significant events that occurred during the year.

#### Substantial Interests

The European Union Transparency Directive requires substantial shareholders to make relevant holding notifications to the Company and the UK Financial Conduct 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%

Canaccord Genuity Group Inc - 5.02%

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 that 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 or she ought to have taken as a director in order to make himself or herself 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 2018 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 their knowledge and belief:

- The Annual Report includes information detailed in the Chairman's report, the Investment Advisor'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 that 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 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 on pages 30 to 38 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 2018 was Aztec Financial Services (Guernsey) Limited.

**Independent Auditors**

At a general meeting held on 16 May 2018, PricewaterhouseCoopers CI LLP were re-appointed Independent Auditors of the Company for the period ended 31 December 2018, and the Directors were authorized to fix their remuneration.

R. Battey  
Director

S. Le Page  
Director

18 March 2019

## 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 the 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](http://www.theaic.co.uk). In assessing the Board's corporate governance practice for 2018, 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 July 2018, 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 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 and Management Engagement Committees and the Board have determined there is no requirement for a direct internal audit function, although they do have access to and meet with the internal audit function of Partners Group Holding AG.

The Guernsey Financial Services Commission has a standing Finance Sector Code of Corporate Governance that was issued in 2011 (the "Guernsey Code"). In the introduction to the Guernsey Code, it states "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 new shares 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 whom are non-executive. The independent Chairman of the Board is Mr. Battey, who was appointed Chairman on 1 September 2018 (previously Mr. Human) and is responsible for leading meetings of the Board to ensure that they are efficient and effective. Mr. Battey was considered to be independent on appointment as Chairman, 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 and Haldner, 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. Although, the new non-executive roles were not publicly advertised, the Company was assisted by a specialist agency in Guernsey to identify potential candidates.

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. Partners Group Global Opportunities Limited, a company that also retains the services of the Investment Advisor, formerly employed Mr. Human on a part time basis but this employment ceased in December 2007 and the Board now regards Mr. Human as independent. Further, the Board considered 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 Administrator.

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

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 their business and other experience.

The Directors have in the past been appointed for a fixed term of no more than three years. The appointment was recommended to the shareholders for a further period if both the respective Director and the Board believed that a renewal was in the interest of the Company. As the Company is not a FTSE 350 company, Directors are not required to be subject to annual election by the shareholders. Nevertheless, starting from the 2019 annual general meeting, the Directors will put themselves forward for election on an annual basis.

The renewal recommendation has always been 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. 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 Administrator, he resigned immediately following the 2018 Annual General Meeting.

As the Company is not a FTSE 350 company, the external audit contract is not required to be 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 monitoring the overall portfolio of investments of the Company. To assist the Board in the operations of the Company, arrangements have been put in place to delegate authority for performing certain 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. In addition, it receives on a quarterly basis from the Investment Advisor an assessment of the performance of the investments that 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 that 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. Representatives of the Investment Manager and the Investment Advisor attend board meetings. The Company's corporate brokers also attend to assist the Directors in understanding the views of major shareholders regarding the Company. Below is a summary of the Director attendance at Board meetings held in 2018, compared against those for which they were eligible:

R. Battey (4/4)  
F. Carvill: (1/1)  
F. Dunlop (1/1)  
F. Haldner (4/4)  
B. Human (3/3)  
S. Le Page (4/4)  
H. von der Forst (3/4)  
M. Wheatley (1/1)

### Committees of the Board

On 16 August 2018, the Board split the Audit & Management Engagement Committee ("AR&ME") (renamed from Audit, Risk & Management Engagement Committee on 16 November 2015) into two separate committees being the Audit & Risk Committee and the Management Engagement Committee.



The Audit & Risk Committee and its predecessor, the AR&ME (together the "A&R Committee") 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 A&R Committee reviews the annual, semi-annual and quarterly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. It also considers the performance and quality of the external audit and makes appropriate recommendations to the Board concerning the Independent Auditors.

The Group's and Company's external auditors are PricewaterhouseCoopers CI LLP. The A&R 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 A&R Committee carries out each year an evaluation of the external auditors as to their independence from the Group and Company and relevant officers of the Group and Company in all material respects, and that they are adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this evaluation, the A&R 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 provide assistance on tax and regulatory matters given their 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 A&R 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 A&R Committee reviews the external auditors' confirmation of their independence in accordance with Crown Dependencies' Audit Rules and with SEC Independence Rules. In addition to the steps taken by the Board to safeguard auditor objectivity, PricewaterhouseCoopers CI LLP operates a five-year rotation policy for audit engagement leaders on listed companies such as the Company. PricewaterhouseCoopers CI LLP have remained in place as auditors for a considerable number of years and the audit contract has never been put out to tender. However, the A&R Committee notes that the audit engagement leader was rotated in 2017.

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

The A&R 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 controls 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 performed by service providers and support the Company's culture which emphasizes clear management responsibilities 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.

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 A&R Committee approaches its risk review covering qualitative and quantitative matters.

On a quarterly basis the A&R Committee reviews the principal risks faced by the Company and the Group, covering investment risk, regulatory risk, reputational risk, operational risk, financial risk, governance and market abuse. For each of these risks the A&R Committee evaluates how these risks could arise, assigns responsibility to control and mitigate such risks and determines the post-mitigation likelihood and impact of the risk occurring. The A&R Committee makes decisions and requests additional reporting based on these findings.

On an annual basis the A&R 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 controls 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 or the Group. Additionally the Board of Directors is provided with a copy of the Internal Controls report assured 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 assess and monitor the risks associated with the services delegated to Partners Group and to seek clarification or updates.

#### **Date of review**

The Board reviewed the Risk Management and Internal Control Systems on 15 March 2018. 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 confirmed the Board's opinion that the systems of risk management and internal controls are robust and effective.

#### **Statement of Principal Risks**

The Board is responsible for managing and overseeing risk and reviews and assesses quarterly the risks that it considers apply to the Company that may compromise the achievement of the Company's strategic objectives. These risks encompass the major 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 four main sections; investment risk (covering NAV development, macro economic and deal specific risk), financial risk (covering safeguarding of assets and market risk), reputational and regulatory risk (covering governance, market conduct and compliance) and operational risk (covering internal controls, systems and outsourcing risk).

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, Administrator, 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 four 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
Investment risk	Stable  This risk was assessed as remaining stable as NAV and dividends are being maintained in line with peer group and market expectations.	Adverse movement in NAV versus peer group. Inability to meet target dividend.	Effectiveness of investment strategy reviewed at every board meeting using performance reports and discussions with brokers and Investment Manager/ Advisor.
Company's shares trading at a material discount	Increasing  This risk was assessed as increasing as the discount increased during the year.	Lack of demand from shareholders and prospects.	Monitoring of investor sentiment and expectations and performance versus peers. Maintenance of good market communication. Maintenance and achievement of dividend target.  The Board is unable to control the impact of general market sentiment on the share price and thus on price discount to NAV. The Board believes that the Company's fundamental performance remains attractive and consequently that the increase in the discount towards the end of 2018 was caused mainly by such general market sentiment.
Liquidity risk	Increasing  This risk was assessed as increasing, as the Company's liquid funds reduced and its over-commitment ratio increased.	Insufficient cash to fund existing commitments and dividends.	Long term cash flow forecasts kept under review to ensure acceptable level of liquidity. Negotiation of credit facilities to ensure adequate short term funding available.
Outsourcing risk – failure of service providers to fulfill contractual obligations to acceptable standard	Stable  This risk was assessed as stable and low as key service providers have maintained adequate resources and met all service requirements.	Financial loss or regulatory breach of Company.	Quarterly reports on performance of contractual requirements and compliance with regulatory requirements. Review of independent reports on internal controls and systems.

Below is a summary of the Director attendance at A&R Committee meetings (including its predecessor, AR&ME) held in 2018, compared against those for which they were eligible:

R. Battey (4/4)  
F. Carvill (1/1)  
B. Human (4/4)  
S. Le Page (4/4)  
H. von der Forst (3/4)  
M. Wheatley (1/1)

The A&R Committee is composed of all the independent members of the Board, and has been chaired by Mr. Le Page since 16 August 2018 (previously Mr. Battey from 28 May 2009). The Board is satisfied that at least one member of the A&R Committee has recent and relevant financial experience.

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

- Unquoted investments: Reports from the Investment Manager are received on a quarterly basis showing the portfolio development and its impact on the Direct and Indirect Investments, together with the significant unobservable valuation inputs for the level 3 investments. The A&R Committee was content after due challenge and debate with the assumptions and judgments applied in relation to the Investment Manager's recommendations 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 A&R Committee receives a quarterly overview of incentive fees accrued and paid and applies its knowledge of the Company's performance and the investment management agreement to its review of the figures calculated.
- Presumed risk of fraud and management override of controls: The A&R 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 was considered, and in particular, the disclosures and compliance with International Financial Reporting Standards. The A&R Committee is satisfied with the presentation of the audited consolidated financial statements of the Group.

The Management Engagement Committee and its predecessor the AR&ME (together the "ME Committee") meets at least once a year. The ME Committee recommended to the Board that the continued 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 market houses and expertise of the Investment Manager and, through the Investment Manager, of the Investment Advisor.

Below is a summary of the Director attendance at ME Committee meetings held in 2018, compared against those for which they were eligible:

R. Battey (1/1)  
 F. Carvill (1/1)  
 S. Le Page (1/1)  
 H. von der Forst (1/1)  
 M. Wheatley (1/1)

With the exception of Mr. Haldner, the ME Committee is composed of all the members of the Board, and has been chaired by Mr. Le Page following his appointment on 16 August 2018.

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 Board undertakes an annual evaluation of its own performance and the performance of its committees 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. Dunlop and Haldner.

### **Viability Statement**

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Group's viability testing considers multiple severe, yet plausible, stress scenarios. 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 2021.

### **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 consolidated 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  
Director  
18 March 2019

S. Le Page  
Director

## 11. Independent Auditor's report

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

#### 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 2018, 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 2018;
- 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 ethical requirements that are relevant to our audit of the consolidated financial statements of the Group, as required by the Crown Dependencies' Audit Rules and Guidance, and with SEC Independence Rules. We have fulfilled our other ethical responsibilities in accordance with these requirements.

##### Our audit approach

##### Context

Our 2018 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 was largely unchanged with continued scrutiny over the valuation of unlisted investments and the calculation of incentive fees.

## 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.

## 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 consolidated 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 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

€17.0 million (2017: € 16.7 million)

### How we determined it

2.25% of net assets (2017: 2.25% of net assets)

### Rationale for the materiality benchmark

We believe that net assets is the most appropriate benchmark because this is the key metric of interest to shareholders. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €0.85 million (2017: €0.83 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 judgment, 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 unlisted investments

Refer to the Directors' report, the Basis of preparation, the Principal accounting policies and notes 4, 9, 14, 18 and 19 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 - Valuation of unlisted investments

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 valuation 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 how these changes compared relative to the performance of the portfolio company against the relevant peer group identified by Management in the 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. 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 16 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 within 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 - Calculation of incentive fees**

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

**Other information**

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

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 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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group and the wider economy.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 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 consolidated 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 consolidated 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; and
- the part of the Corporate Governance Statement relating to the parent Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

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  
18 March 2019

## 12. Consolidated financial statements

### Consolidated statement of comprehensive income

for the period from 1 January 2018 to 31 December 2018

In thousands of EUR	Notes	01.01.2018 31.12.2018	01.01.2017 31.12.2017
<b>Net income from financial assets at fair value through profit or loss</b>		<b>87'175</b>	<b>79'458</b>
<i>Private equity</i>		73'603	82'056
Interest & dividend income	20	8'364	1'280
Revaluation	9,21	57'219	106'572
Net foreign exchange gains / (losses)	9,22	8'020	(25'796)
<i>Private debt</i>		7'876	(221)
Interest income (including PIK)	20	2'459	2'156
Revaluation	9,21	2'620	4'013
Withholding tax on direct private debt investments	9,21	(18)	-
Net foreign exchange gains / (losses)	9,22	2'815	(6'390)
<i>Private real estate</i>		(255)	(721)
Revaluation	9,21	(255)	(720)
Net foreign exchange gains / (losses)	9,22	-	(1)
<i>Private infrastructure</i>		5'951	(1'656)
Revaluation	9,21	5'080	357
Net foreign exchange gains / (losses)	9,22	871	(2'013)
<b>Net income from cash &amp; cash equivalents and other income</b>		<b>649</b>	<b>(302)</b>
Interest income / (expense)	20	-	(1)
Net foreign exchange gains / (losses)	22	649	(301)
<b>Total net income</b>		<b>87'824</b>	<b>79'156</b>
<b>Operating expenses</b>		<b>(24'732)</b>	<b>(19'868)</b>
Management fees	23	(11'411)	(11'191)
Incentive fees	16,23	(11'062)	(6'030)
Administration fees	23	(380)	(370)
Service fees	23	(250)	(250)
Other operating expenses		(1'188)	(1'396)
Revaluation of other long-term receivables	21	-	1
Other net foreign exchange gains / (losses)	22	(441)	(632)
<b>Other financial activities</b>		<b>(12'758)</b>	<b>18'574</b>
Setup expenses - credit facilities	15	(409)	(507)
Interest expense - credit facilities	15,20	(156)	-
Other finance cost		(295)	(264)
Net gains / (losses) from hedging activities	11,21	(11'985)	19'344
Other income		87	1
<b>Surplus / (loss) for period</b>		<b>50'334</b>	<b>77'862</b>
Other comprehensive income for period; net of tax		-	-

In thousands of EUR	Notes	01.01.2018 31.12.2018	01.01.2017 31.12.2017
<b>Total comprehensive income for period</b>		<b>50'334</b>	<b>77'862</b>
Weighted average number of shares outstanding		69'151'168.00	69'151'168.00
Basic surplus per share for period		0.73	1.13
Diluted surplus per share for period		0.73	1.13
The earnings per share is calculated by dividing the surplus / (loss) for period by the weighted average number of shares outstanding			
The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.			

**Consolidated statement of financial position**

As at 31 December 2018

In thousands of EUR	Notes	31.12.2018	31.12.2017
<b>ASSETS</b>			
Financial assets at fair value through profit or loss			
Private equity	9,19	639'341	525'538
Private debt	9,19	89'563	100'711
Private real estate	9,19	4'788	7'816
Private infrastructure	9,19	25'114	19'520
Other long-term receivables		2'798	2'644
<b>Non-current assets</b>		<b>761'604</b>	<b>656'229</b>
Other short-term receivables	10	17'779	2'199
Hedging assets	11,19	1'578	2'166
Cash and cash equivalents	12	26'497	97'416
<b>Current assets</b>		<b>45'854</b>	<b>101'781</b>
<b>TOTAL ASSETS</b>		<b>807'458</b>	<b>758'010</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	69	69
Reserves	13	371'306	410'031
Retained earnings		382'279	331'945
<b>Total equity</b>		<b>753'654</b>	<b>742'045</b>
Short-term credit facilities	15	35'000	-
Accruals and other short-term payables		18'804	15'965
<b>Liabilities falling due within one year</b>		<b>53'804</b>	<b>15'965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>807'458</b>	<b>758'010</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



**Consolidated statement of changes in equity**

for the period from 1 January 2018 to 31 December 2018

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	331'945	410'031	742'045
Dividend paid	-	-	(38'725)	(38'725)
Surplus / (loss) for period	-	50'334	-	50'334
<b>Equity at end of period</b>	<b>69</b>	<b>382'279</b>	<b>371'306</b>	<b>753'654</b>

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	-	-	(38'725)	(38'725)
Surplus / (loss) for period	-	77'862	-	77'862
<b>Equity at end of period</b>	<b>69</b>	<b>331'945</b>	<b>410'031</b>	<b>742'045</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Consolidated statement of cash flows**

for the period from 1 January 2018 to 31 December 2018

In thousands of EUR	Notes	01.01.2018 31.12.2018	01.01.2017 31.12.2017
<b>Operating activities</b>			
Surplus / (loss) for period before interest expense		50'490	77'862
Adjustments:			
Net foreign exchange (gains) / losses	22	(11'914)	35'133
Investment revaluation	21	(64'664)	(110'222)
Withholding tax on direct investments	21	18	-
Revaluation of other long-term receivables	21	-	(1)
Net result from interest income	20	(2'808)	(3'386)
Net result from dividend income	20	(8'015)	(49)
Revaluation on forward hedges	11,21	11'985	(19'344)
(Increase) / decrease in receivables		(15'960)	7'686
Increase / (decrease) in payables		2'570	(8'008)
Realized gains / (losses) from forward hedges	11	(11'397)	14'335
Purchase of private equity investments	9	(132'398)	(70'224)
Purchase of private debt investments	9	(20'963)	(34'524)
Purchase of private real estate investments	9	262	252
Distributions from and proceeds from sales of private equity investments	9	83'830	167'278
Distributions from and proceeds from sales of private debt investments	9	37'860	7'585
Distributions from and proceeds from sales of private real estate investments	9	2'511	2'608
Distributions from and proceeds from sales of private infrastructure investments	9	357	671
Interest & dividends received	20	10'495	3'039
<b>Net cash from / (used in) operating activities</b>		<b>(67'741)</b>	<b>70'691</b>
<b>Financing activities</b>			
Net increase / (decrease) in credit facilities	15	35'000	-
Interest paid - credit facilities	15,20	(102)	-
Dividends paid	13	(38'725)	(38'725)
<b>Net cash from / (used in) financing activities</b>		<b>(3'827)</b>	<b>(38'725)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(71'568)</b>	<b>31'966</b>
<b>Cash and cash equivalents at beginning of period</b>	12	<b>97'416</b>	<b>65'751</b>
Effects of foreign currency exchange rate changes on cash and cash equivalents	22	649	(301)
<b>Cash and cash equivalents at end of period</b>	12	<b>26'497</b>	<b>97'416</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the consolidated financial statements

for the period from 1 January 2018 to 31 December 2018

### 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.

Notwithstanding the fact that, as at the date of the Directors' approval of these financial statements, the terms and implications of the United Kingdom's withdrawal from the European Union remain unclear we expect that the net ultimate effect on the consolidated financial statements of the Group will be immaterial, given the Group's low exposure to the UK and the Group's currency hedging policy.

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 2018 as the parent of the Group and therefore in accordance with Section 244(5) of The Companies (Guernsey) Law, 2008, they are not required to prepare individual accounts for the financial period for Princess Private Equity Holding Limited in accordance with Section 243 of The Companies (Guernsey) Law 2008.

### 3 Principal accounting policies

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

From 1 January 2018, 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 2018.

Annual improvements 2014-2016 Cycle (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

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Group and did not result in a change to the classification or measurement of financial instruments as outlined in a subsequent note 'Financial assets and financial liabilities at fair value through profit or loss'. The Group's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the consolidated financial statements of the Group.

The following standards or amendments to existing standards that are mandatory for future accounting periods, but where early adoption is permitted now, have not been duly adopted.

Annual Improvements to IFRS Standards 2015-2017 Cycle (effective from 1 January 2019) Amendments to IAS 12  
 Amendments to IFRS 9 (effective from 1 January 2019) - Prepayment Features with Negative Compensation  
 Amendments to IAS 28 (effective from 1 January 2019) - Long-term Interests in Associates and Joint Ventures  
 Amendments to References to the Conceptual Framework in IFRS Standards (effective from 1 January 2020)

The impact of these new accounting standards and interpretations is currently being assessed and it is expected that it will not significantly affect the Group's results of operations or financial position.

### 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 at the Investment Advisor. Partners Group AG (the "Investment Advisor") is appointed by the Directors and has been identified as the chief operating decision maker, responsible for allocating resources and assessing performance of each operating segment. 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 Subholding and Sub-Subsidiary (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 consolidated financial statements are presented in Euros, which is the Company and Group's Functional 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 based on both the Group's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Group's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Group business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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 IFRS 9. Derivative financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss in accordance with IFRS 9. 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 consist of interests which are acquired by the Group (including all related securities) in (typically unlisted) direct private market 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 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) Investments in financial assets previously designated at fair value through profit or loss

The Group holds equity securities of EUR 669'244'026 (2017: EUR 552'874'379) and debt securities of EUR 89'562'562 (2017: EUR 100'710'602) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

(c) 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 payment in kind (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.

(d) 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.

#### (e) 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 classified 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.

**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 short-term payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. 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. Deferred payments are initially recognised at fair value and subsequently measured at amortised 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.

### Unlisted 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 and estimation is required. The selection of the appropriate valuation technique is a significant judgment. The areas of significant estimation are:

- 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 and estimates 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 requires judgement as to whether those Subsidiaries meet the definition of an Investment Entity in IFRS 10 and provide services that relate to the Company's investment activities. Management has assessed the amendment to IFRS 10 (effective 1 January 2016) and concluded that each of the Subsidiaries does not meet the definition of an Investment Entity, in accordance with IFRS, primarily because each of the Subsidiaries has a single investor, which is a related party. Each of the Subsidiaries primary services is to provide investment related services to the parent company, including but not limited to providing investment management services to the Company and acting as guarantor to the Company of its short-term credit facility (note 15).

## **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 infrastructure 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.

**Audit fees**

During the reporting period, the Company paid audit fees in the amount of EUR 109'066 (2017: EUR 129'840).

**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 recognized 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 13 July 2018 and 14 December 2018, in total amounting to EUR 38.7 million (2017: EUR 0.28 per Ordinary Share amounting to EUR 38.7 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	01.01.2018 31.12.2018	01.01.2017 31.12.2017
<b>Private equity</b>		
Interest & dividend income	8'364	1'280
Revaluation	57'219	106'572
Net foreign exchange gains / (losses)	8'020	(25'796)
<b>Total net income private equity</b>	<b>73'603</b>	<b>82'056</b>
<b>Segment result private equity</b>	<b>73'603</b>	<b>82'056</b>
<b>Private debt</b>		
Interest income (including PIK)	2'459	2'156
Revaluation	2'620	4'013
Withholding tax on direct private debt investments	(18)	-
Net foreign exchange gains / (losses)	2'815	(6'390)
<b>Total net income private debt</b>	<b>7'876</b>	<b>(221)</b>
<b>Segment result private debt</b>	<b>7'876</b>	<b>(221)</b>
<b>Private real estate</b>		
Revaluation	(255)	(720)
Net foreign exchange gains / (losses)	-	(1)

In thousands of EUR	01.01.2018 31.12.2018	01.01.2017 31.12.2017
<b>Total net income private real estate</b>	<b>(255)</b>	<b>(721)</b>
<b>Segment result private real estate</b>	<b>(255)</b>	<b>(721)</b>
<b>Private infrastructure</b>		
Revaluation	5'080	357
Net foreign exchange gains / (losses)	871	(2'013)
<b>Total net income private infrastructure</b>	<b>5'951</b>	<b>(1'656)</b>
<b>Segment result private infrastructure</b>	<b>5'951</b>	<b>(1'656)</b>
<b>Non attributable</b>		
Interest & dividend income	-	(1)
Net foreign exchange gains / (losses)	649	(301)
<b>Total net income non attributable</b>	<b>649</b>	<b>(302)</b>
<b>Segment result non attributable</b>	<b>(24'083)</b>	<b>(20'170)</b>
Other financial activities not allocated	(12'758)	18'574
<b>Surplus / (loss) for period</b>	<b>50'334</b>	<b>77'862</b>

## 9 Financial assets at fair value through profit or loss

### 9.1 PRIVATE EQUITY

In thousands of EUR	31.12.2018	31.12.2017
Balance at beginning of period	525'538	539'374
Purchase of Direct and Indirect Investments	132'398	70'224
Distributions from and proceeds from sales of Direct and Indirect Investments	(83'830)	(167'278)
Reclassification of investments	-	2'417
Accrued cash and PIK interest	(4)	25
Revaluation	57'219	106'572
Foreign exchange gains / (losses)	8'020	(25'796)
<b>Balance at end of period</b>	<b>639'341</b>	<b>525'538</b>
<b>Movement in unrealized gains / (losses) still held at end of period</b>	<b>5'071</b>	<b>28'201</b>

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 13'311'218 (2017: EUR 51'220'256). 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 10'214'670 (2017: EUR 13'311'218). During the reporting period, certain investments with a fair value of EUR 10'041'428 and EUR 1'888'613 were transferred out of level 3 into level 1 and 2 respectively (2017: certain investments with a fair value of EUR 2'413'503 were transferred out of level 1 into level 3).

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 previous reporting period.

During the reporting period, the Group has disposed of certain underlying Indirect and Direct Investments by way of a secondary sale to two financial buyers (the "Secondary Sale"). The Secondary Sale was part of a secondary sales transaction involving a number of Indirect Investments held by the Group as well as other related party investment programs (the "Transaction"). In some instances, the Group has not sold its entire interest in an underlying Indirect Investment as part of the Transaction, but continues to be invested into such Indirect Investments (the "Remaining Indirect Investments"). In such a situation, the sales

price agreed upon between the Group and the financial buyers as part of the Transaction is not considered to be representative of fair value for the Remaining Indirect Investments, given that the Indirect Investments have been sold as part of the Transaction portfolio rather than on a standalone basis. Therefore, the applicable unit of account as defined in IFRS 13 - Fair Value Measurement comprise all Indirect Investments sold as part of the Transaction, and not any of the individual Remaining Indirect Investments.

## 9.2 PRIVATE DEBT

In thousands of EUR	31.12.2018	31.12.2017
Balance at beginning of period	100'711	78'194
Purchase of Direct and Indirect Investments	20'963	34'524
Distributions from and proceeds from sales of Direct and Indirect Investments	(37'860)	(7'585)
Reclassification of investments	-	(2'417)
Accrued cash and PIK interest	332	372
Revaluation	2'620	4'013
Withholding tax on direct private debt investments	(18)	-
Foreign exchange gains / (losses)	2'815	(6'390)
<b>Balance at end of period</b>	<b>89'563</b>	<b>100'711</b>
<b>Movement in unrealized gains / (losses) still held at end of period</b>	<b>3'266</b>	<b>(2'701)</b>

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 previous reporting period.

## 9.3 PRIVATE REAL ESTATE

In thousands of EUR	31.12.2018	31.12.2017
Balance at beginning of period	7'816	11'397
Purchase of Direct and Indirect Investments	(262)	(252)
Distributions from and proceeds from sales of Direct and Indirect Investments	(2'511)	(2'608)
Revaluation	(255)	(720)
Foreign exchange gains / (losses)	-	(1)
<b>Balance at end of period</b>	<b>4'788</b>	<b>7'816</b>
<b>Movement in unrealized gains / (losses) still held at end of period</b>	<b>(3'025)</b>	<b>(806)</b>

## 9.4 PRIVATE INFRASTRUCTURE

In thousands of EUR	31.12.2018	31.12.2017
Balance at beginning of period	19'520	21'847
Distributions from and proceeds from sales of Direct and Indirect Investments	(357)	(671)
Revaluation	5'080	357
Foreign exchange gains / (losses)	871	(2'013)
<b>Balance at end of period</b>	<b>25'114</b>	<b>19'520</b>
<b>Movement in unrealized gains / (losses) still held at end of period</b>	<b>5'951</b>	<b>(1'655)</b>

## 10 Other short-term receivables

As at the end of the reporting period, other short-term receivables mainly include a redemption receivable due from a related party of EUR 15'682'381.

## 11 Foreign exchange forward / option contracts

In thousands of EUR	31.12.2018	31.12.2017
<b>Foreign exchange forward contracts</b>		
Unrealized gains / (losses)	(588)	5'009
Realized gains / (losses)	(11'397)	14'335
<b>Total gains / (losses) from forward contracts</b>	<b>(11'985)</b>	<b>19'344</b>

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)
<b>As at 31.12.2018</b>				
Foreign exchange forward contract	GBP 21'800	EUR 24'610	24.01.2019	326
Foreign exchange forward contract	USD 74'300	EUR 65'128	21.02.2019	419
Foreign exchange forward contract	USD 74'300	EUR 65'129	21.02.2019	419
Foreign exchange forward contract	USD 74'300	EUR 65'124	21.02.2019	414
<b>As at 31.12.2017</b>				
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

## 12 Cash and cash equivalents

In thousands of EUR	31.12.2018	31.12.2017
Cash at banks	26'497	97'416
<b>Total cash and cash equivalents</b>	<b>26'497</b>	<b>97'416</b>

## 13 Share capital, Treasury shares and Reserves

### 13.1 CAPITAL

In thousands of EUR	31.12.2018	31.12.2017
<b>Issued and fully paid</b>		
69'151'168 Ordinary shares of EUR 0.001 each out of the bond conversion	69	69
<b>Total issued and fully paid shares</b>	<b>69</b>	<b>69</b>

At the annual general meeting held in May 2018, 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 (2017: 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).

During the reporting period the Company did not buy back shares (2017: 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 (2017: none).

The total authorized shares consists of 200'100'000 Ordinary shares of EUR 0.001 each (total value EUR 200'100) (2017: 200'100'000 Ordinary shares of EUR 0.001 each).

### 13.2 RESERVES

In thousands of EUR	31.12.2018	31.12.2017
<b>Distributable reserves</b>		
Distributable reserves at beginning of reporting period	410'031	448'756
Dividend payment	(38'725)	(38'725)
<b>Total distributable reserves at end of reporting period</b>	<b>371'306</b>	<b>410'031</b>

## 14 Commitments to Direct and Indirect Investments

In thousands of EUR	31.12.2018	31.12.2017
Unfunded commitments translated at the rate prevailing at end of period	93'775	119'213



## 15 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 matures 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 occurred.

In thousands of EUR	31.12.2018	31.12.2017
<b>Short term credit facility</b>		
Balance at beginning of period	-	-
Increase in credit facility	43'000	-
Decrease in credit facility	(8'000)	-
<b>Balance at end of period</b>	<b>35'000</b>	-

## 16 Incentive fees

In thousands of EUR	31.12.2018	31.12.2017
Balance at beginning of period	11'070	19'448
Change in incentive fees attributable to Investment Manager	11'062	6'030
Incentive fees paid/payable	(8'770)	(14'408)
<b>Balance at end of period</b>	<b>13'362</b>	<b>11'070</b>
Incentive fees accrued	35'389	30'433
Incentive fees rebates accrued	(22'027)	(19'363)
<b>Total net incentive fees</b>	<b>13'362</b>	<b>11'070</b>

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.

## 17 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 2018 and 2017.

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	31.12.2018	31.12.2017
Net assets of the Group	753'654	742'045
Outstanding shares at the end of the reporting period	69'151'168.00	69'151'168.00
<b>Net assets per share at period-end</b>	<b>10.90</b>	<b>10.73</b>

## 18 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 financial risk exposures.

The potential economic consequences of Brexit on investments with UK exposure has implications for all aspects of financial risk management. Exposure to increased foreign currency volatility resulting from Brexit is disclosed in 17.1. There are broader economic consequences which cannot be quantified due to the inherent uncertainty of Brexit. These include the impact on interest rate risk, credit risk, liquidity risk, capital risk, and market price risk.

### 18.1 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 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 Group'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 analysis uses cross-currency rates from 1 January 2001 to the relevant period end in order to incorporate long-term rate volatility trends. The analysis is based on the assumption that the non-Functional Currency fluctuates by the annual volatility percentage, with all other variables held constant, and the amount by which the value of applicable net assets would correspondingly fluctuate higher or lower is presented below. The foreign currency exposures below are presented net of any foreign currency hedging instruments outstanding as at the end of the relevant period.

In thousands of EUR	31.12.2018	31.12.2017
Net assets denominated in AUD	5	30
Net assets denominated in CHF	7	7'093

In thousands of EUR	31.12.2018	31.12.2017
Net assets denominated in GBP	12'511	11'876
Net assets denominated in SEK	1	12
Net assets denominated in USD	82'091	99'265
Net assets denominated in NOK	1	6
Net assets denominated in INR	8'262	-
Applicable annual volatility AUD	9.22%	9.28%
Applicable annual volatility CHF	6.62%	6.65%
Applicable annual volatility GBP	7.97%	8.18%
Applicable annual volatility SEK	5.66%	5.55%
Applicable annual volatility USD	9.85%	10.01%
Applicable annual volatility NOK	6.95%	7.02%
Applicable annual volatility INR	9.53%	9.60%
<b>Fluctuation of net assets and corresponding results depending on above mentioned volatility</b>	<b>9'871</b>	<b>11'384</b>

## 18.2 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. Excess cash balances may be placed into instruments with fixed interest rates when necessary. As at 31 December 2018 there were no term deposits (2017: nil).

The interest rates quoted against the general market are analyzed as part of the Group's liquidity monitoring process to ensure that these are competitive and action is taken when 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 each relevant reporting period.

The risk exposures of the Group to variable rate instruments are presented in 'Variable Rate Instruments'. The sensitivity of the Group's variable rate instruments to movements in interest rates is presented as at the end of each relevant reporting period.

### 18.3 VARIABLE RATE INSTRUMENTS

In thousands of EUR	31.12.2018	31.12.2017
Mezzanine and senior debt investments	52'445	51'161
Cash and cash equivalents	26'497	97'416
Credit facilities	(35'000)	-
<b>Total variable rate instruments</b>	<b>43'942</b>	<b>148'577</b>

### 18.4 SENSITIVITY ANALYSIS REPORTING PERIOD

In thousands of EUR	25bp increase	25bp decrease
Impact on variable rate instruments	110	(110)

### 18.5 SENSITIVITY ANALYSIS PREVIOUS REPORTING PERIOD

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

### 18.6 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 Baa2 (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 2018, excluding the effect of foreign currency exchange rates, 9 (2017: Nil) mezzanine or senior debt investments with a fair value of EUR 33'775'478 (2017: EUR Nil) have incurred unrealized losses.

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.

## 18.7 RATING OF MEZZANINE AND SENIOR DEBT INVESTMENTS

In thousands of EUR	31.12.2018	31.12.2017
Too early	16'781	16'694
With issues	-	-
On plan	35'664	34'467
Above plan	-	-
Outperformer	-	-
<b>Total</b>	<b>52'445</b>	<b>51'161</b>

As at the end of the reporting period, excluding the effect of foreign currency exchange rates, 9 (2017: Nil) mezzanine or senior debt investments with a fair value of EUR 33'775'478 (2017: Nil) have incurred unrealized losses.

## 18.8 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	1'578	-	-
Cash and cash equivalents	26'497	-	-
Other short-term receivables	17'779	-	-
Other long-term receivables	2'798	-	-
Mezzanine and senior debt investments	52'445	-	-

As at the end of the reporting period, the Group held cash and cash equivalents of EUR 26'496'950 (2017: EUR 97'415'855) with 2 international Swiss based banking groups which at that date had ratings of Baa2 (Moody's) and Aaa (Moody's).

### 18.9 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	2'166	-	-
Cash and cash equivalents	97'416	-	-
Other short-term receivables	2'199	-	-
Other long-term receivables	2'644	-	-
Mezzanine and senior debt investments	51'161	-	-

### 18.10 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.

### 18.11 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	(93'775)	-	-
Liabilities falling due within one year	(53'804)	-	-
Hedging assets	1'578	-	-
Current assets	44'276	-	-
Other long-term receivables	-	-	2'798
Undrawn credit facility	15'000	-	-
<b>Total</b>	<b>(86'725)</b>	<b>-</b>	<b>2'798</b>

**18.12 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	(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	-	-
<b>Total</b>	<b>16'603</b>	<b>-</b>	<b>2'644</b>

**18.13 OVERCOMMITMENT STRATEGY**

In thousands of EUR	31.12.2018	31.12.2017
Unfunded commitments to Direct and Indirect Investments	(93'775)	(119'213)
Liabilities falling due within one year	(53'804)	(15'965)
Hedging assets	1'578	2'166
Current assets	44'276	99'615
Other long-term receivables	2'798	2'644
<b>Total</b>	<b>(98'927)</b>	<b>(30'753)</b>

**18.14 CAPITAL RISK MANAGEMENT**

The Group's objective when managing capital is to safeguard its 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 its investment objectives. The Group's capital is represented by its Total equity. 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 party to a credit facility contract, the Group is required to meet certain covenants and monitors its compliance with these externally imposed restrictions. The covenants and the Group's compliance with them are described in the 'Short-term credit facilities' note.

**18.15 MARKET PRICE RISK**

Financial assets at fair value through profit or loss held directly or indirectly bear risks of capital losses. This risk is moderated through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis and their performance is reviewed on a quarterly basis. The Group's performance is measured against Cambridge Associates' returns from European private equity funds (in EUR) and US private equity funds (in USD) that have both been given an equal weighting as its primary benchmark. The Group checks on a regular basis the weightings of the index, its composition, price development and volatility in order to incorporate long-term price volatility trends.

The annual volatility of the benchmark is shown for the period from 1 January 2001 to the end of the relevant reporting period. Under the assumption that the financial assets at fair value through profit or loss fluctuate by the annual volatility percentage, with all other variables held constant, the fair value of such assets, if any, would fluctuate in direct proportion as presented below.

**18.16 MARKET PRICE RISK**

In thousands of EUR	31.12.2018	31.12.2017
Financial assets at fair value through profit or loss	758'806	653'585
<b>Total assets subject to market risk</b>	<b>758'806</b>	<b>653'585</b>
Annual expected volatility	9.76%	9.93%
<b>Potential impact on audited consolidated financial statements</b>	<b>74'060</b>	<b>64'901</b>

**18.17 OFFSETTING FINANCIAL INSTRUMENTS**

The Group is subject to master netting arrangements (typically one per counterparty) with one or more derivative counterparties for all derivative assets and liabilities held with these counterparties. The Group may maintain variation margin balances for the purpose of providing or receiving collateral on derivative positions.

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. Under 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.

The Group's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements 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 statement of financial position.



**18.18 OFFSETTING REPORTING PERIOD**

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

	<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>D</b>		<b>E=C-D</b>	
in thousands of EUR							
31.12.2018	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	
<i>Derivative assets</i>				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty D	1'164	-	1'164	-	-	1'140	24
Counterparty C	414	-	414	-	-	240	174

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

	<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>D</b>		<b>E=C-D</b>	
in thousands of EUR							
31.12.2018	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 liabilities presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position		Net amount	
<i>Credit facility drawn</i>				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty B	35'000	-	35'000	-	-	-	35'000

**18.19 OFFSETTING PREVIOUS REPORTING PERIOD**

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

	<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>D</b>			<b>E=C-D</b>
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
<i>Derivative assets</i>				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:

	<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>D</b>			<b>E=C-D</b>
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 liabilities presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position			Net amount
<i>Derivative liabilities</i>				Financial Instruments	Cash/(Bank Overdrafts)	Financial Instrument Collateral	
Counterparty B	31	-	31	-	-	-	31

**18.20 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).

The Group considers all Indirect Investments held to be structured entities. Indirect Investments are included within the line item 'Financial assets at fair value through profit or loss' in the audited statement of financial position. Unrealised gains/ losses arising from such Indirect Investments is accounted for within the line item 'Revaluation' in the audited statement of comprehensive income. The risk concentration of the Indirect Investments is disclosed with respect to geographic region and investment strategy. The net asset value of each line represents the fair value of the respective Indirect Investments as well as the maximum exposure to loss resulting from such investments.

### 18.21 STRUCTURED ENTITIES REPORTING PERIOD

NAV in thousands of EUR	31.12.2018
<b>Region &amp; Strategy</b>	
<b>North America</b>	
Buyout	270'064
Special situations	50'794
Venture capital	7'657
<b>Western Europe</b>	
Buyout	78'587
Real estate	4'788
Venture capital	33'758
Infrastructure	3'479
<b>Rest of World</b>	
Buyout	17'442
Venture capital	12'244

**18.22 STRUCTURED ENTITIES PREVIOUS REPORTING PERIOD**

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

**19 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 to what constitutes "observable" requires significant judgment by the Group. The Group 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.

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.

Any derivatives used for hedging and short-term investments valued using market dealer quotes can be redeemed at the fair value measured and are therefore classified in level 2.

Level 3 investments comprise of unquoted investments which are valued using widely recognised valuation methods based on the latest information provided by underlying investments and other business partners. Such information may or may not coincide with the reporting date of the Group or the valuation date of those investments. This is further detailed in the 'Critical accounting estimates and judgments' note.

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

Transfers between level 1, 2 and 3, if any, are deemed to have occurred at the end of the relevant reporting period.

The Group's classification of financial assets and liabilities measured at fair value in the fair value hierarchy described above is presented at the end of the relevant reporting period.

### 19.1 FAIR VALUE ESTIMATION REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Other short-term receivables	-	-	17'660	17'660
Derivatives used for hedging	-	1'578	-	1'578
Financial assets at fair value through profit or loss - equity securities	10'215	1'889	657'139	669'243
Financial assets at fair value through profit or loss - debt investments	-	-	89'563	89'563
<b>Total assets</b>	<b>10'215</b>	<b>3'467</b>	<b>764'362</b>	<b>778'044</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Board of Directors have determined that any of the Group's transfers between level 1, 2 and 3 are deemed to have occurred at the end of the respective reporting period. During the reporting period, certain investments with a fair value of EUR 10'041'428 and EUR 1'888'613 were transferred out of level 3 into level 1 and level 2 respectively (2017: certain investments with a fair value of EUR 2'413'503 were transferred out of level 1 into level 3.)

**19.2 FAIR VALUE ESTIMATION PREVIOUS REPORTING PERIOD**

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Other short-term receivables	-	-	2'199	2'199
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
<b>Total assets</b>	<b>13'311</b>	<b>2'166</b>	<b>642'473</b>	<b>657'950</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**19.3 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 measured at fair value in accordance to IFRS 13, are measured at either amortized cost or their face value, both of which are deemed to be a reasonable approximation of their fair values.

In conjunction with the fair value hierarchy disclosed in the 'Fair value measurement' note:

- Cash and cash equivalents as well as bank overdrafts are measured at values that would be reflective of level 1 prices. These include cash in hand, deposits held with banks, other short-term investments in active markets and bank overdrafts.
- Other short-term receivables are measured at values that would be reflective of level 2 prices. 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, except for incentive fee accruals due by the Group which are reflective of level 3 prices.
- Deferred payments are measured at values that would be reflective of level 2 prices. 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.
- 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, the values at which equity is measured would be reflective of level 3 prices.

**19.4 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 relevant reporting period. The valuation may also be adjusted for further information gathered through an 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 constituent documents, the performance of the Direct and Indirect Investments held are reviewed on a regular basis. The appropriateness of the valuation model inputs, as well as the valuation result, are considered 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. Factors considered in the determination of appropriate comparable public companies include industry, size, development stage, and strategy. Consequently, 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 to earnings ratio for earnings or price to 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.

The valuation of a Direct Investment is derived using the discounted cash flow method by discounting its expected future cash flows to a present value at a rate of expected return that represents the time value of money and reflects its relative risks. 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 expected future cash flows are determined based on agreed investment terms or expected growth rates. In addition, based on the current market environment an expected return of the respective Direct Investment is projected. The future cash flows are discounted to the date of the relevant reporting period end in order to determine the fair value.

Direct debt Investments are valued using indicative broker quotes, provided by an independent third party, which may or may not be traded in an active market. These quotes are applied to the nominal value of those investments in deriving the fair value.

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. Factors considered in the determination of such comparable assets include, but are not limited to, size, location, development stage and property type. Consequently, 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) is known and similar properties have recently traded in the market.

The income method compares a Direct real estate Investment's net operating income to capitalization rates recently observed in the market to determine the present value. The capitalization rates from recent sales of comparable properties utilized in this method 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. Factors considered in the determination of such comparable properties include, but are not limited to, size, location, development stage and property type. 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. This 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 valuation of Level 3 Direct equity Investments is derived 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.

The valuation of Level 3 Direct debt Investments is derived using widely acceptable valuation methods suitable for debt investments which include, but are not limited to, using indicative broker quotes which may not be trade in an active market, the waterfall approach and the comparable debt approach.

The waterfall approach takes into account the different seniority levels of debt in arriving at the valuation. 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. The comparable debt approach arrives at the valuation of a Direct debt Investment by discounting its expected future cash flows to a present value with a benchmark rate derived from observable pricing levels of comparable debt instruments. Factors considered in the determination of such comparable instruments include, but are not limited to, industry, coupon, duration and maturity date.

No interrelationship between unobservable inputs used in the Group's valuation of its level 3 investments has been identified.

The Group presents investments whose fair values are measured 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" may include certain Indirect Investments where there is full visibility of the underlying portfolio and hence a full revaluation is performed on such investments as if they were Direct Investments. If presented, the category "Direct Investments" 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 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 respect to Direct real estate debt Investments, a sensitivity analysis as performed for Direct equity Investments, with changes in the relevant unobservable valuation inputs, would not translate into meaningful valuation movements. The reasons for this conclusion include, but are not limited to, the fact that the income generated from Direct real estate 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 real estate debt Investments are valued using the Direct debt valuation approaches 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. If 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), then there is no indication that the Group as a lender would be unable 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. The value of a Direct real estate debt Investment would not fluctuate in direct proportion to any changes to a significant unobservable valuation input into the determination of gross asset value. 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 respect to Direct real estate equity Investments, the sensitivity analysis as performed for Direct equity Investments, with changes in the relevant unobservable inputs, would not translate into meaningful valuation movements. 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 is not performed for Direct Investments that have been acquired within the last three months of the relevant reporting period and where the acquisition cost was deemed to be fair value in accordance with IFRS 13 as insufficient time has passed to determine a reliable sensitivity range based on valuation inputs that would be considered appropriate by market participants.

#### 19.5 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE REPORTING PERIOD

Type of security	Fair value at 31.12.2018	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
<i>Fair value in thousands of EUR</i>						
<b>Direct Investments</b>						
Direct equity investments	21'636	Discounted cash flow	Discount factor	12.00% - 12.00% (12.00%)	99	(99)
	277'179	Market comparable companies	Enterprise value to EBITDA multiple	8.40x - 18.00x (13.35x)	27'076	(27'076)
	54'701	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	24'864	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
	8'912	Discounted cash flow	Discount factor	8.77% - 8.77% (8.77%)	151	(151)
	16'781	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
<b>Indirect Investments</b>						
	345'865	Adjusted reported net asset value	Reported net asset value	n/a	17'293	(17'293)
	(3'233)	Adjusted reported net asset value	Fair value adjustments	n/a	(162)	162

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

## 19.6 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE PREVIOUS REPORTING PERIOD

Type of security	Fair value at 31.12.2017	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
<i>Fair value in thousands of EUR</i>						
<b>Direct Investments</b>						
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					
	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
<b>Indirect Investments</b>						
	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

## 20 Dividend and interest income and expense

In thousands of EUR	31.12.2018	31.12.2017
<b>Interest income</b>		
From financial assets at fair value through profit or loss	2'808	3'387
From cash and cash equivalents	-	(1)
<b>Dividend income</b>		
From financial assets at fair value through profit or loss	8'015	49
<b>Total dividend and interest income</b>	<b>10'823</b>	<b>3'435</b>
<b>Interest expense</b>		
Interest expense - credit facilities	(156)	-
<b>Total interest expense</b>	<b>(156)</b>	<b>-</b>
<b>Net result from dividends and interest</b>	<b>10'667</b>	<b>3'435</b>

## 21 Revaluation and realized gains and (losses)

In thousands of EUR	31.12.2018	31.12.2017
On financial assets at fair value through profit or loss	64'664	110'222
Withholding tax on Direct Investments	(18)	-
On option and forward hedges	(11'985)	19'344
On other long-term receivables	-	1
<b>Total revaluation and realized gains and (losses)</b>	<b>52'661</b>	<b>129'567</b>

## 22 Foreign exchange gains and (losses)

In thousands of EUR	31.12.2018	31.12.2017
On financial assets at fair value through profit or loss	11'706	(34'200)
On payables and receivables	(441)	(632)
On cash and cash equivalents	649	(301)
<b>Total foreign exchange gains and (losses)</b>	<b>11'914</b>	<b>(35'133)</b>

## 23 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:

### 23.1 TRANSACTIONS

In thousands of EUR	31.12.2018	31.12.2017
<b>Management fee expenses:</b>		
Princess Management Limited	11'411	11'191
<b>Administration fee expenses:</b>		
Partners Group (Guernsey) Limited	380	370
<b>Service fee expenses:</b>		
Princess Management Limited	250	250
<b>Incentive fee expenses:</b>		
Princess Management Limited	11'062	6'030
<b>Incentive fee paid:</b>		
Princess Management Limited	8'770	14'408
<b>Directors' fee expenses:</b>	<b>285</b>	<b>203</b>
<b>Invested amounts and distributions from / (to) Partners Group advised products (investment side), net.</b>	<b>(25'438)</b>	<b>69'584</b>

Commitments made during the period to Partners Group advised products amounted to EUR 17'724'016 (2017: EUR 84'863'516).

### 23.2 PERIOD-END BALANCES

In thousands of EUR	31.12.2018	31.12.2017
<b>Accrued incentive fee:</b>		
Princess Management Limited	(13'362)	(11'070)
<b>Commitments to Partners Group advised products (investment side)</b>	<b>671'311</b>	<b>653'587</b>
<b>Fair value of investments advised by Partners Group or related parties</b>	<b>502'071</b>	<b>412'454</b>

## 24 Group entities - significant subsidiaries

### **Princess Private Equity Subholding Limited**

Incorporated in Guernsey

Ownership interest as at 31 December 2018 and 31 December 2017: 100%

Activity: Investment services company

### **Princess Direct Investments, L.P. Inc.**

Incorporated in Guernsey

Ownership interest as at 31 December 2018 and 31 December 2017: 100%

Activity: Investment services partnership

## 25 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.

## 26 Approval of these financial statements

The Board of Directors approved these consolidated financial statements on 18 March 2019.

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# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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Registered number: 35241

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