Princess

QUARTERLY REPORT

for the period from 1 January 2006 to 31 March 2006

INVESTMENT MANAGER'S REPORT

The convertible bond issued by Princess Private Equity Holding Limited offers both institutional and private investors access to an internationally diversified portfolio consisting of private equity partnerships. Investors have the opportunity to participate in the earnings generated by the private equity asset class. Moreover, the nominal capital is protected at maturity by an insurance policy, which is reinsured by Swiss Re.

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. This information is believed to be accurate but has not been audited by any third party. 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.

RECORD INCREASE IN PAST TWELVE MONTHS

We are pleased to report that the strong recovery in the net asset value (NAV) of the Princess portfolio continued throughout the first quarter of 2006. At the end of March 2006, the Princess NAV stood at 99.72%, an increase of 3.78% over the quarter, bringing the increase in the NAV over the past 12 months to a record 19.86%. This positive result was mainly driven by revaluations of investments in the buyout sector, with Silver Lake, Astorg II and Permira Europe III, among others, reporting significant gains. The value of the private equity investments in the Princess portfolio totaled USD 560m at the end of March.

The mid-market price of the Princess bond increased from 83.75% to 84.00% during the past quarter and continued to trade at a substantial discount to the NAV.

At the end of the quarter, Princess had unfunded commitments of USD 264m, up from USD 245m at the end of 2005. Of the unfunded commitments, some USD 143m or 54% are to 2005/2006 vintage funds.

Princess has been able to gain access to the latest funds being raised by some of the top-tier managers, which are typically heavily oversubscribed, including Apollo Management, Clayton, Dubilier & Rice, Warburg Pincus, Candover Partners, Nordic Capital and Oaktree Capital Management. These, as well as the other new commitments made during the quarter, are detailed in the New Commitment section of this report.

These more recent commitments, together with the commitments made to earlier vintage funds that are not yet fully drawn down, will ensure that the Princess portfolio benefits from attractive new investment opportunities that are likely to arise in the private equity sector over the next few years.

Capital calls during the period totaled USD 20m and were evenly distributed across the different financing stages in line with their share of the private equity investments. Capital calls were made for the funding of, among others, Thomas H. Lee Fund V's acquisition of Dunkin' Brands, Candover 2005 Fund's purchase of UPC Norway and further investments by Blackstone Communications Partners I in Global Towers. Since inception, Princess has funded over USD 1bn in capital calls.

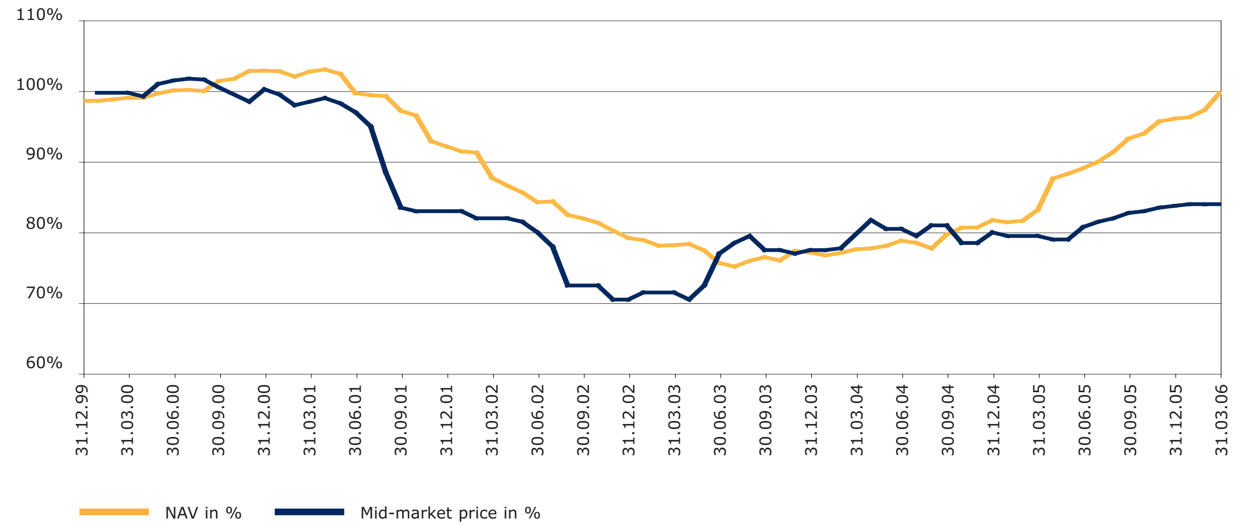
The portfolio is continuing to benefit from a high level of distributions, especially from buyout funds which accounted for over 70% of the USD 55m in distributions received. This figure includes distributions from Bridgepoint Europe I from the sale of the IMO Group and from TPG Partners III from the sale of Texas Genco. 3i Europartners IIIA, Permira Europe II and Graphite Capital Partners V all made substantial distributions stemming from a number of investments. Princess continues to receive significant distributions from Silver Lake Partners from its investment in New Seagate. Total distributions received to date amount to just under USD 655m.

During the past quarter, the portfolio remained cash positive with net cash inflow from private equity activity of USD 35m. As at the end of the quarter, Princess had USD 136m in holdings of cash and equivalents. These funds are invested in a short-term portfolio and are available to fund capital calls as required.

The Mitigation Right was exercised in February 2006 and therefore the basis on which the insurance fee is calculated has changed. Cash and equivalents are no longer included in the calculation of the NAV for the purpose of calculating the insurance fee. This will lead to a reduction in the payment from Princess Holdings to Princess Management and Insurance Limited.

Princess will work closely with the shareholders (i.e. Partners Group and Swiss Re) to explore possible restructuring strategies. Bondholders will be kept informed at such time that specific alternatives are identified.

NAV AND PRICE DEVELOPMENT SINCE INCEPTION



MARKET TRENDS

Apollo Management is a value-oriented, disciplined investor which successfully tailors its approach to buyouts based on the prevailing economic, financing and investment environments. Since its inception in 1990, Apollo has created buyouts through a range of approaches, such as classic, distressed and corporate partner buyouts. The firm's flexible investment approach has provided LPs with consistent deployment of capital across market environments while maintaining a rigorous investment discipline. Apollo traditionally makes control-oriented investments in undervalued franchise assets at attractive purchase multiples. These investments typically involve complex transactions requiring creative solutions.

Josh Harris, a co-founder of Apollo, in a recent interview addressed the topic of private equity firms' current appetite for taking quoted companies private.

PUBLIC COMPANIES MOVING TO PRIVATE HANDS

In a public-to-private transaction a company listed on a stock exchange is taken into private ownership. Historically, this has involved a large company selling one of its divisions. A more recent trend has been for whole companies to be bought out by private equity firms and subsequently delisted. In 2005, a total of 189 companies with an aggregate value of over USD 100bn were taken private by private equity firms.

There is a variety of motives for taking companies private. Among other reasons, private equity houses and management teams hold the view that a myopic focus on quarterly earnings erodes the ability of many public companies to pursue long-term strategies and that they perform better out of the spotlight of the public markets. Stock markets have also become less interested in many of the small-cap companies that emerged when strong investor interest had made small-company IPOs possible. In addition, public companies are experiencing rising costs and risks as a result of new regulations so that the cost of maintaining public company status is high.

The private capital that is needed to execute such public-to-private transactions is readily available nowadays. With more capital being committed to buyout funds and the possibility of club deals, more and ever larger companies listed on the stock market are now within the reach of private equity bidders. Josh Harris, a co-founder of Apollo, addressed the topic of private equity firms' current appetite for taking quoted companies private in an interview that is published on the next page.

Mr. Harris, in recent years, private equity houses have increasingly made successful takeover offers for publicly quoted companies. What is the reason for the private equity industry's move into the public markets?

The figures that Thompson Financial Data tracks indicate that there were 189 public-to-private deals in 2005 with an aggregate value of USD 100.7bn. This is more than double the 2004 figures of 159 deals with an aggregate value of USD 47.4bn. So far this year, there have been 34 deals worth a total USD 33.8bn, which signals that the industry could beat the 2005 numbers.

Historically, a driver of the public-to-private transaction is the fact that public companies of all sizes can suffer from the laser-like focus of the public markets on quarterly earning figures. When companies are private, they often find they can better focus on the long-term growth prospects. Recently, we have seen that management teams are increasingly recognizing the merits of private ownership, where they can execute a strategy away from the public eye and the scrutiny of competitors.

Of course, in the United States, increased costs as a result of Sarbanes Oxley have made being public progressively more expensive, which especially impacts smaller companies. In addition, the Wall Street research scandals and subsequent settlements have had the perverse effect of reducing the amount of coverage of public companies. Even before this happened, small companies often suffered from a lack of coverage from the financial community. Considered together, the cost of being a small-cap public company has increased without any commensurate increase in benefit. Management teams weigh these costs in their decision to enter into a public-to-private transaction.

Are there certain market conditions in which Apollo is more likely to invest in public-to-private transactions? Is there anything that Apollo does differently in order to add value to this type of transaction?

Apollo views public-to-private transactions as a subset of the classic buyout. In the past two years alone, Apollo has completed three public-to-private transactions including AMC Entertainment, Linens'n Things and Metals USA. We will do more of these transactions as we find opportunities that meet our investment criteria.

While the entry points may be different between a typical buyout and a public-to-private transaction, the approach to value creation once we own the company is the same. Apollo works to build value through strategic improvements, operating enhancements, management selection and balance sheet discipline, to name a few potential general areas for value creation.

Apparently the public markets fail to value some companies correctly. Do buyout houses do better in terms of initial valuation or is it post-acquisition restructuring that adds value?

Since its inception, Apollo has had a special skill in sorting through complexity and valuing risk. I suppose you would call that buying right, but it is equally important to have an execution plan so that you can hit the ground running once the acquisition is complete. In the end, you need both pieces to maximize your return on investment.

Shareholder approval and the technicalities of making a public offer – aren't public-to-private deals much more complicated, and therefore expensive, than private deals?

There are many technicalities to making an offer on a public company such as proxy statements and shareholder votes. However, Apollo has found that these transactions can be less expensive than the typical private equity deal. Since public companies have a significant amount of due diligence that is publicly available and has been audited, the due diligence process can be streamlined and typically uses fewer outside consultants than a strictly private process.

Looking ahead, will public-to-private be a stable source for private equity deal flow in the years to come? Will public-to-private transactions still make sense even if public markets continue their rally over the next year?

In a future market rally, there will be some companies that are left behind and are comparatively undervalued. It is that set of companies for which a public-to-private deal may make sense, and I would think that you will continue to see this type of investment from us. Ultimately, we maintain an opportunistic view across industry lines.

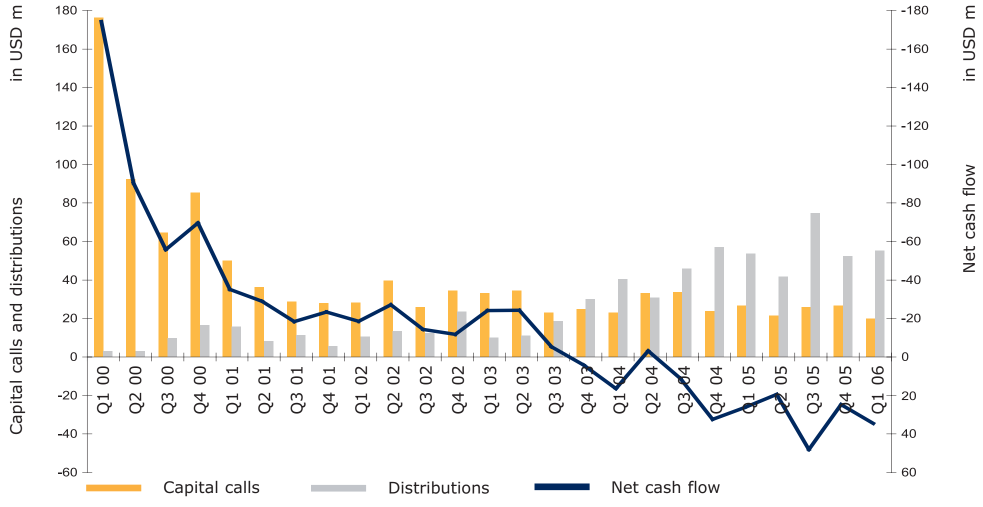
Mr. Harris, thank you for this interview.

PORTFOLIO ALLOCATION

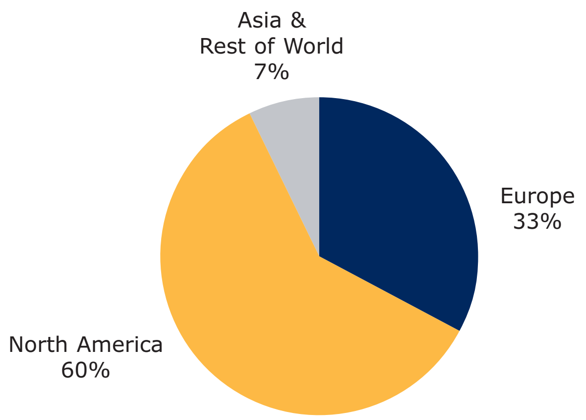
Princess has a well-balanced and broadly diversified portfolio according to geographic regions, financing stages, industry sectors and vintage years.

The portfolio has benefited from significant cash inflows and the cash balances that have been accumulated will be available to fund capital calls from commitments made in 2005/2006 and earlier vintages.

DEVELOPMENT OF NET CASH FLOW

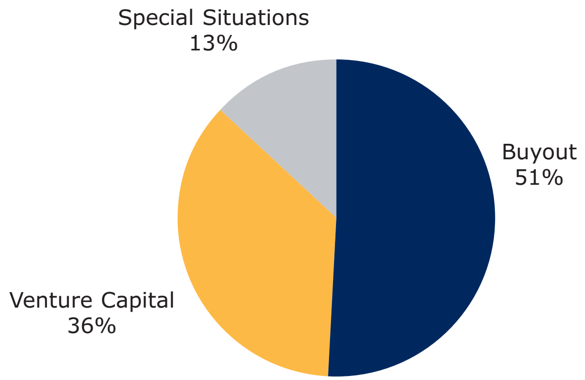


INVESTMENTS BY GEOGRAPHIC REGION*



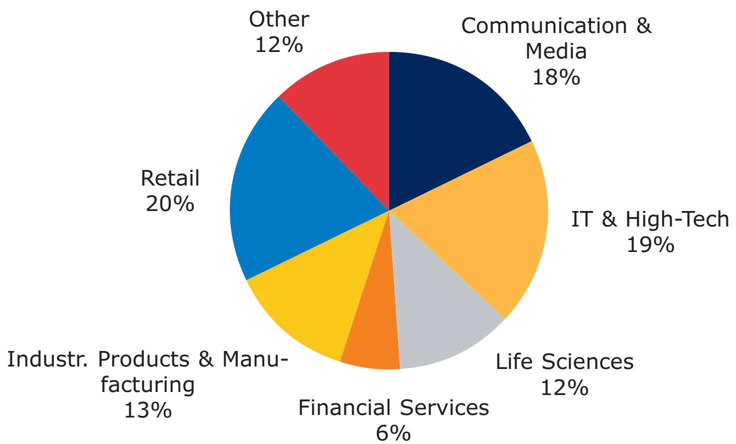
* based on value of private equity investments

INVESTMENTS BY FINANCING STAGE*



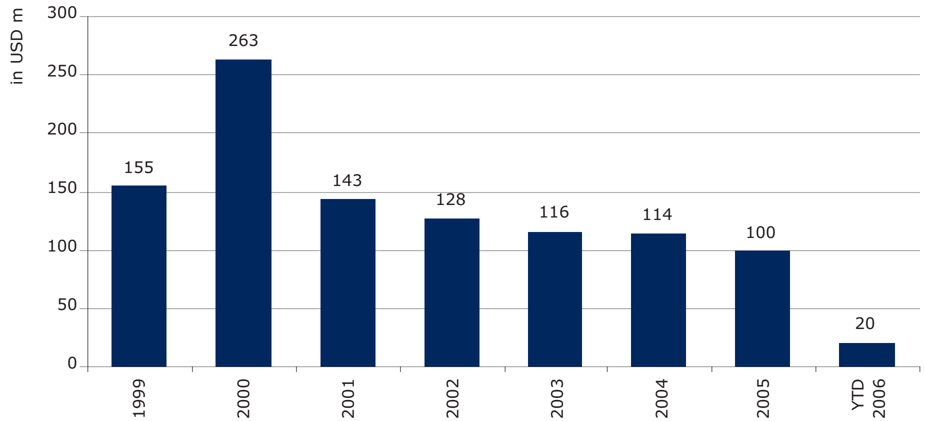
* based on value of private equity investments

INVESTMENTS BY INDUSTRY SECTOR*



* based on value of private equity investments

CAPITAL CALLS PER YEAR



PORTFOLIO

In the first quarter of 2006, Princess committed to two new partnerships.

Princess funded capital calls for USD 20m and received USD 55m in distributions during the past quarter.

NEW COMMITMENTS

In February, Princess was informed by the Swiss Reinsurance Company ("Swiss Re") that it was exercising the Mitigation Right assigned to Swiss Re under the Reinsurance Agreement relating to the Princess Bonds. The exercise of the Mitigation Right allows Swiss Re to direct the management of the Company so as to mitigate the likelihood of an Outstanding Bond Loss which Swiss Re has reinsured. Pursuant to the Mitigation Right, Swiss Re has directed Princess not to make any further investment commitments to private equity assets as of the date of the Notice. Before the Mitigation Right was exercised, Princess had made commitments to two 2006 vintage funds.

Ares Corporate Opportunities Fund II, L.P.
In January, Princess committed USD 20m to Ares Corporate Opportunities Fund II, L.P., a fund that will follow the same strategy as its predecessor fund by investing in under-capitalized mid-market companies that are either over-leveraged, distressed or generally capital-constrained with the goal of unlocking their full growth potential. The fund will focus on investments in the US as well as Canada and is well positioned to invest throughout all economic cycles. The manager of the fund, the private equity group of Ares Management, was formed in 1997 as an affiliate of Apollo Management.

The fourth Cinven Fund
In February, Princess committed EUR 7.5m to the fourth Cinven fund, which follows the same strategy as its predecessor funds by doing buyout investments in large, market leading companies with significant European operations and enterprise values above EUR 500m. Cinven was founded in 1977 and developed a market leadership position for large European buyout transactions. In the past 18 years, Cinven

has led more LBO transactions with values in excess of EUR 1bn and has exited more large European buyouts with an enterprise value above EUR 500m than any other private equity fund in Europe.

SELECTED NEW INVESTMENTS

Apax Excelsior VI, L.P.
In February, funds advised by Apax Partners acquired a majority stake in *CONTECH Construction Products Inc.* in a transaction that values the company at over USD 1bn. Ohio-based CONTECH is a recognized industry leader in the design, manufacture and distribution of specialty construction products sold to the civil engineering infrastructure sector. The company's sales are diversified across end markets including highway, residential and commercial construction, and other industrial applications. Apax regards CONTECH as an outstanding company with a talented management team in an industry in which Apax has deep experience. Apax will work with the management team, which will have a significant minority position, to grow the business organically and through acquisitions.

BC European Capital Fund VIII, L.P.
BC Partners entered an agreement to buy a 51.57% stake in casino operator *Hyatt Regency Hotels* and *Tourism SA* from the Hyatt Corporation's controlling Pritzker family and its local partners for EUR 476m. Hyatt Regency Hotels and Tourism, which is listed on the Athens Stock Exchange, is the biggest casino operator in the region and also runs hotels in Greece and Albania. This February, BC Partners were granted European Commission approval to buy a 51% stake in Hyatt Regency Hotels and Tourism, which represent the maximum stake that can be acquired in the first step under Greek law. Subsequently, BC Partners will place a bid to acquire the company's remaining equity and take the company private.

SELECTED NEW EXITS

Doughty Hanson & Co. European Real Estate Fund, L.P.
In January, Doughty Hanson & Co. European Real Estate Fund sold two assets, *Myyrmanni* and *Valtari,* from its Finnish retail portfolio for EUR 37m to Citycon, a Finnish property company. Myyrmanni comprised a 26% ownership in a shopping centre in Helsinki, while Valtari is a shopping arcade in Kouvola. The sale will generate a 2.9 times return on the cash investment and represents a gross IRR of 95%. Doughty Hanson has now disposed of three out of the eight assets in the fund's Finnish retail portfolio, which it acquired in May 2004. It will continue to implement its value-added and disposal programme over the next 12-18 months for the remaining assets.

3i Europartners IIIA, L.P.
In February, 3i announced the sale of Rotterdam-based *United Transport Tankcontainers Holdings B.V. (UTT),* to Interbulk Investments plc in a EUR 67m deal. UTT specializes in the worldwide transportation by tank container of hazardous chemical and food bulk liquids. 3i backed the management buyout of UTT from United Transport International in November 2002 and executed a substantial organic growth programme. UTT is now one of the world's largest tank container operators with a fleet of over 6,000 containers. The transaction enabled 3i to realize the significant value created during the life of its investment, equating to a 2.6 times multiple and 40% IRR, whilst allowing UTT to become part of a larger organization with extensive synergy opportunities.

Carlyle Partners III, L.P.
In January, RH Donnelly completed the acquisition of *Dex Media* for USD 9.5bn, including debt, from Princess partnership Carlyle Partners III and Welsh Carson Anderson & Stowe. The private equity investors, who had already recovered their initial investment before this deal – through multiple dividend recapitalizations prior to the IPO in June 2004 and stock sales following the flotation – will continue to hold 25% of the combined company. Although Carlyle could not comment on the firm's current return multiple, Carlyle reportedly assumes that the exit will generate "at least" three times the initial equity investment, representing the largest return in total dollars for Carlyle to date.

Industri Kapital 2000
Princess partnership Industri Kapital 2000 has signed an agreement to sell *Sydsvenska Kemi,* the holding company of world leading speciality chemical group Perstorp AB, to PAI Partners. Following Industri Kapital's public-to-private acquisition of Perstorp AB from the Stockholm Stock Exchange in 2001, Industri Kapital has worked closely with the management to transform the company into a focused company with world class operating performance. Even though there was no transaction value disclosed, Industri Kapital communicated that it has been a good investment for the fund.

PORTFOLIO OVERVIEW

At the end of March 2006, the portfolio of Princess Private Equity Holding comprised commitments to 114 partnerships with investments in more than 2,500 underlying portfolio companies.

PRIMARY PARTNERSHIPS

Europe – Buyout
3i Europartners IIIA, L.P.
Astorg II, FCPR.
BC European Capital Fund VIII, L.P.
Botts Capital Partners, L.P.
Bridgepoint Europe I "D", L.P.
Bridgepoint Europe III, L.P.
Candover 2005 Fund.
Fourth Cinven Fund, L.P.
Graphite Capital Partners V "A", L.P.
Graphite Capital Partners V "F", L.P.
Industri Kapital 2000, L.P.
Italian Private Equity Fund III, L.P.
Mercapital Spanish Private Equity Fund II, L.P.
Nordic Capital IV, L.P.
Nordic Capital VI, L.P.
Palamon European Equity "C", L.P.
Partners Private Equity, L.P.
Permira Europe II, L.P.
Quadriga Capital Private Equity Fund II, L.P.
Segulah II, L.P.
Warburg Pincus International Partners, L.P.

Europe – Venture Capital
Abingworth Bioventures III, L.P.
Elderstreet Capital Partners, L.P.
European E-Commerce Fund
European Equity Partners (III), L.P.
European Equity Partners (IV), L.P.
GMT Communications Partners II, L.P.
Galileo III, L.P.
Index Ventures I (Jersey), L.P.
Merlin Biosciences Fund, L.P.

S V Life Science Fund II, L.P.
Wellington Partners II, L.P.

Europe – Special Situations

Coller International Partners III, L.P.
Doughty Hanson & Co. European Real Estate Fund, L.P.
ICG Mezzanine Fund 2000, L.P. No. 2.
Mezzanine Management Fund III, L.P.
The Rutland Fund

North America – Buyout

American Securities Partners III, L.P.
Apollo Overseas Partners V, L.P.
Apollo Investment Fund VI, L.P.
Blackstone Communications Partners I, L.P.
Bruckmann, Rosser, Sherrill & Co. II, L.P.
Carlyle Partners III, L.P.
Clayton, Dubilier & Rice Fund VII, L.P.
Fenway Partners Capital Fund II, L.P.
Heritage Fund III, L.P.
INVESCO U.S. Buyout Partnership Fund II, L.P.
Kohlberg TE Investors IV, L.P.
Providence Equity Partners IV, L.P.
Silver Lake Partners, L.P.
Sterling Investment Partners II, L.P.
T3 Partners, L.P.
TPG Partners III, L.P.
Thomas H. Lee Parallel Fund V, L.P.
Thomas Weisel Capital Partners, L.P.
Vestar Capital Partners IV, L.P.
Warburg Pincus Private Equity Fund IX, L.P.

North America – Venture Capital

Access Technology Partners, L.P.
Advanced Technology Ventures VI, L.P.
Apax Excelsior VI, L.P.
Austin Ventures VII, L.P.
Battery Ventures VI, L.P.
Cardinal Health Partners II, L.P.
Catterton Partners IV Offshore, L.P.
Chancellor V, L.P.
Columbia Capital Equity Partners III (Cayman), L.P.
Crescendo IV, L.P.
Dolphin Communications Fund, L.P.
Draper Fisher Jurvetson Fund VII, L.P.
EnerTech Capital Partners II, L.P.
Infinity Capital Venture Fund 1999, L.P.
INVESCO Venture Partnership Fund II, L.P.
INVESCO Venture Partnership Fund II-A, L.P.
Lightspeed Venture Partners VI, L.P.
Menlo Ventures IX, L.P.
Morgan Stanley Venture Partners IV, L.P.
Morgenthaler Partners VII, L.P.
Prism Venture Partners IV, L.P.
Sevin Rosen Fund VIII, L.P.
Sierra Ventures VIII-A, L.P.
Summit Ventures VI-B, L.P.
TA IX, L.P.
TH Lee Putnam Ventures Parallel, L.P.
TL Ventures V, L.P.
Vortex Corporate Development Fund, L.P.
Worldview Technology Partners III, L.P.
Worldview Technology Partners IV, L.P.

North America – Special Situations

Ares Corporate Opportunities Fund II, L.P.
Blackstone Mezzanine Partners, L.P.
Canterbury Mezzanine Capital II, L.P.
Levine Leichtman Capital Partners II, L.P.
OCM Mezzanine Fund II, L.P.
OCM Opportunities Fund III, L.P.
OCM/GFI Power Opportunities Fund, L.P.
Pegasus Partners II, L.P.
Peninsula Fund IV, L.P.
TCW/Crescent Mezzanine Partners III, L.P.

Asia and Rest of World – Buyout

Advent Latin American Private Equity Fund II, L.P.
Exxel Capital Partners VI, L.P.
Newbridge Asia III, L.P.
Polish Enterprise Fund IV, L.P.
Unison Capital Partners, L.P.

Asia and Rest of World – Venture Capital

Carmel Software Fund (Cayman), L.P.
Crimson Velocity Fund, L.P.
Genesis Partners II LDC
Jerusalem Venture Partners III, L.P.
Pitango Venture Capital Fund III

SECONDARY PARTNERSHIPS

Chase 1998 Pool Participation Fund, L.P.
Coller International Partners III NW1, L.P.
Coller International Partners III NW2, L.P.
Doughty Hanson & Co Fund III, L.P.
Partners Group SPP1 Limited
Second Cinven Fund (No. 2), L.P.
William Blair Capital Partners VI, L.P.

Commitments added this quarter are stated in italics.

CONSOLIDATED UNAUDITED INCOME STATEMENT

for the period from 1 January 2006 to 31 March 2006

	Notes	**01.01.2006–31.03.2006 USD**	01.01.2005–31.03.2005 USD
Net income from limited partnerships and directly held investments		**30,586,197**	19,541,797
- Dividend and interest income	6&13	1,207,295	4,744,298
- Revaluation	6&15	27,892,010	14,475,993
- Foreign exchange gains & losses	6&14	1,486,892	321,506
Net income from short-term investments		**568,998**	-
- Gains and losses	7	568,998	-
Net income from cash & cash equivalents		**444,724**	88,992
- Interest income	9&13	321,833	85,207
- Foreign exchange gains & losses	14	122,891	3,785
Operating income		**31,599,919**	19,630,789
Operating expenses		**(6,111,862)**	(5,239,575)
- Management fee	3	(3,027,408)	(3,016,676)
- Insurance fee	3	(2,294,742)	(2,133,717)
- Administration fee	3	(84,197)	(71,124)
- Other foreign exchange gains & losses	14	(660,289)	-
- Other operating expenses		(45,226)	(18,058)
Financing cost		**(10,999,910)**	(10,445,954)
- Finance cost on convertible bond	11	(10,578,717)	(9,923,616)
- Amortization of transaction costs	11	(371,878)	(371,878)
- Interest expense	13	(49,315)	(150,460)
Surplus / (loss) for the financial period		**14,488,147**	3,945,260

CONSOLIDATED UNAUDITED BALANCE SHEET

as at 31 March 2006

	Notes	31.03.2006	31.03.2006 USD	31.12.2005	31.12.2005 USD
Assets					
Non-current assets					
Investments in limited partnerships and directly held investments	1&6		**559,732,621**		561,979,141
Current assets					
Short-term investments	1&7	**70,613,978**		59,463,335	
Other short-term receivables	8	**4,450,579**		421,528	
Hedging assets	6	**511,421**		2,913,419	
Cash and cash equivalents	9	**65,369,932**		49,315,979	
			140,945,910		112,114,261
Total assets			**700,678,531**		674,093,402
Equity					
Capital and reserves					
Issued capital	10	**100**		100	
Reserves		**32,897,050**		18,408,903	
Total equity			**32,897,150**		18,409,003
Liabilities					
Liabilities falling due after more than one year					
Convertible bond	11		**666,114,323**		655,163,727
Liabilities falling due within one year					
Other short-term payables	12	**1,667,057**		520,670	
Rounding		**1**		**2**	
			1,667,058		520,672
Total liabilities and equity			**700,678,531**		674,093,402

The financial statements on pages 12 to 26 were approved by the board of directors on 27 April 2006 and are signed on its behalf by:

B. Human — Director

G. Hall — Director

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2006 to 31 March 2006 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting period	100	263,086,949	(244,678,046)	**18,409,003**
Surplus / (loss) for the financial period	-	-	14,488,147	**14,488,147**
Equity at end of reporting period	**100**	**263,086,949**	**(230,189,899)**	**32,897,150**

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2005 to 31 March 2005 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting period	100	263,086,949	(307,108,118)	**(44,021,069)**
Surplus / (loss) for the financial period	-	-	3,945,260	**3,945,260**
Equity at end of reporting period	**100**	**263,086,949**	**(303,162,858)**	**(40,075,809)**

CONSOLIDATED UNAUDITED CASH FLOW STATEMENT

for the period from 1 January 2006 to 31 March 2006

	Notes	**01.01.2006–31.03.2006 USD**	01.01.2005–31.03.2005 USD
Cash flow from operating activities			
- Management fee	3	**(3,027,408)**	(3,016,676)
- Administration fee	3	**(84,197)**	(71,124)
- Insurance fee	3	**(2,294,742)**	(2,133,717)
- Other operating expenses		**(45,226)**	(18,058)
- (Increase) / decrease in other short-term receivables		**(4,689,340)**	(3,033,532)
- Increase / (decrease) in other short-term payables		**1,545,729**	(88,334)
- Dividends received from limited partnerships and directly held investments	6	**237,054**	4,146,509
- Interest received from limited partnerships and directly held investments	6	**970,241**	597,789
- Purchase of limited partnerships and directly held investments	6	**(20,511,131)**	(25,487,780)
- Distributions by limited partnerships and directly held investments	6	**54,538,552**	48,039,724
- Net purchase of short-term investments	7	**(10,640,753)**	-
- Interest received from short-term investments	7	**59,107**	-
- Cash inflow from cash and cash equivalents	9	**321,833**	85,207
- Financing cost / credit line charges		**(448,658)**	(796,647)
Net cash from / (used in) operating activities		**15,931,061**	18,223,361
Cash flow from financing activities			
- Increase / (decrease) in credit facility	18	**-**	(10,000,000)
Net increase / (decrease) in cash and cash equivalents		**15,931,061**	8,223,361
Cash and cash equivalents at beginning of reporting period	9	**49,315,979**	16,605,856
Effects on cash and cash equivalents			
- movement in exchange rates		**122,891**	3,785
- rounding		**1**	(1)
Cash and cash equivalents at end of reporting period	9	**65,369,932**	24,833,001

1 PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Reporting), except for the following:

For the valuation of investments in limited partnerships, the directors refer to the most recent available information of the General Partner of the underlying investment. Owing to the diversified nature of the limited partnership investments and the variety of valuation bases adopted and quality of management information provided by the General Partners the values included in these financial statements do not necessarily comply with fair values as defined in IAS 39.

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

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

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

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

Expenditure

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

Functional and presentation currency

Items included in the Group financial statements are measured using the currency of the primary economic environment in which it operates ('The Functional Currency'). This is the US dollar, which reflects the Group's primary activity of investing in US dollar limited partnerships and private equity. The Group has also adopted the US dollar as its presentation currency.

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

Investments in limited partnerships and directly held investments

Investments in limited partnerships are valued initially at fair value and thereafter at the most recent net asset value as reported by the underlying partnership and adjusted for subsequent net capital activity.

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

The directors also review management information provided by underlying partnerships on a regular basis. In those cases where the management information is limited, the directors work with the underlying partnership in an attempt to obtain more meaningful information.

Notwithstanding the above, the variety of valuation bases adopted and quality of management information provided by the underlying partnerships and the lack of liquid markets for the investments held mean that there are inherent difficulties in determining the fair values of these investments that cannot be eliminated.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
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Amounts realized on the sale of investments will differ from the values reflected in these financial statements and the differences may be significant.

The directly held investments are being treated as "financial assets at fair value through profit or loss" and are therefore disclosed at fair value. Initially they are valued at fair value. For determining the fair value, the directors refer to the most recent available information provided by the lead investor of the investment with any changes resulting from additional financing rounds or a diminution in value.

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

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

Short-term investments

Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase and are being treated as "financial assets at fair value through profit or loss".

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

The short-term investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within "Net income from short-term investments - Gains and losses". Upon maturity of the short-term investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within "Realized gains and losses".

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

Cash and cash equivalents

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

Accounting for derivative financial instruments and hedging activities

The Group's policy of hedging the value of non-US dollar investments against the US dollar does not qualify as hedge accounting as defined in IAS 39 (revised 2004). Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. As a result the unrealized changes in the fair value of these derivatives and the realized net gains / losses on the derivatives that matured during the period are recognized in the income statement under the heading of "Net income from limited partnerships and directly held investments – foreign exchange gains and losses". The fair values of various derivative instruments used for hedging purposes are disclosed in note 6.

Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated. All inter-company transactions, balances and unrealized surpluses and losses on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in Note 22.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Investments in limited partnerships and directly held investments

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

3 EXPENSES

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

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

Insurance fee
The insurance fee is paid quarterly in advance pursuant to the Insurance Trust Agreement between the Company and Princess Management & Insurance Limited. From the day the mitigation rights have been exercised, the calculation of the quarterly insurance premium has changed and is therefore calculated as 0.375% of Net Assets minus all assets held in cash, cash equivalents or marketable securities.

4 TAXATION STATUS

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

5 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Foreign exchange risk

The Group operates and invests internationally and is exposed to foreign exchange risk arising from various currency exposures. A portion of the private equity investments are made in a number of different countries and denominated in a number of different currencies. Any returns on and value of such investments may therefore be materially affected

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by exchange rate fluctuations, local exchange control and other restrictions, including restrictions on the convertibility of the currencies in question and also by political and economic developments in the relevant countries. The Group may use forward contracts to hedge its exposure to foreign currency risk in connection with the functional currency.

(b) Interest rate risk

The Group invests in interest-bearing short-term investments with a maturity date of usually less than one year from the balance sheet date. Apart from that, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

The Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

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 and the internal risk committee.

(e) Underlying asset risk

It is expected that a large proportion of the Group's investments will be made by investing in private equity funds (including affiliated funds). Many of the private equity funds may be wholly unregulated investment vehicles. In addition, certain of the private equity funds may have limited or no operational history and have no proven track record in achieving their stated investment objective. The underlying asset risk is managed by an investment strategy that diversifies the investments in terms of geography, financing stage, industry or time.

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

Fair value estimation

The fair value of publicly traded derivatives and "financial assets at fair value through profit or loss" securities is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

6 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS

6.1 INVESTMENTS

	31.03.2006	31.12.2005
Balance at beginning of reporting period	**561,979,141**	581,626,665
Capital activity recorded at the transaction rate	**20,511,131**	98,252,399
Distributions	**(54,538,552)**	(205,398,410)
Revaluation	**27,892,010**	110,821,887
Foreign exchange gains / (losses)	**3,888,890**	(23,323,399)
Rounding	**1**	(1)
Balance at end of reporting period	**559,732,621**	561,979,141

6.2 DISTRIBUTIONS

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Dividends	**237,054**	4,146,509
Interest income	**970,241**	597,789
	1,207,295	4,744,298
Return of investments	**54,376,040**	48,039,724
Gains / (losses) from sale of stock distributions	**162,512**	-
Total distributions	**55,745,847**	52,784,022

6.3 FOREIGN EXCHANGE

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Foreign exchange revaluation	**3,888,890**	(7,059,646)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	**(2,401,998)**	7,381,152
	1,486,892	321,506

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

	USD	Rate	Value date	**Surplus/(loss) 31.03.2006**	Surplus/(loss) 31.12.2005
Sell GBP against USD	36,799,770	1.7524	20.04.2006	**273,525**	679,602
Sell EUR against USD	91,254,375	1.2167	20.04.2006	**128,700**	1,959,825
Sell SEK against USD	9,777,083	7.6710	20.04.2006	**109,196**	273,992
				511,421	2,913,419

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7 SHORT-TERM INVESTMENTS

7.1 INVESTMENTS

	31.03.2006	31.12.2005
At beginning of reporting period	**59,463,335**	-
Additions	**10,761,226**	59,313,038
Gains / (losses) on short-term investments	**389,418**	150,296
Rounding	**(1)**	1
At end of reporting period	**70,613,978**	59,463,335

7.2 INCOME

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Interest on short-term investments	**59,107**	-
Realized gains / (losses) from short-term investments	**120,474**	-
Unrealized gains / (losses) from short-term investments	**389,417**	-
Total gains and losses from short-term investments	**568,998**	-

Due to the level of distributions received from limited partnerships, the Company holds cash in excess of its immediate requirements. To achieve better returns the cash has been invested into short-term bonds with a maturity of less than one year.

8 OTHER SHORT-TERM RECEIVABLES

	31.03.2006	31.12.2005
Prepaid fees	**231,156**	-
Distributions receivable	**4,219,423**	421,528
	4,450,579	421,528

9 CASH AND CASH EQUIVALENTS

9.1 BALANCE

	31.03.2006	31.12.2005
Cash at banks	**65,369,932**	49,315,980
Rounding	**-**	(1)
Total cash and cash equivalents	**65,369,932**	49,315,979

9.2 INTEREST INCOME

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Interest received from cash at banks	**321,833**	85,207
Total interest income from cash and cash equivalents	**321,833**	85,207

10 SHARE CAPITAL

	31.03.2006	31.12.2005
Authorized		
20,000,000 Class A shares of USD 0.01 each	**200,000**	200,000
10,000 Class B shares of USD 0.01 each	**100**	100
	200,100	200,100
Issued and fully paid		
10,000 Class B shares of USD 0.01 each	**100**	100

Bondholders have the right to convert bonds into shares. Shares issued and allotted on conversion of the bonds will be fully paid Class A shares ("Ordinary shares") and will rank pari passu in all respects with all other Ordinary Shares in issue on the relevant conversion date, save that until the earlier of the date upon which 95 per cent of the principal amount of the bonds have been converted or final maturity ("Specified Date"), Ordinary Shares will not confer voting rights.

The holders of the Class B shares will be entitled to attend and vote at any general meetings. Following the Specified Date, each Class B share issued and outstanding will be automatically converted into a similar number of Ordinary shares without the holders thereof being obliged to make any payment therefor.

11 CONVERTIBLE BOND

	31.03.2006	31.12.2005
Balance at beginning of reporting period	**655,163,727**	613,012,186
Amortization of transaction costs	**371,878**	1,487,513
Finance cost on convertible bond	**10,578,717**	40,664,029
Rounding	**1**	(1)
Balance at end of reporting period	**666,114,323**	655,163,727

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

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond have been split between the liability and equity option components. The fair value of the equity component has been calculated as USD 264,834,825 using cash flows discounted at market interest rates for an equivalent period. This amount is classified as share premium and will remain part of the permanent equity of the Group. The remaining net proceeds, after the allocation of the liability related transaction costs, of USD 424,077,733 are allocated to the liability component. The liability, including transaction costs, is therefore stated at a discount of 1.6110% per quarter to the maturity value.

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

12 OTHER SHORT-TERM PAYABLES

	31.03.2006	31.12.2005
Accrued interest	**49,315**	448,658
Other accruals	**1,617,741**	72,012
Rounding	**1**	-
	1,667,057	520,670

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13 DIVIDEND AND INTEREST INCOME AND EXPENSE

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Interest income:		
- Dividend and interest income from limited partnerships and directly held investments	**1,207,295**	4,744,298
- Interest income from cash and cash equivalents	**321,833**	85,207
Total dividend and interest income	**1,529,128**	4,829,505
Total interest expense	**(49,315)**	(150,460)

14 FOREIGN EXCHANGE GAINS AND LOSSES

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Foreign exchange gains and losses on:		
- limited partnerships and directly held investments	**1,486,892**	321,506
- cash and cash equivalents	**122,891**	3,785
- other	**(660,289)**	-
	949,494	325,291

15 REVALUATION

	01.01.2006-31.03.2006	01.01.2005-31.03.2005
Revaluation of:		
- limited partnerships and directly held investments	**27,892,010**	14,475,993

16 COMMITMENTS

	31.03.2006	31.12.2005
Total commitments translated at the rate prevailing at the balance sheet date	**1,308,599,660**	1,264,969,349
Unutilized commitments translated at the rate prevailing at the balance sheet date	**264,375,881**	245,329,670

17 DILUTED NET ASSETS PER ORDINARY SHARE

The net assets are calculated by deducting the Liabilities falling due within one year from the Total Assets. The 700,000 convertible bonds at a par value of USD 1,000 each, if converted at USD 100 per share would result in 7,000,000 shares.

	31.03.2006	31.12.2005
Net assets of the Group	**699,011,473**	673,572,730
Outstanding shares at the balance sheet date	**10,000**	10,000
Additional shares due to conversion	**7,000,000**	7,000,000
Net assets per share after conversion	**99.7163**	96.0874

18 CREDIT LINE FACILITY

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

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

There is a non utilization fee which is payable yearly in arrears and this is calculated at 0.40% per annum on the average undrawn amount of the revolving credit during the period.

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

As at the balance sheet date, the amount drawn under the credit facility was nil.

19 INSURANCE POLICY

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

20 NUMBER OF EMPLOYEES

At the balance sheet date no persons were employed by the Group.

21 RELATED PARTY TRANSACTIONS

Partners Group Holding owns 100% of the share capital of Partners Group Product Investments which in turn holds 80.1% of the Class B shares of the Company.

Partners Group Product Investments and Swiss Reinsurance Company hold 8,010 and 1,990 Class B Shares respectively.

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

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

Transactions with related parties

The following transactions were carried out with related parties:

i) Services

	Notes	**01.01.2006-31.03.2006**	01.01.2005-31.03.2005
Management fee paid to:			
- Princess Management & Insurance Limited	3	**3,027,408**	3,016,676
Insurance fee paid to:			
- Princess Management & Insurance Limited	3	**2,294,742**	2,133,717
Administration fee paid to:			
- Partners Group (Guernsey) Limited	3	**84,197**	71,124
Directors' fee paid		**2,677**	7,180

Princess Management & Insurance Limited is a company incorporated in Guernsey and owned by Partners Group Holding and Swiss Reinsurance Company. Partners Group (Guernsey) Limited is a company incorporated in Guernsey and owned by Partners Group Holding.

ii) Period-end balances

There were no period-end balances with related parties.

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22 GROUP ENTERPRISES - SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest **31.03.2006**	31.12.2005
Princess Private Equity Subholding Limited	Guernsey	100%	100%

23 PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Partners Group Product Investments, a company organized under Swiss law holds the majority of the Class B shares. Partners Group Product Investments is a wholly owned subsidiary of Partners Group Holding.

LIST OF ADRESSES

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Auditors

PricewaterhouseCoopers CI LLP

Trading Information

Reuters	DBSTRUK03
Bloomberg	PRINEQ <<Corp>>RELS <go>
Telekurs, Investdata	CH813917

Market Maker

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