

# INTERIM REPORT

for the period from 1 January 2007 to 30 September 2007



## INVESTMENT MANAGER'S REPORT

Princess Private Equity Holding Limited ("Princess") is an investment holding company domiciled in Guernsey that invests in private equity and private debt investments. Investments include primary and secondary fund investments, direct investments and listed private equity. Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield.

The shares deliverable in the form of co-ownership interests in a global bearer certificate are traded on the Frankfurt Stock Exchange. The Board of Directors has approved an application for an additional listing on the London Stock Exchange and trading is expected to commence in early November 2007.

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.

**PRINCESS' NET ASSET VALUE UP 11% IN 2007**

Princess continued its positive development during the third quarter of 2007. Despite the recent turbulence in the financial markets and the weakness of the US dollar, the net asset value (NAV) increased by another 3.1% during the past three months to stand at EUR 98.64 per share at the end of September 2007. A number of the underlying partnerships in the portfolio – especially buyout funds and partnerships in the North American region – reported write-ups, leading to revaluations in the Princess private equity portfolio. Adjusted for the dividend that was paid out in April, the NAV has gained 11% since the beginning of the year.

The recent concerns over the US subprime mortgage market that spilled over to the wider credit market had no significant impact on the NAV development of the Princess portfolio and are not expected to materially affect the portfolio. Princess has no direct sub-prime exposure and while it has some exposure to the credit market through mezzanine investments under its special situations allocation, these investments have been largely unaffected by the recent credit crisis. Princess is predominantly invested in the equity part of portfolio companies: as the debt financing in the most recent leveraged buyouts has been firmly underwritten by the arranger banks, the risk of placing the loans in the market lies with the banks and not with the equity sponsors or Princess.

**INVESTMENT LEVEL INCREASES TO 86%**

During 2007, Princess has placed an emphasis on raising the investment level substantially in order to achieve full investment in 2008. Making eleven new direct investments, together with increased investment activity by the underlying partnerships, saw the investment level rise to 86% by the end of September, well above the 67% as at year-end 2006.

## NEW COMMITMENTS

Since the beginning of the year, Princess has committed a total of EUR 338m to 27 funds. In the past three months, commitments were made to five new primary funds: Apollo Overseas Partners VII, August Equity Partners II A, Partners Group Global Real Estate 2008, Partners Group European Buyout 2008 (B) and Partners Group European Growth 2008. The latter three are Partners Group pooling vehicles providing access to funds that due to strong investor demand are often oversubscribed, as is typically the case with Europe's small and mid-cap buyout firms. Since Partners Group acts as the Investment Advisor to Princess as well as to the pooling vehicles, no additional fees will be levied from Princess and its investors. Princess also closed two new direct investments during the third quarter. In July,

Princess participated in the equity financing for Universal Hospital Services, a leading US national medical equipment outsourcing company and in August co-invested in the financing of Lifeways Community Care Limited, a leading UK provider of specialist community care services.

## INVESTMENT ACTIVITY IN THE PORTFOLIO

In the first nine months of 2007, Princess funded EUR 225m in capital calls from the partnerships and for direct and listed private equity investments. Substantial amounts were drawn down by Terra Firma for its investment in music group EMI, by Avista to acquire mail services provider IWCO and by 3i to purchase a majority stake in independent investment manager BestInvest. Distributions received since the beginning of the year amounted to EUR 127m. Significant pro-

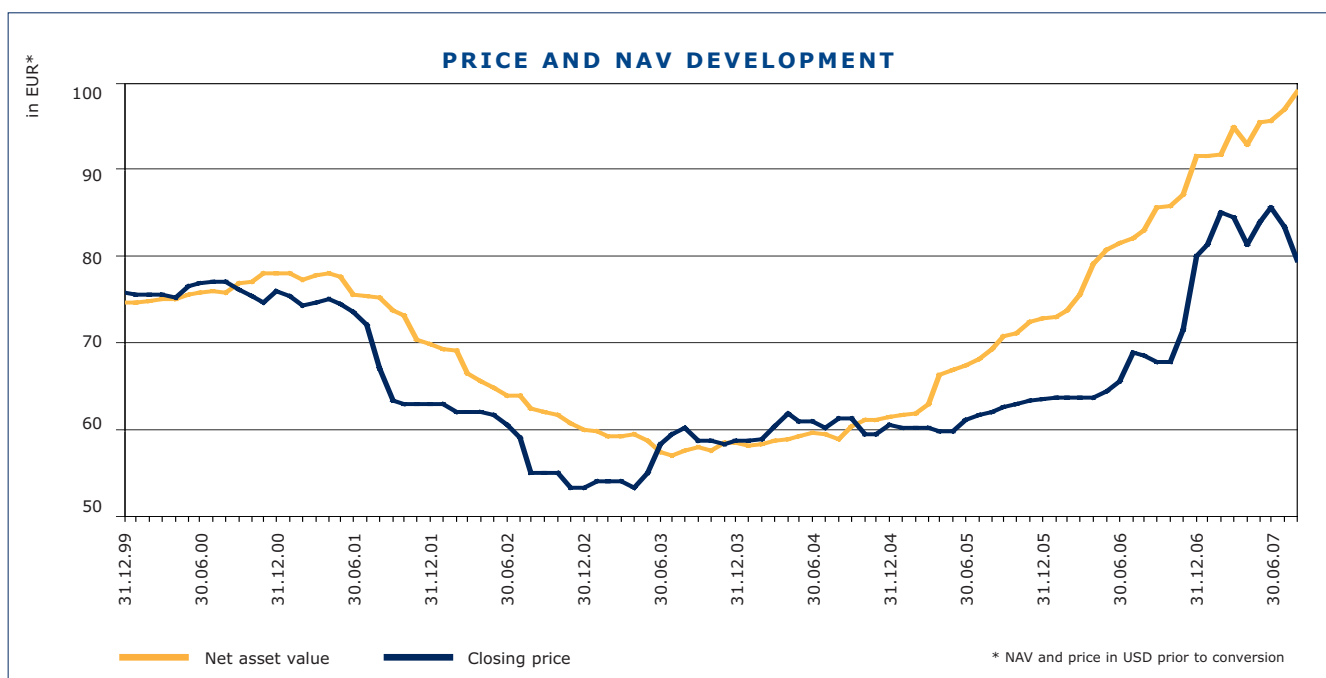
ceeds received during the past quarter included those from Bridgepoint's sale of JDR Cable Systems, Doughty Hanson's realization of a Finnish property and Cinven's disposal of Klöckner Pentaplast.

## ADDITIONAL LISTING ON LSE

The Board of Directors of Princess has approved an application for the additional listing of the Ordinary Shares on the London Stock Exchange and has mandated JPMorgan Cazenove as the listing sponsor and financial advisor. Princess believes that this additional listing will raise the profile of the company, reduce the discount to the NAV at which the shares have been trading and broaden Princess' potential investor base. After quarter-end, a 1-to-10 share split, which should improve the liquidity and the attractiveness of the shares, and the adoption of new Articles of Association in order to comply with certain listing requirements was approved at the Extraordinary General Meeting held on 12 October 2007. Trading is expected to commence on the London Stock Exchange in early November 2007.

## OUTLOOK

Princess will continue to be highly selective in making new investments, but nevertheless expects to achieve its goal of being fully invested in 2008 on the strength of the deal flow received by the Investment Advisor. Princess has a broad investment strategy and is able to focus on sectors and regions that are attractive at any particular point in time. Given the continued robust macroeconomic environment and forecasted global GDP growth of 4.8% for 2008, the Investment Advisor to Princess expects the Company's NAV to increase further in the quarters to come.



## MARKET TRENDS

Hardly a day has passed in recent months without the words “subprime crisis” dominating the headlines. Investors’ appetite for risk has waned, yield spreads in the bond market have widened, and – following an extended phase of mega-LBO deals – private equity houses and their banks are now for the first time having difficulty syndicating the credits necessary to finance these major takeovers.

Nevertheless, the environment for leveraged buyout investments remains favorable thanks to continuing positive economic data, especially in terms of small- to medium-sized transactions, as well as Asia.

### **CHANGED PARADIGM IN THE CREDIT MARKETS**

Once July’s subprime crisis spilled over into the global credit markets, the underlying conditions for debt financing changed dramatically: investors’ risk aversion increased, interest rates rose as a result, and credit spreads widened. The days of fast and easy money were history. But what does this mean for the private equity industry, in which debt financing of leveraged buyouts (LBOs) plays a key role, and what impact will it have on the private equity industry as a whole?

### **STABLE BUYOUT RETURNS DURING ALL MARKET CRISES**

Over the past twenty years, there have been monetary policy cycles, as well as a number of financial crises, which has been the case of late. The returns on top-quartile buyout funds, however, have remained uncorrelated to the effects of these crises and demonstrate an historical average increase of 15 to 19% per annum. Even in years with increasing interest rates at levels significantly higher than those today, buyout returns of the top funds did not collapse.

At present, internal rates of return (IRRs) for buyout investments clearly lie above the historical average. Thanks to buoyant economic trends, the favorable credit environment and healthy corporate balance sheets, many of the transactions concluded in 2005 and 2006 have already been recapitalized, and private equity investors have had their shareholders’ equity repaid quickly in these transactions. However, that trend may not be sustainable due to the changed circumstances in the credit markets and the ancillary effects. Thus, the returns are likely to ease back to their historical range.

## HIGHER FINANCING COSTS PUT PRESSURE ON ENTRY PRICES

Owing to the changed paradigm in the credit market, financings in connection with leveraged buyouts can be expected to have a more conservative structure and a new pricing level. High entry prices (measured by the EBITDA multiple) for large LBOs are only sustainable as long as cheap financing is available. The increased risk premiums of late, however, add to the financing costs, leading to a decline in entry prices.

In addition, banks are currently holding a large amount of unsyndicated loans that they will have to focus on, placing them in the market first. According to estimates by Thomson Financial, bonds in the amount of USD 200bn remain to be syndicated in the US alone. For that reason, banks have only a limited capacity for new deals, affecting in turn the availability of debt financing at least in the coming months, or at higher prices. The situation is also likely to have a general impact on the number of new private equity transactions. At present, the assumption is that activity in the LBO market will settle down at a low level and not pick up again until early- to mid-2008.

Private equity funds still hold a sizeable amount of cash that they raised in recent years for (large) buyout deals. In light of the current market environment, it is now a matter of general partners' discipline in exercising patience and adjusting their offers for new buyouts to the latest market conditions. For investors, this should result in attractive entry opportunities.

## HOW IMPORTANT IS LEVERAGE WHEN IT COMES TO BUYOUT RETURNS?

Nevertheless Debt financing – above all for mega-deals in the multibillion range – plays a key role in buyouts. However, debt financing alone is not the only success factor in a buyout investment. In the opinion of Partners Group, the investment advisor to Princess too much weight is being placed on that particular dimension in the current crisis atmosphere. The fact that less debt financing will be available, and hence lower the overall level of debt, by no means implies by definition that buyout returns must shrink. The past has shown relatively little correlation between trends in the level of debt and those of top-quartile buyout returns.

## THE IMPORTANT ROLE PLAYED BY A GENERAL PARTNER

Whether or not an investment financed with private equity turns out to be successful is not exclusively dependent on the availability of cheap debt financing, but even more so on the macroeconomic environment and the ability of the general partner to achieve strategic and operational improvements in the companies in which it invests; whether it be by fostering growth, increasing profit margins or reducing debt. According to a McKinsey study, the value creation in a of a company is two-thirds attributable to so-called affirmative participation on the part of shareholders. Ernst & Young observes that successful investments had private equity investors actively involved in the business after acquisition, making rapid decisions alongside management, challenging progress and making specialist expertise available.

## INTACT MACROECONOMIC ENVIRONMENT AND HEALTHY CORPORATE BALANCE SHEETS

Although risks to the real economy, especially in the US, have increased as a result of the recent financial market turbulence, the global economy is still in very robust shape, and experts are assuming that global growth will continue at above-average rates both for 2007 and 2008. Europe and the emerging markets (amongst them, India and China in particular) should be able to compensate for any "soft patch" in the US.

Moreover, by and large corporate balance sheets are solid, with firms showing low debt levels and persistently strong earnings growth.

## LBO ENVIRONMENT REMAINS ATTRACTIVE

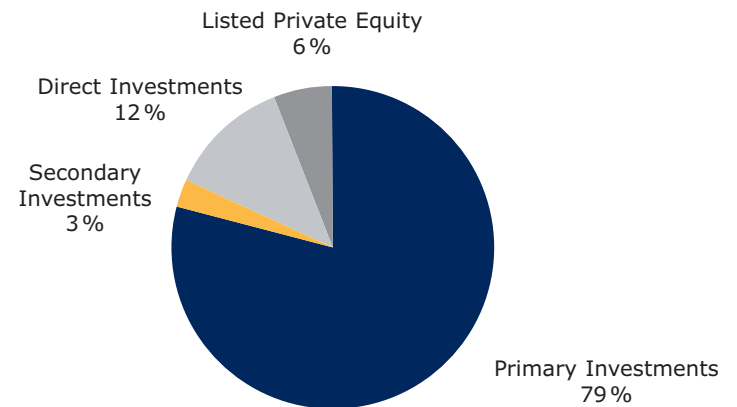
In the wake of recent developments in the capital markets, the atmosphere for arranging debt financing and hence also for leverage buyouts is no longer as euphoric as it has been in the past – but it is still conducive with risk spreads still historically narrow despite some recent widening. Partners Group views this as a necessary and very healthy cool-down phase, with the global economy remaining healthy and corporate balance sheets solid. Despite the higher costs of debt financing, it should still be possible to achieve attractive returns, while private equity houses must once again become accustomed to longer holding periods.

Given the current financial market environment, the investment advisor to Princess will select those general partners and specific transaction types that have weathered a number of previous cycles and in the process proved their discipline as well as their potential.

PORTFOLIO ALLOCATION

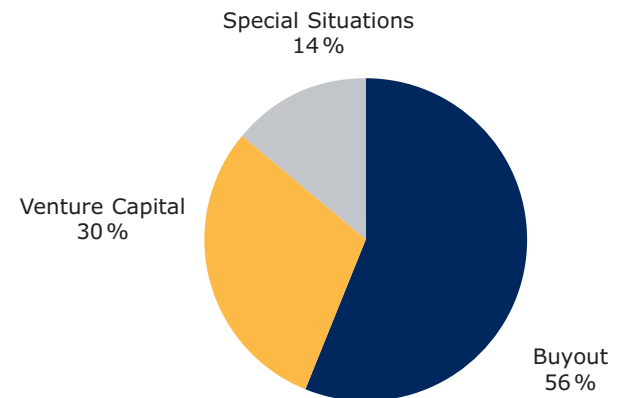
The Princess portfolio is well-balanced and broadly diversified according to regions, financing stages, industry sectors and investment years. With the allocation to the listed private equity sector and the direct investments, the Princess portfolio gains a broader exposure to different investment types in line with the amended investment policy.

**INVESTMENTS BY INVESTMENT TYPE\***



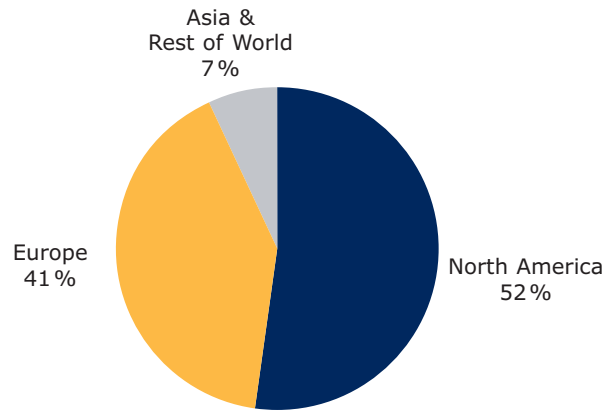
\* based on value of private equity investments

**INVESTMENTS BY FINANCING STAGE\***



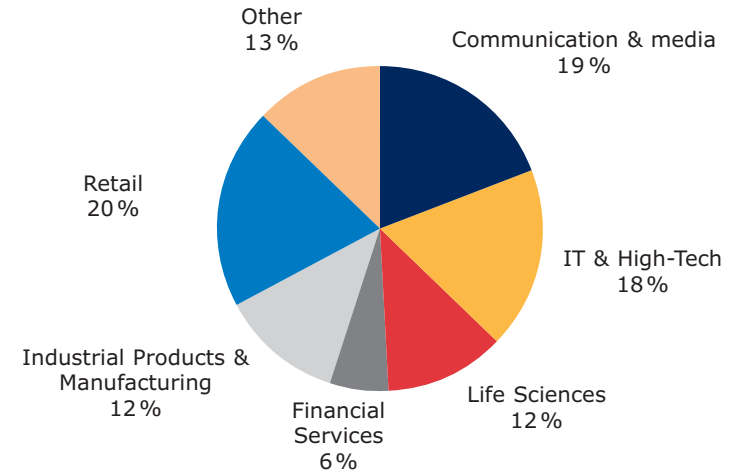
\* based on value of private equity investments

### INVESTMENTS BY REGION\*



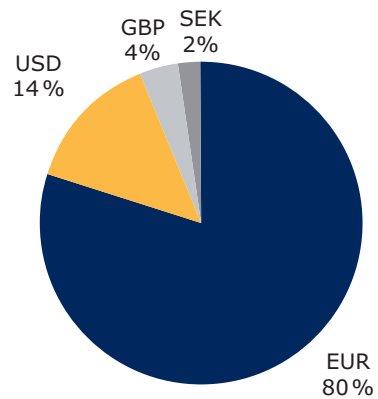
\* based on value of private equity investments

### INVESTMENTS BY INDUSTRY SECTOR\*



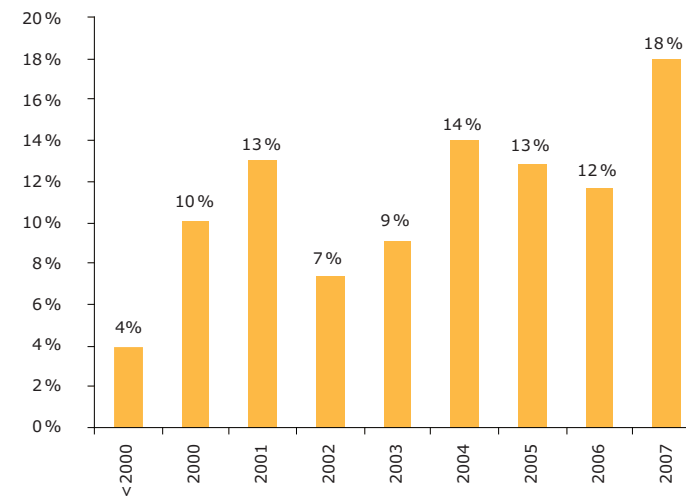
\* based on value of private equity investments

### NET CURRENCY EXPOSURE\*



\* based on value of private equity investments after hedging

### INVESTMENTS BY INVESTMENT YEAR\*



\* based on value of private equity investments

## PORTFOLIO

Since the beginning of the year Princess made new commitments to partnerships for EUR 338m.

In 2007 Princess funded EUR 225m in capital calls from partnerships, for direct and listed private equity investments and received EUR 127m in distributions. Unfunded commitments as of 30 September 2007 equal EUR 395m.

**NEW COMMITMENTS****August Equity Partners II A, L.P.**

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

**Partners Group European Buyout 2008 (B), L.P.**

In July, Princess made a EUR 25m commitment to Partners Group European Buyout 2008 (B). The fund will implement a focused investment strategy that provides access to small- and mid-cap buyout funds in Europe. It will capitalize on the attractive environment for buyout transactions: Europe continues to exhibit a relatively low ratio of private equity financing to GDP, which indicates attractive growth prospects. Since Partners Group acts as the Investment Advisor to Princess, no additional fees will be levied with respect to the investment in Partners Group European Buyout 2008 (B).

**Apollo Overseas Partners VII, L.P.**

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



### **Partners Group European Growth 2008, L.P.**

In August, Princess committed EUR 10m to Partners Group European Growth 2008. The fund will focus on making primary investments with established European growth and venture capital managers, but will also add opportunistic secondary and direct investments. The undercapitalized segment for European growth capital creates an opportunity for investors to benefit from greater selectivity and lower valuations and so to achieve attractive exits in the future. Since Partners Group acts as the Investment Advisor to Princess, no additional fees will be levied with respect to the investment in Partners Group European Growth 2008.

### **Partners Group Real Estate 2008, L.P.**

In September, Princess committed EUR 20m to Partners Group Global Real Estate 2008. Real estate is one of the largest and most established categories of alternative investments. The fund will invest globally using a "relative value" investment strategy designed to systematically identify and invest in the most attractive segments. The fund will also invest in selected real estate partnerships, and may opportunistically make co-investments, secondary and listed real estate investments. Since Partners Group acts as the Investment Advisor to Princess, no additional fees will be levied with respect to the investment in Partners Group Global Real Estate 2008.

## **NEW DIRECT INVESTMENTS**

### **Universal Hospital Services**

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

### **Lifeways Community Care Limited**

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

## **SELECTED PARTNERSHIP ACTIVITIES**

### **Green Equity Investors Side V, L.P**

In July, Princess partnership Green Equity Investors Side V acquired a majority stake in *The Container Store* for an undisclosed sum. The Container Store, a leading US retailer of storage solutions for the home and office, runs 39 stores across the country and is one of Fortune magazine's "100 Best Companies to Work For". The company intends to use the financing to fund future growth initiatives.

### **Terra Firma Capital Partners III, L.P.**

In August, Princess partnership Terra Firma completed the acquisition of *EMI Group* for a total value of GBP 2.4bn. EMI is one of the world's largest music companies and the world's leading music publisher. Its recorded music catalog includes tracks from well-known artists, such as The Beatles, Robbie Williams and The Rolling Stones. Terra Firma intends to further develop the publishing catalog while streamlining the recorded music business and repositioning it for the digital market.

### **3i Eurofund V, L.P.**

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

## PORTFOLIO OVERVIEW

**PRIMARY INVESTMENTS****Europe – Buyout**

3i Europartners IIIA, L.P.  
 3i Eurofund Vb, L.P.  
 Apax Europe VII-B, L.P.  
 Astorg II, FCPR  
 August Equity Partners II A, L.P.  
 BC European Capital VIII, L.P.  
 Botts Capital Partners, L.P.  
 Bridgepoint Europe I “D”, L.P.  
 Bridgepoint Europe III, L.P.  
 Candover 2005 Fund  
 Doughty Hanson & Co V, L.P.  
 Fourth Cinven Fund, L.P.  
 GMT Communications Partners III, L.P.  
 Graphite Capital Partners V, L.P.  
 Industri Kapital 2000, L.P.  
 Industri Kapital 2007 Fund  
 Italian Private Equity Fund III, L.P.  
 Magenta, 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 Group European Buyout 2008 (B), L.P.<sup>1)</sup>  
 Partners Private Equity, L.P.  
 Permira Europe II, L.P.  
 Quadriga Capital Private Equity Fund II, L.P.  
 Quadriga Capital Private Equity Fund III, L.P.  
 Segulah II  
 Terra Firma Capital Partners III, 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.  
 Partners Group European Growth 2008, L.P.<sup>1)</sup>  
 SV Life Sciences Fund II  
 Wellington Partners II, L.P.

**Europe – Special Situations**

AP Investment Europe Limited  
 Collier International Partners III, L.P.  
 Doughty Hanson & Co. European Real Estate Fund, L.P.  
 ICG Mezzanine Fund 2000, L.P. No. 2  
 ICG European Fund 2006, L.P.  
 Mezzanine Management Fund III, L.P.  
 Partners Group Real Estate 2008, L.P.<sup>1)</sup>  
 Penta CLO 1 S.A.  
 The Rutland Fund

**North America – Buyout**

American Securities Partners III, L.P.  
 Apax US VII, L.P.  
 Apollo Investment Fund V, L.P.  
 Apollo Overseas Partners VI, L.P.  
 Apollo Overseas Partners VII, L.P.  
 Avista Capital Partners (Offshore) 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.  
 Green Equity Investors V, L.P.  
 Heritage Fund III, L.P.  
 INVESCO U.S. Buyout Partnership Fund II, L.P.

Kohlberg TE Investors IV, L.P.  
Kohlberg TE Investors VI, L.P.  
Providence Equity Partners IV, L.P.  
Providence Equity Partners VI-A, L.P.  
Silver Lake Partners, L.P.  
Silver Lake Partners III, 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 H. Lee Parallel Fund VI, L.P.  
Vestar Capital Partners IV, L.P.  
Warburg Pincus Private Equity IX, L.P.

#### **North America – Venture Capital**

Apax Excelsior VI, L.P.  
Access Technology Partners, L.P.  
Advanced Technology Ventures 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, 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.  
SV Life Sciences Fund IV, L.P.  
TA IX, L.P.  
TH Lee Putnam Ventures Parallel, L.P.  
Thomas Weisel Capital Partners, 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 Corporation Opportunities Fund II, L.P.  
Blackstone Mezzanine Partners, L.P.  
Canterbury Mezzanine Capital II, L.P.  
Levine Leichtman Capital Partners II, L.P.  
MatlinPatterson Global Opportunities Partners III  
OCM Opportunities Fund III, L.P.  
OCM Mezzanine Fund II, L.P.  
OCM/GFI Power Opportunities Fund, L.P.  
Pegasus Partners II, L.P.  
Pensinsula Fund IV, L.P.  
Sun Capital Partners V, L.P.  
TCW/Crescent Mezzanine Partners III, L.P.

#### **Asia & Rest of World – Buyout**

Advent Latin American Private Equity Fund II, L.P.  
Affinity Asia Pacific Fund III, L.P.<sup>2)</sup>  
Archer Capital Fund IV, L.P.<sup>2)</sup>  
Exxel Capital Partners VI, L.P.  
IVF III (Mauritius) Holding Limited<sup>2)</sup>  
Navis Asia Fund V, L.P.<sup>2)</sup>  
Newbridge Asia III, L.P.  
Polish Enterprise Fund IV, L.P.  
TPG Asia V, L.P.<sup>2)</sup>

#### **Asia & 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 INVESTMENTS**

Aksia Capital III, L.P.  
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.

#### **DIRECT INVESTMENTS**

AHT Cooling Systems GmbH  
Essmann  
Ferretti SpA  
Foodservice and distribution company  
General Nutrition Centers, Inc. (GNC)  
Get  
Lifeways Community Care Limited  
Plantasjen  
Partners Group Direct Investments 2006, L.P.<sup>1)</sup>  
Cengage Learning, Inc.  
The Reader's Digest Association, Inc.  
Universal Hospital Services

#### **LISTED PRIVATE EQUITY**

Partners Group Private Equity Performance Holding Limited (P<sup>3</sup>)  
Partners Group Listed Investments – Listed Private Equity

<sup>1)</sup> Pooling vehicle at no additional fees

<sup>2)</sup> Participation through Partners Group Emerging Markets 2007, L.P. at no additional fees



**CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

for the period from 1 January 2007 to 30 September 2007

**CONSOLIDATED UNAUDITED INCOME STATEMENT**

for the period from 1 January 2007 to 30 September 2007

	Notes	<b>01.07.2007– 30.09.2007</b>	<b>01.01.2007– 30.09.2007</b>	01.07.2006– 30.09.2006	01.01.2006– 30.09.2006
		EUR	EUR	EUR	EUR
<b>Net income from limited partnerships and directly held investments</b>		<b>28,805,995</b>	<b>81,863,231</b>	29,970,111	98,315,290
– Dividend and interest income	3	1,621,406	4,129,890	1,344,471	3,980,498
– Revaluation	3	34,537,857	89,558,133	27,814,968	90,812,374
– Foreign exchange gains & losses	3	(7,353,268)	(11,824,792)	810,672	3,522,418
<b>Net income from listed private equity</b>		<b>(3,089,415)</b>	<b>(3,247,771)</b>	–	–
– Gains and losses	4	(3,089,415)	(3,247,771)	–	–
<b>Net income from short-term investments</b>		–	<b>301,064</b>	1,138,462	2,394,765
– Gains and losses		–	950,535	1,119,898	2,310,922
– Interest on short-term investments		–	240,387	18,563	83,843
– Foreign exchange gains & losses		–	(889,858)	–	–
<b>Net income from cash &amp; cash equivalents</b>		<b>861,216</b>	<b>2,837,090</b>	656,150	1,417,193
– Interest income		957,110	3,682,708	740,943	1,389,745
– Foreign exchange gains & losses		(95,894)	(845,618)	(84,793)	27,448
<b>Operating income</b>		<b>26,577,796</b>	<b>81,753,614</b>	31,764,722	102,127,248
<b>Operating expenses</b>		<b>(5,619,847)</b>	<b>(12,281,069)</b>	(4,222,194)	(12,950,746)
– Management fee		(3,587,489)	(10,289,547)	(2,345,645)	(6,984,218)
– Insurance fee		–	–	(1,601,035)	(4,941,770)
– Administration fee		(111,597)	(276,553)	(71,533)	(201,621)
– Incentive fee		(177,710)	(177,710)	–	–
– Tax exemption fee		–	(891)	–	(1,654)
– Restructuring costs		(1,195,779)	(1,195,778)	–	–
– Other foreign exchange gains & losses		(451,838)	148,689	(12,770)	(536,199)
– Other operating expenses		(95,434)	(489,279)	(191,211)	(285,284)
<b>Financing cost</b>		<b>(35,910)</b>	<b>(72,742)</b>	(8,601,561)	(25,411,627)
– Finance cost on convertible bond		–	–	(8,281,379)	(25,452,324)
– Amortization of transaction costs		–	–	(281,961)	(845,883)
– Financing cost / credit line charges		(35,910)	(72,742)	(38,222)	(113,420)
<b>Surplus / (loss) for the financial period</b>		<b>20,922,039</b>	<b>69,399,803</b>	18,940,967	63,764,875

	<b>01.01.2007– 30.09.2007</b>	01.01.2006– 30.09.2006 <sup>1</sup>
<b>Earnings per share</b>		
– Weighted average number of shares outstanding	7,010,000	7,010,000
– Basic surplus / (loss) per share for the financial period	9.90	9.10
– Diluted surplus / (loss) per share for the financial period	9.90	9.10

<sup>1</sup> The earnings per share are calculated by dividing the surplus for the financial period by the weighted average number of shares outstanding. For the financial period 2006 the 700,000 convertible bonds at a par value of USD 1,000 each at USD 100 per share resulted in 7,000,000 Ordinary Shares outstanding, whilst 10,000 shares were already outstanding at the respective balance sheet date.

**CONSOLIDATED UNAUDITED BALANCE SHEET**

as at 30 September 2007

	Notes	30.09.2007 EUR	31.12.2006 EUR
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in limited partnerships and directly held investments	3	558,067,568	430,576,071
Investment in listed private equity	4	33,816,066	-
		<b>591,883,634</b>	430,576,071
<b>Current assets</b>			
Short-term investments		-	46,451,854
Other short-term receivables		4,007,755	211,749
Hedging assets	3	6,380,927	-
Cash and cash equivalents		94,529,189	167,922,252
		<b>104,917,871</b>	214,585,855
<b>Total assets</b>		<b>696,801,505</b>	<b>645,161,926</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued capital	5	70,100	70,100
Distributable reserve		710,941,889	-
Reserves		(19,519,645)	641,229,839
<b>Total equity</b>		<b>691,492,344</b>	641,299,939
<b>Liabilities falling due within one year</b>			
Hedging liabilities	3	-	1,867,066
Other short-term payables		5,309,161	1,994,921
		<b>5,309,161</b>	3,861,987
<b>Total liabilities and equity</b>		<b>696,801,505</b>	<b>645,161,926</b>

The financial statements on pages 14 to 23 were approved by the board of directors on 5 November 2007 and are signed on its behalf by:

B. Human  
Director



## CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2007 to 30 September 2007 (all amounts in EUR)

	Share capital	Share premium	Distributable reserve	Accumulated surplus/(loss)	Total
<b>Equity at beginning of reporting period</b>	70,100	730,149,287	–	(88,919,448)	<b>641,299,939</b>
Transfer share premium to distributable reserve	–	(730,149,287)	730,149,287	–	–
Dividend payment	–	–	(19,207,398)	–	<b>(19,207,398)</b>
Surplus / (loss) for the financial period	–	–	–	69,399,803	<b>69,399,803</b>
<b>Equity at end of reporting period</b>	<b>70,100</b>	<b>–</b>	<b>710,941,889</b>	<b>(19,519,645)</b>	<b>691,492,344</b>

**CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY**

for the period from 1 January 2006 to 30 September 2006 (all amounts in EUR)

	Share capital	Share premium	Distributable reserve	Accumulated surplus/(loss)	Total
<b>Equity at beginning of reporting period</b>	76	199,474,524	–	(160,271,808)	<b>39,202,792</b>
Surplus / (loss) for the financial period	–	–	–	63,764,875	<b>63,764,875</b>
<b>Equity at end of reporting period</b>	<b>76</b>	<b>199,474,524</b>	<b>–</b>	<b>(96,506,933)</b>	<b>102,967,667</b>

## CONSOLIDATED UNAUDITED CASH FLOW STATEMENT

for the period from 1 January 2007 to 30 September 2007

	Notes	01.01.2007– 30.09.2007 EUR	01.01.2006– 30.09.2006 EUR
<b>Cash flow from operating activities</b>			
– Management fee		(10,289,547)	(6,984,218)
– Administration fee		(276,553)	(201,621)
– Insurance fee		–	(4,941,770)
– Incentive fee		(177,710)	–
– Tax exemption fee		(891)	(1,654)
– Restructuring costs		(1,195,778)	–
– Other operating expenses		(489,279)	(285,283)
– Proceeds from / (costs of) hedging activities		7,172,368	(1,251,043)
– (Increase) / decrease in other short-term receivables		(3,647,317)	(2,153,536)
– Increase / (decrease) in other short-term payables		3,314,240	925,849
– Dividends received from limited partnerships and directly held investments	3	1,442,437	1,235,901
– Interest received from limited partnerships and directly held investments	3	2,687,453	2,744,597
– Purchase of limited partnerships and directly held investments	3	(187,912,628)	(43,587,542)
– Distributions from limited partnerships and directly held investments	3	122,734,111	152,326,345
– Purchase of listed private equity	4	(37,063,837)	–
– Redemptions of short-term investments		197,302,644	97,446,574
– Net purchase of short-term investments		(150,790,113)	(134,519,387)
– Interest on short-term investments		240,388	83,843
– Interest from cash and cash equivalents		3,682,708	1,389,745
– Financing cost / credit line charges		(72,742)	(340,176)
Net cash from / (used in) operating activities		(53,340,046)	61,886,624
<b>Cash flow from financing activities</b>			
– Dividend payment		(19,207,398)	–
<b>Net increase / (decrease) in cash and cash equivalents</b>		(72,547,444)	61,886,624
<b>Cash and cash equivalents at beginning of reporting period</b>		167,922,252	37,391,750
Effects on cash and cash equivalents			
– Movement in exchange rates		(845,618)	27,448
– Rounding		(1)	–
<b>Cash and cash equivalents at end of reporting period</b>		94,529,189	99,305,822

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

### 1 ORGANIZATION AND BUSINESS ACTIVITY

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

Since 13 December 2006 the shares of the company have been listed on the Prime Standard of the Frankfurt Stock Exchange. As of 1 November 2007 the shares will be listed additionally on the London Stock Exchange.

### 2 BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006.

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2007.

IFRS 7 – Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures Recognition – which requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. The Group will disclose the required information in its Annual Report 2007.

IFRIC 8 – Scope of IFRS 2 Share-based Payment – which addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified.

IFRIC 9 – Reassessment of Embedded Derivatives – which requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract.

IFRIC 10 – Interim Financial Reporting and Impairment – which prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost.

The adoption of these standards and interpretations did not affect the Group's results of operations or financial position.

The condensed consolidated financial statements comprise the financial statements of Princess Private Equity Holding Limited and its wholly-owned subsidiary Princess Private Equity Subholding Limited.

### 3 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS

#### 3.1 INVESTMENTS

	<b>30.09.2007</b>	31.12.2006
	<b>EUR</b>	EUR
<b>Balance at beginning of reporting period</b>	<b>430,576,071</b>	451,341,244
Capital activity recorded at the transaction rate	<b>187,912,628</b>	57,845,389
Distributions	<b>(122,734,111)</b>	(202,709,048)
Revaluation	<b>89,558,133</b>	109,760,741
Foreign exchange gains / (losses)	<b>(27,245,153)</b>	14,337,745
<b>Balance at end of reporting period</b>	<b>558,067,568</b>	430,576,071

### 3.2 DISTRIBUTIONS

	<b>01.01.2007– 30.09.2007 EUR</b>	01.01.2006– 30.09.2006 EUR
Dividends	<b>1,442,437</b>	1,235,901
Interest income	<b>2,687,453</b>	2,744,597
	<b>4,129,890</b>	3,980,498
Return of investments	<b>122,865,695</b>	152,534,877
Gains / (losses) from sale of stock distributions	<b>(131,584)</b>	(208,532)
<b>Total distributions</b>	<b>126,864,001</b>	156,306,843

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:

	<b>USD</b>	<b>Rate</b>	<b>Value</b>	<b>date</b>	<b>Surplus/(loss) 30.09.2007 EUR</b>	<b>Surplus/(loss) 31.12.2006 EUR</b>
Buy EUR against USD 300,000,000	0.7501	28.04.2007	–	(1,379,224)		
Buy EUR against USD 125,000,000	0.7536	22.01.2007	–	(487,841)		
Buy EUR against USD 317,000,000	0.7023	19.10.2007	<b>6,048,763</b>	–		
Buy EUR against USD 25,000,000	0.7023	19.10.2007	<b>332,164</b>	–		
			<b>6,380,927</b>	<b>(1,867,066)</b>		

### 3.3 FOREIGN EXCHANGE

	<b>01.01.2007– 30.09.2007 EUR</b>	01.01.2006– 30.09.2006 EUR
Foreign exchange revaluation	<b>(27,245,153)</b>	9,991,425
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	<b>8,247,993</b>	(5,217,966)
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	<b>7,172,368</b>	(1,251,043)
Rounding	–	2
	<b>(11,824,792)</b>	3,522,418

### 4 INVESTMENTS IN LISTED PRIVATE EQUITY

	<b>30.09.2007 EUR</b>	31.12.2006 EUR
<b>Balance at beginning of reporting period</b>	–	–
Purchases recorded at the transaction rate	<b>37,063,837</b>	–
Gains / (losses) on listed private equity	<b>(3,247,771)</b>	–
<b>Balance at end of reporting period</b>	<b>33,816,066</b>	–

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

(continued)

<b>5 SHARE CAPITAL</b>		<b>30.09.2007</b>	31.12.2006	<b>5.2 DISTRIBUTABLE RESERVES</b>		<b>30.09.2007</b>
		<b>EUR</b>	EUR			<b>EUR</b>
<b>Authorized</b>				Transfer from share premium to distributable reserves <sup>1)</sup>		<b>730,149,287</b>
10,000 Class B shares of EUR 0.01 each reclassified to Ordinary shares		<b>100</b>	100	Dividend payment		<b>(19,207,398)</b>
20,000,000 Ordinary shares of EUR 0.01 each		<b>200,000</b>	200,000	<b>Total distributable reserves</b>		<b>710,941,889</b>
		<b>200,100</b>	200,100			
<b>Issued and fully paid</b>						
10,000 Class B shares of EUR 0.01 each reclassified to Ordinary shares		<b>100</b>	100	<b>5.3 DIVIDEND PAYMENT</b>		
7,000,000 Ordinary shares of EUR 0.01 each out of the bond conversion		<b>70,000</b>	70,000	On 30 April 2007 the semi-annual dividend of EUR 2.74 per Ordinary Share as declared at the last Annual General Meeting was paid to the investors.		
		<b>70,100</b>	70,100			
<b>5.1 SHARE PREMIUM</b>				<b>5.4 SHAREHOLDERS ABOVE 3% OF ORDINARY SHARES ISSUED</b>		
			<b>30.09.2007</b>			
			<b>EUR</b>		<b>Shares held</b>	<b>in %</b>
Share premium from issuance of shares			<b>730,149,287</b>	CVP/CAP	215,210	3.07%
Transfer from share premium to distributable reserves <sup>1)</sup>			<b>(730,149,287)</b>	Deutsche Asset Management Investmentgesellschaft mbH	609,590	8.70%
<b>Total share premium</b>			<b>-</b>			

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

## 6 COMMITMENTS

	<b>30.09.2007</b>	31.12.2006
	<b>EUR</b>	EUR
Total commitments translated at the rate prevailing at the balance sheet date	<b>1,389,206,572</b>	1,055,182,677
Unutilized commitments translated at the rate prevailing at the balance sheet date	<b>394,598,125</b>	196,160,746

## 7 NET ASSETS AND DILUTED ASSETS PER ORDINARY SHARE

Before the conversion of the bond the net assets were 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.

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

	<b>30.09.2007</b>	31.12.2006
	<b>EUR</b>	EUR
Net assets of the Group	<b>691,492,344</b>	641,299,939
Outstanding shares at the balance sheet date	<b>7,010,000</b>	7,010,000
Net asset per share at period-end	<b>98.64</b>	91.48
Diluted net assets per share at the balance sheet date	<b>98.64</b>	91.48

## 8 CHANGE IN FUNCTIONAL CURRENCY

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

## 9 SUBSEQUENT EVENT

Pursuant to an extraordinary general meeting on 15 October 2007 the shareholders approved a share split. Each authorised Ordinary share of EUR 0.01 has been divided into 10 Ordinary shares of EUR 0.001 each.

## LIST OF ADDRESSES

### Registered Office

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Guernsey GY1 1BT  
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### Investment Manager

Princess Management Limited  
Guernsey, Channel Islands

### Investor Relations

Email: [princess@princess-privateequity.net](mailto:princess@princess-privateequity.net)

### Auditors

PricewaterhouseCoopers CI LLP

### Trading Information

Listing	Frankfurt Stock Exchange
ISIN	DE000A0LBRM2
WKN	A0LBRM
Valor	2 830 461
Trading symbol	PEY1
Bloomberg	PEY1 GR
Reuters	PEYGz.DE / PEYGz.F
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA