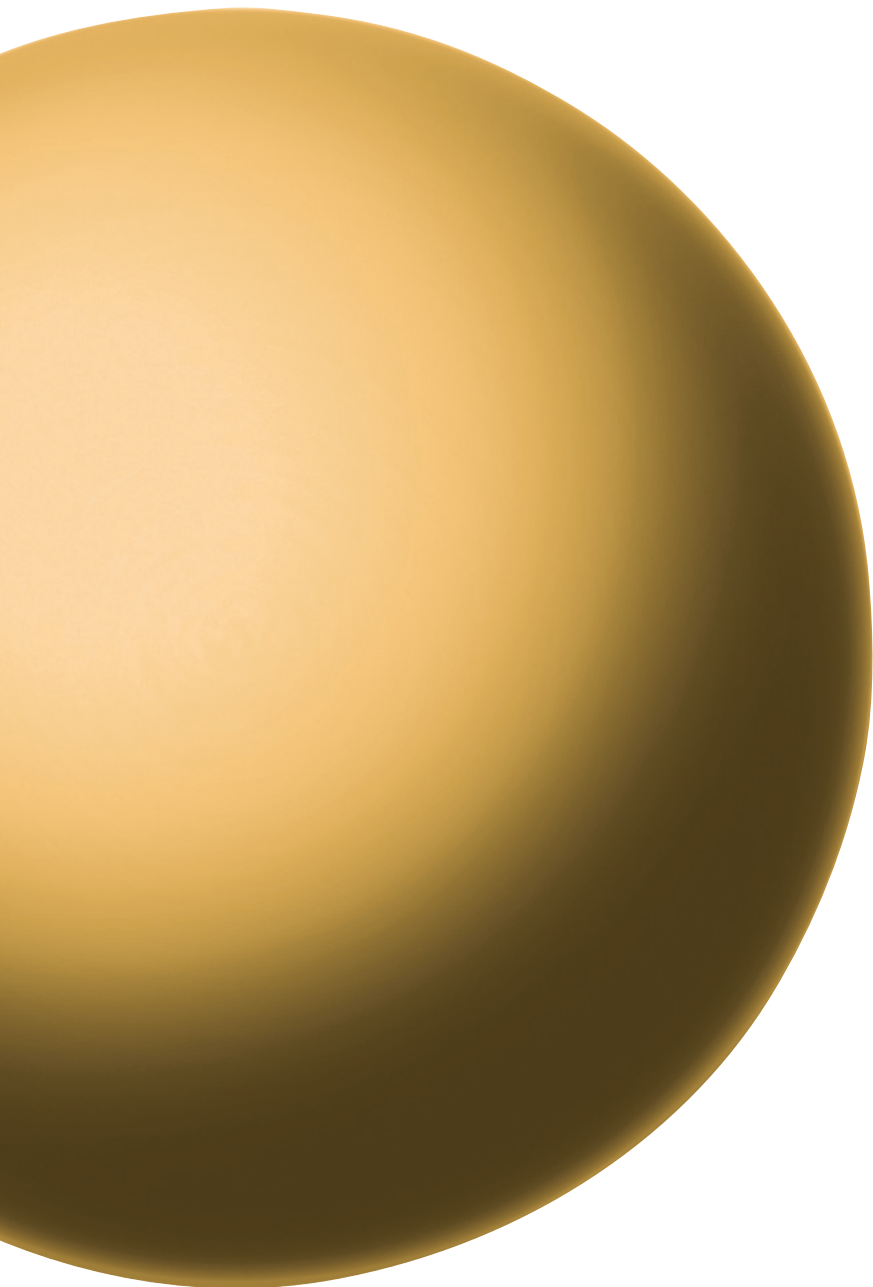
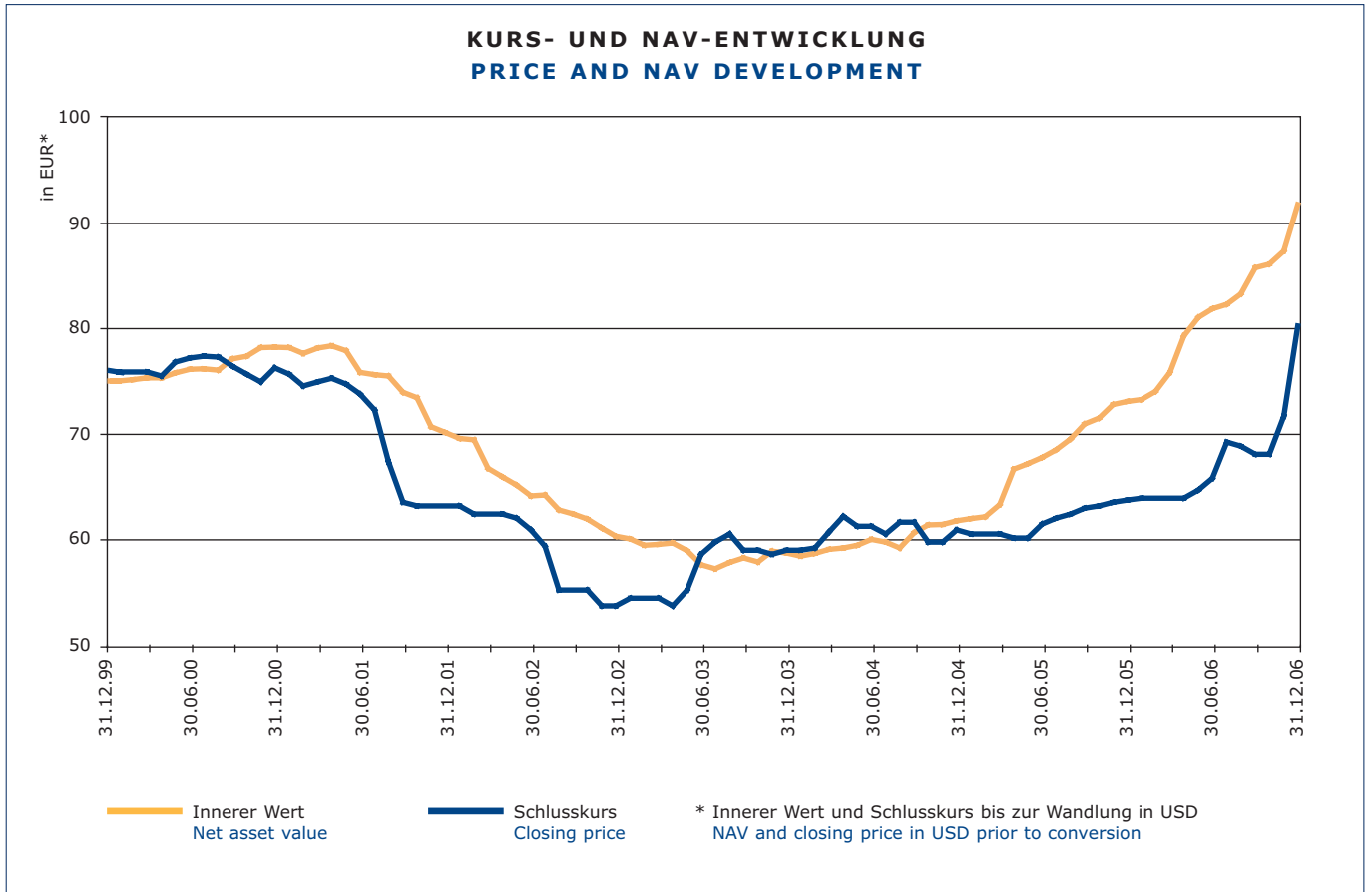


GESCHÄFTSBERICHT 2006
ANNUAL REPORT 2006



ÜBERSICHT 2006
OVERVIEW 2006



Firmenprofil

Princess Private Equity Holding Limited («Princess») ist eine Investment-Holding-Gesellschaft mit Sitz in Guernsey, die in Private Equity- und Private Debt-Anlagen investiert. Investitionen beinhalten Beteiligungen an Fonds in Form von Primär- und Sekundärbeteiligungen, Direktinvestments und börsennotierte Private Equity-Anlagen. Princess strebt danach, den Aktionären langfristig Kapitalwachstum und mittel- bis langfristig eine attraktive Dividendenrendite zu bieten. Die Stammaktien von Princess, lieferbar in Form von Miteigentumsanteilen an einem Inhabersammelzertifikat, werden an der Frankfurter Wertpapierbörse gehandelt (Börsenkürzel: PEY1).

Company profile

Princess Private Equity Holding Limited ("Princess") is an investment holding company domiciled in Guernsey that invests in private equity and private debt investments. These include primary and secondary fund investments, direct investments and listed private equity. Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long term. The shares, deliverable in the form of co-ownership interests in a global bearer certificate, are traded on the Frankfurt Stock Exchange (ticker symbol: PEY1).

Kennzahlen Key figures	31.12.2006 ¹⁾	31.12.2005 ²⁾
Geprüfter Innerer Wert (NAV) pro Aktie Audited net asset value (NAV) per share	USD 120.66 (EUR 91.49) ³⁾	USD 100.84
Schlusskurs Closing price	EUR 80.00 (USD 105.51) ³⁾	USD 83.75
Prämie über NAV Premium over NAV	-12.56%	-16.95%
Flüssige und geldähnliche Mittel Cash and cash equivalents	USD 283,017,283	USD 112,114,261
Geprüfter Wert der Private Equity-Investitionen Audited value of private equity investments	USD 567,886,778	USD 595,273,964
Nicht abgerufene Zahlungsverprechen Undrawn commitments	USD 258,716,407	USD 245,329,670
Investitionsgrad Investment level	67.08%	84.21%

¹⁾ Aktie – shares

²⁾ Wandelanleihe – convertible bond

³⁾ Verwendeter Umrechnungskurs – applied FX-rate: EUR/USD 1.3189

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Dieses Dokument ist nicht als Anlagewerbung oder Verkaufsprospekt gedacht und stellt weder eine Offerte noch den Versuch der Aufforderung zur Offertenstellung für das hier beschriebene Produkt dar. Dieser Bericht wurde unter Verwendung von Finanzdaten erstellt, die den Büchern und sonstigen Aufzeichnungen des Unternehmens per Berichtsdatum entnommen wurden. Die im Bericht der Vermögensverwaltungsgesellschaft im Einzelnen aufgeführten Grafiken und Zahlen wurden nicht geprüft. In diesem Bericht wird die bisherige Performance beschrieben, die nicht unbedingt ein Indikator für künftige Ergebnisse sein muss. Die Haftung des Unternehmens für Handlungen, die auf der Grundlage der zur Verfügung gestellten Informationen vorgenommen werden, ist ausgeschlossen.

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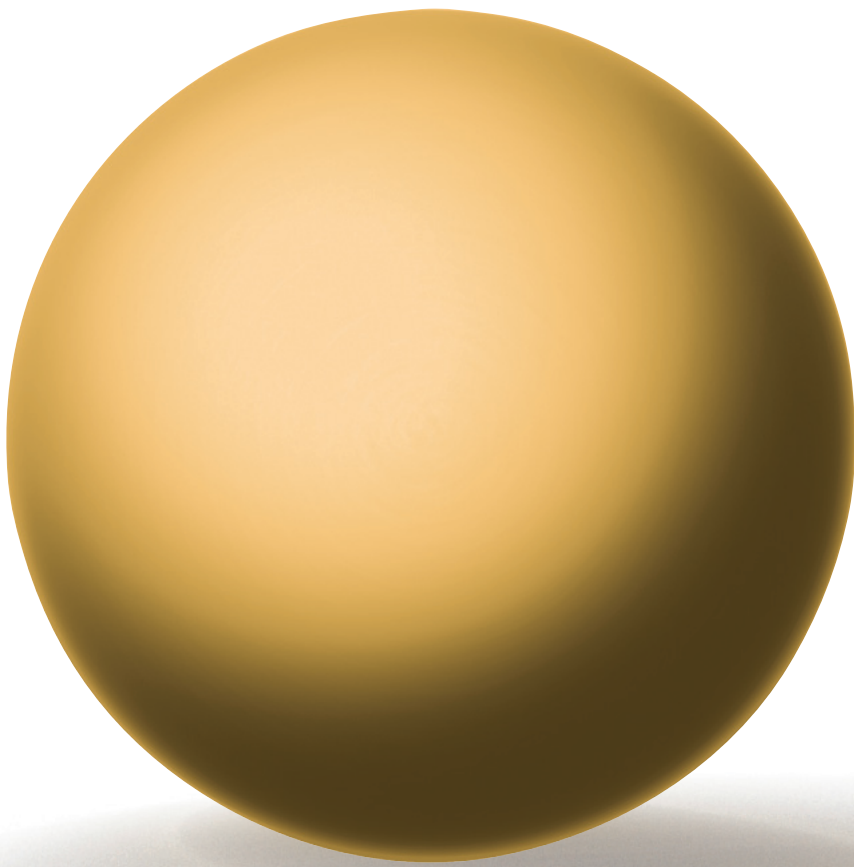
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This document is not intended to be an investment advertisement or sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the product described herein. This report was prepared using financial information contained in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

DATEN UND FAKTEN FACTS AND FIGURES

Gesellschaft	Princess Private Equity Holding Limited
Gründung	1999
Struktur	Aktiengesellschaft mit Sitz in Guernsey
Aktien	voll einbezahlte Stammaktien lieferbar in Form von Miteigentumsanteilen an einem Inhabersammelzertifikat
Stimmrecht	ein Stimmrecht pro gehaltener Stammaktie
Währung	Euro
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA
Dividenden	Princess beabsichtigt, eine jährliche Dividende im Bereich von 5% bis 8% des Inneren Wertes auszusütten
Managementgebühr	0.375% pro Quartal auf das jeweils Höhere von (i) NAV oder (ii) Wert der Princess-Anlagen abzüglich kurzfristige Anlagen und zuzüglich ausstehende Kapitalabrufe, zuzüglich 0.0625% pro Quartal in Bezug auf Sekundäranlagen und 0.125% pro Quartal in Bezug auf Direktinvestments
Erfolgsabhängige Gebühr	– keine erfolgsabhängige Vergütung für Primäranlagen – 10% erfolgsabhängige Vergütung in Bezug auf Sekundäranlagen – 15% erfolgsabhängige Vergütung in Bezug auf Direktinvestments unter Berücksichtigung einer Hürde von 8% pro Jahr und einem «Catch-up»-Mechanismus
Börsenzulassung	Frankfurter Wertpapierbörse
Handelsinformationen	Valor: 2 830 461 WKN: A0LBRM ISIN: DE000A0LBRM2 Börsenkürzel: PEY1 Bloomberg: PEY1 GR Reuters: PEYGz.DE / PEYGz.F

Issuer	Princess Private Equity Holding Limited
Incorporation	1999
Structure	Guernsey Corporation
Securities	Fully paid-in ordinary registered shares deliverable in the form of co-ownership interests in a global bearer certificate
Voting rights	Each ordinary registered share represents one voting right
Currency denomination	Euro
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA
Dividends	Princess intends to distribute an annual dividend of between 5% and 8% of the net asset value
Management fee	0.375% per quarter of the higher of (i) NAV or (ii) value of Princess' assets less any temporary investments plus unfunded commitments, plus 0.0625% per quarter in respect of secondary investments and 0.125% per quarter in respect of direct investments
Incentive fee	– No incentive fee on primary investments – 10% incentive fee per secondary investment – 15% incentive fee per direct investment subject in each case to a 8% p.a. preferred return (with catch-up)
Listing	Frankfurt Stock Exchange
Trading information	Valor: 2 830 461 WKN: A0LBRM ISIN: DE000A0LBRM2 Trading symbol: PEY1 Bloomberg: PEY1 GR Reuters: PEYGz.DE / PEYGz.F



VORWORT DES VERWALTUNGSRATES STATEMENT OF THE BOARD OF DIRECTORS

2006 war ein für Princess Private Equity Holding Limited denkwürdiges Jahr, das mit der Zulassung zum Handel an der Frankfurter Wertpapierbörse seinen Höhepunkt erlebte.

Die Börsenzulassung folgte auf eine umfassende Restrukturierung von Princess, die von den Obligationären mit 97% der abgegebenen Stimmen genehmigt wurde und unter anderem die vorzeitige Wandlung der ausstehenden Wandelanleihen in Aktien vorsah.

Zur Erinnerung: Im Februar 2006 hatte Swiss Reinsurance Company («Swiss Re»), der Rückversicherer der Princess Management & Insurance Limited («PM&IL»), den Verwaltungsrat in Kenntnis gesetzt, dass Swiss Re das Mitigation Right (Eingriffsrecht) der PM&IL aus der Versicherungsvereinbarung vom 30. Juni 1999, unter der Rückversicherungsvereinbarung vom 30. Juni 1999 abgetreten an Swiss Re, ausübt, damit die Wahrscheinlichkeit eines Verlustes aus der Anleihe für die Swiss Re gemindert wird. Das Mitigation Right, das in der Rückversicherungsvereinbarung im Detail beschrieben ist, beinhaltet das Recht, die Anlage Richtlinien anzupassen und die Abgabe von neuen Zahlungsverprechen zu beschränken oder auch auszuschließen. Mit der Ausübung des Mitigation Rights hat Swiss Re Princess angewiesen, keine weiteren Zahlungsverprechen für Private Equity-Investitionen mehr abzugeben und Princess hat in der Folge den Investmentmanager (PM&IL) entsprechend in Kenntnis gesetzt.

Nachdem es Princess nicht mehr möglich war, neue Zahlungsverprechen abzugeben, und auch die Gelder, die aus Veräusserungen ins Portfolio zurückflossen, nicht mehr in Private Equity angelegt werden konnten, war der Verwaltungsrat der Ansicht, dass das Wertschöpfungspotenzial des Private Equity-Anteils durch die Wandelanleihen unnötig verwässert würde. Daher hat der Verwaltungsrat die Zustimmung der Obligationäre zu folgenden Änderungen gesucht und auch gefunden:

- Anpassung der Anleihebedingungen, um unter anderem die vorzeitige Wandlung aller Wandelanleihen in Aktien, lieferbar in Form von Miteigentumsanteilen an einem globalen Inhabersammelzertifikat, zu ermöglichen
- Zulassung der Aktien zum Handel am amtlichen Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des amtlichen Marktes mit zusätzlichen Zulassungsfolgepflichten (Prime Standard)
- Umbenennung des Aktienkapitals von US-Dollar in Euro
- Anpassung der Anlagepolitik von Princess

This has been a historic year for Princess, culminating on 13 December 2006 with the admission to trading on the Frankfurt Stock Exchange.

The listing followed the bondholders' approval, with 97% of the votes cast, of a comprehensive restructuring of Princess, including the mandatory early conversion of the convertible bonds into shares.

By way of background: in February 2006 the Board of Directors of Princess was informed by Swiss Reinsurance Company ("Swiss Re"), being the reinsurer of Princess Management & Insurance Limited ("PM&IL"), that Swiss Re was exercising the right (the "Mitigation Right") of PM&IL under the Insurance Policy dated 30 June 1999, assigned to Swiss Re under the Reinsurance Agreement dated 30 June 1999, so as to mitigate the likelihood of an Outstanding Bond Loss. The Mitigation Right included the right to amend the investment guidelines and to limit or exclude new commitments. Pursuant to the Mitigation Right, Swiss Re directed Princess not to make any further investment commitments in private equity assets, and Princess instructed the Investment Manager (PM&IL) accordingly.

As Princess was prohibited from making any further commitments and also from reinvesting the cash distributions received from its portfolio partnerships, the Directors believed that the opportunity to profit from growth in private equity investments by holding the bonds would be increasingly diluted. They therefore sought the bondholders' approval, which was subsequently obtained, to:

- change the terms and conditions of the bonds to allow, inter alia, for the early conversion of all the bonds into shares, deliverable in the form of co-ownership interests in a global bearer certificate
- to list the shares on the official market (Amtlicher Markt), with concurrent admission to trading on the segment of the official market with additional post-admission obligations (Prime Standard), of the Frankfurt Stock Exchange
- change the authorised share capital from US dollars to euros;
- change the investment policy of Princess
- amend the management and incentive fee structure
- terminate the insurance arrangements.

The changes above obviated the need to pay for insurance to guarantee that the bonds would have been redeemed at par on their original Maturity Date (31 December 2010), which leads to substantial cost reductions.

- Anpassung der Managementgebührenstruktur und Einführung einer erfolgsabhängigen Gebühr
- Beendigung der Versicherungsvereinbarungen

Diese Änderungen machen die Zahlung einer Versicherungsgebühr zur Sicherstellung der Rückzahlung der Wandelanleihen zum Nominalwert am Fälligkeitstag (31. Dezember 2010) hinfällig, was zu deutlichen Kostensenkungen bei Princess führen wird.

Die neue Anlagepolitik wird es dem Investmentmanager erlauben, einen globalen Relative Value-Ansatz zu verfolgen, welcher im Bericht des Investmentmanagers im Detail beschrieben ist.

Darüber hinaus hat Princess Sal. Oppenheim jr. & Cie. KGaA («Sal. Oppenheim») als Designated Sponsor beauftragt, um einen liquiden Sekundärmarkt für die Princess-Aktien zu gewährleisten. Dadurch soll ein Sekundärmarkt etabliert werden, in welchem die Princess-Aktien generell nahe am oder über dem Inneren Wert (NAV) handeln.

Ab 1. Januar 2007 wird Princess die Berichtswährung von US-Dollar auf Euro umstellen: ab diesem Zeitpunkt wird auch der Innere Wert in Euro ausgewiesen.

Nachdem Princess an der Frankfurter Wertpapierbörse notiert ist, hat der Verwaltungsrat beschlossen, den monatlich berechneten und veröffentlichten Inneren Wert von Princess in Zukunft auf fairen Marktwerten zu basieren (IAS 39). Dies entspricht derselben Grundlage wie für die zu Geschäftsjahresende geprüften Finanzzahlen, weicht aber von der Grundlage für die früheren Monatsberichte ab, welche auf den letzten verfügbaren, durch die Partnerships berichteten und um Folgeereignisse angepassten Bewertungen der Private Equity-Investitionen beruhen. Da diese Bewertungen von IAS 39 abweichen können, können Anpassungen vorgenommen werden, um die Übereinstimmung mit den von Princess angewandten Bewertungsstandards (IFRS) zu gewährleisten.

Neben all diesen Änderungen ist es überaus erfreulich, für Princess einen Rekordanstieg des Inneren Wertes von 20% im Jahr 2006 zu berichten. Zum Jahresende 2006 erreichte der Innere Wert USD 846 Mio. oder USD 120.66 pro Aktie. Das Princess-Portfolio, das eine Reihe von reifen Beteiligungen hält, die vor ihrer Veräußerung stehen, war im abgelaufenen Jahr günstig positioniert, um von der guten Weltwirtschaft wie auch von den insgesamt sehr starken Finanzmärkten zu profitieren. Das weltweite Wirtschaftswachstum unterstützte das Wachstum wie auch die Ertragskraft der Portfoliounternehmen und rechtfertigte

The new investment policy will allow the Investment Manager to pursue a global relative value approach which is detailed in the Investment Manager report.

In addition, Princess has appointed Sal. Oppenheim jr. & Cie. KGaA ("Sal. Oppenheim") as designated sponsor to foster a liquid, secondary market in Princess shares. The aim is to establish a secondary market where the shares generally trade close to or above their NAV.

The reporting currency for Princess will change to euros with effect from 1 January 2007. The NAV will be reported in euros from that date.

The Board of Directors decided to calculate and publish the monthly net asset value based on fair values (IAS 39) in the future. This is the same basis as used for the audited accounts prepared at year-end, but differs from that used for previous monthly reports, where the valuation of investments was based on the latest information from the general partners and adjusted for any subsequent capital calls or distributions. Since latest available general partners' valuations may not be in line with IAS 39, some adjustments may be applied to ensure consistency with Princess' defined accounting standard (IFRS). As Princess is listed on the Frankfurt Stock Exchange, the Board of Directors decided to provide investors with a fair market value on a monthly basis.

In the midst of these changes at the corporate level, it is very pleasing to be able to report that Princess achieved a record increase of 20% in the NAV in 2006, which stood at USD 846m, or USD 120.66 per share, at the end of the year. The Princess portfolio, which included a number of more mature investments ready for exiting, was well placed to benefit from the strong global economy and the overall strong public equity markets. The growth of the global economy supported the expansion and profitability of the companies in the portfolio and justified higher company valuations, while the positive equity markets sustained the high level of M&A activity crucial to a healthy exit environment for the private equity industry. The trend for public to private deals was central to the growth of the buyout sector, while the rising valuations in the venture sector reflected the improved quality of companies in the sector and the good exit environment.

The shares, which are quoted in euros, opened trading at EUR 80.00 per share, equivalent to USD 105.51 per share. This still represents a discount to the NAV, but was a substantial improvement on the end-November bond price of USD 94.25.

die höheren Bewertungen. Die guten Aktienmärkte unterstützten die rege M&A-Aktivität, welche für das freundliche Realisierungsumfeld in der Private Equity-Industrie essenziell ist. Der Trend von Public-to-private-Transaktionen spielte für das Wachstum im Buyout-Sektor eine zentrale Rolle. Im Venture Capital-Bereich spiegelten die steigenden Bewertungen die zunehmende Qualität der Unternehmen in diesem Sektor wider und sorgten für ein freundliches Realisierungsumfeld.

Die Princess-Aktien, welche in Euro gehandelt werden, eröffneten am ersten Handelstag bei EUR 80.00 pro Aktie, was USD 105.51 pro Aktie entspricht. Dies ist zwar immer noch ein Abschlag zum Inneren Wert, stellt aber einen deutlichen Anstieg im Vergleich zum Preis der Wandelanleihe dar, welche Ende November noch zu USD 94.25 gehandelt wurde.

Der Verwaltungsrat hat seine Absicht bekundet, eine jährliche Dividende im Bereich von 5% bis 8% des Inneren Wertes auszuschütten.

Der Verwaltungsrat möchte auf diesem Weg nochmals allen Investoren für ihre Unterstützung und Zusammenarbeit während des Restrukturierungsprozesses danken. Wir sind zuversichtlich, dass die Änderungen eine positive Auswirkung auf Princess haben werden, und wir sind überzeugt, dass wir im Jahr 2007 und darüber hinaus weiterhin positive Entwicklungen im Princess-Portfolio sehen werden.

Der Verwaltungsrat

The Directors have announced that their objective is to declare an annual dividend of between 5% and 8% of the NAV paid semi-annually.

The Directors would like to take this opportunity to once again thank investors for their support and co-operation throughout the restructuring process. We are confident that the changes will have a positive effect on the company and we believe that we can reasonably expect further positive developments in the Princess portfolio through 2007 and beyond.

The Board of Directors

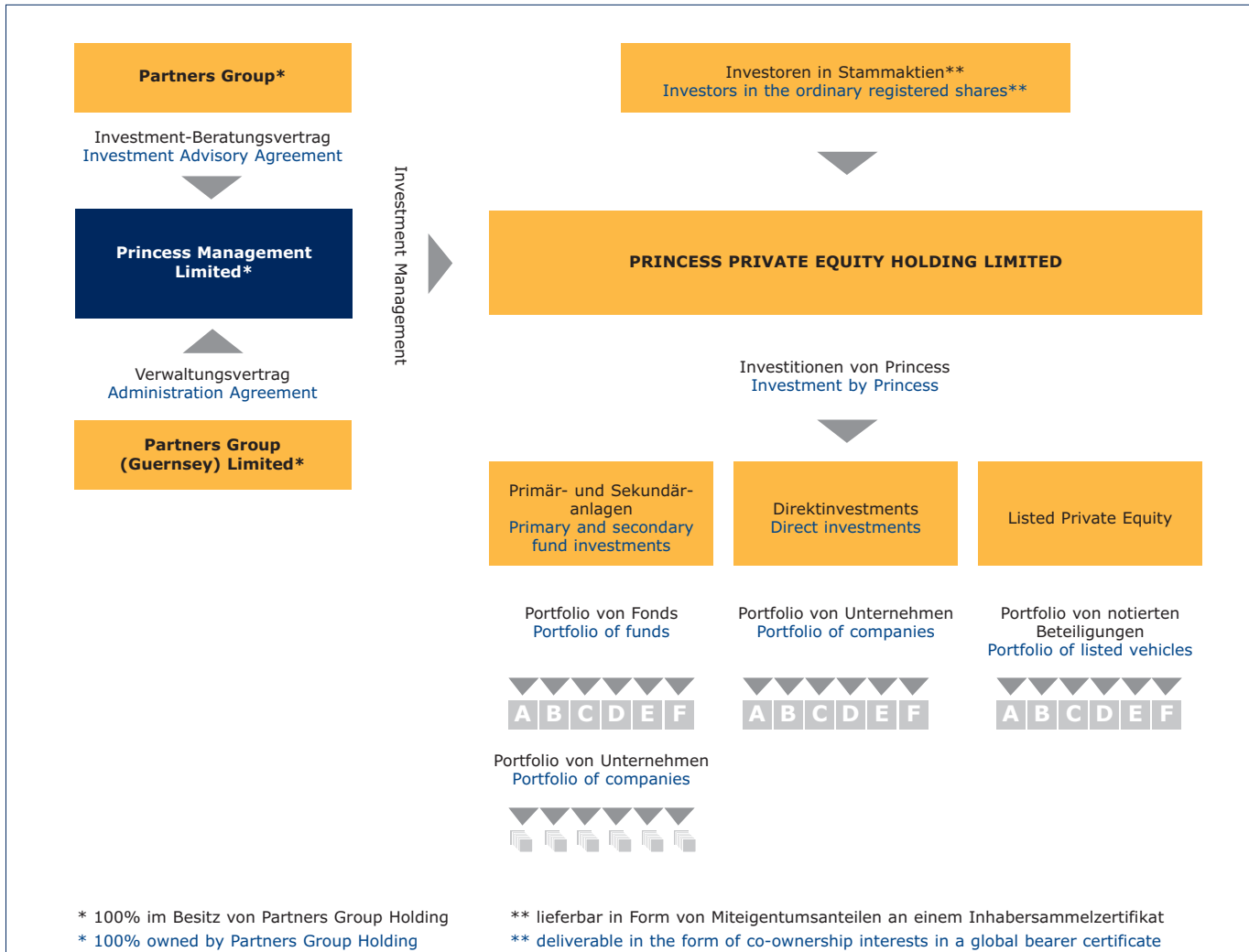
STRUKTURDARSTELLUNG STRUCTURAL OVERVIEW

Princess Private Equity Holding Limited ist eine in Guernsey domizilierte Private Equity-Beteiligungsgesellschaft, die im Mai 1999 gegründet wurde und in Private Market-Anlagen investiert. 1999 hat Princess über die Ausgabe einer Wandelanleihe USD 700 Mio. aufgenommen und dieses Geld über Zahlungsverprechen an Private Equity-Partnerships investiert. Die Wandelanleihe wurde im Dezember 2006 in Aktien gewandelt. Gleichzeitig wurden die Anlagerichtlinien angepasst und die Berichtswährung von US-Dollar in Euro umgestellt. Die Princess-Aktien – lieferbar in Form von Miteigentumsanteilen an einem globalen Inhabersammelzertifikat – sind seit dem 13. Dezember 2006 an der Frankfurter Wertpapierbörse gehandelt.

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

Princess Private Equity Holding Limited is a Guernsey-registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700m through the issue of a convertible bond and invested the capital raised by way of commitments to private equity partnerships. The convertible bond was converted into shares in December 2006. Concurrently, the investment guidelines were amended and the reporting currency changed from the US dollar to the euro. The Princess shares – deliverable in the form of co-ownership interests in a global bearer certificate – were launched for trading on the Frankfurt Stock Exchange on 13 December 2006.

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



börsennotierte Beteiligungsgesellschaften (Listed Private Equity) investieren. Ende 2006 setzte sich das Princess-Portfolio aus insgesamt 115 Zahlungsverprechen an Private Equity-Partnerships zusammen.

Der Investmentmanager von Princess ist Princess Management Limited, die vor der Wandlung im Dezember 2006 auch als Princess Management & Insurance Limited bekannt war. Princess Management & Insurance Limited war der Erstversicherer der Princess-Wandelanleihe. Im Rahmen der Wandlung der Anleihen in Aktien im Dezember 2006 wurden die Versicherungsvereinbarungen beendet und die Gesellschaft änderte ihren Namen in Princess Management Limited.

Princess Management Limited ist in Guernsey domiziliert und eine 100%ige Tochtergesellschaft der Partners Group Holding.

Der Investmentmanager kann einen Teil oder auch seine gesamten Verpflichtungen Dritten übertragen. In diesem Sinn hat der Investmentmanager mit Partners Group einen Beratungsvertrag abgeschlossen. Partners Group ist ein führender unabhängiger Vermögensverwalter im Bereich alternativer Anlagen mit Sitz in Zug (Schweiz), der aus seinen Büros in Zug, London, New York, Singapore und Guernsey mit über 170 Mitarbeitern, darunter über 100 Anlagespezialisten, tätig ist. Über diesen Beratungsvertrag wird Princess von Partners Group's weltweiter Präsenz, der Grösse und Erfahrung ihres Investmentteams, ihrem Netzwerk zu vielen der weltweit führenden Private Equity-Häusern und ihrem Fachwissen in den Bereichen Primär-, Sekundär- und Direktanlagen profitieren.

private equity. At the end of 2006 the Princess portfolio contained commitments to 115 partnerships.

The Investment Manager of Princess is Princess Management Limited, which prior to December 2006 was known as Princess Management & Insurance Limited. Princess Management & Insurance Limited was the primary insurer of Princess' convertible bond nominal issuance amount, but these insurance arrangements were terminated at the time of the bond conversion in December 2006 and the company changed its name at that time.

Princess Management Limited is registered in Guernsey and is a wholly-owned subsidiary of Partners Group Holding.

The Investment Manager is permitted to delegate some or all of its obligations and has entered into an advisory agreement with Partners Group. Partners Group is a leading independent alternative asset manager, headquartered in Zug, Switzerland. It has over 170 employees including over 100 alternative asset professionals operating out of Zug, London, New York, Singapore and Guernsey. Through the advisory agreement, Princess will benefit from the global presence, the size and experience of the investment team, relationships with many of the world's leading private equity firms across all financing stages and the experience in primary, secondary and direct investments of Partners Group.

**BERICHT DES INVESTMENTMANAGERS
INVESTMENT MANAGER'S REPORT**



RÜCKBLICK AUF DIE PRIVATE EQUITY-INDUSTRIE 2006 REVIEW ON THE PRIVATE EQUITY INDUSTRY IN 2006

Die Wirtschaft boomt

Die Weltwirtschaft erreichte 2006 trotz eines Rückgangs in den USA in der zweiten Jahreshälfte ein starkes reales Wachstum von 5%, verglichen mit +4% in 2005. Für dieses gute Ergebnis ist vor allem die europäische Wirtschaft verantwortlich, wobei insbesondere Deutschland ein deutliches Wachstum aufzeigte. Zugleich pendelte sich das Wirtschaftswachstum in den asiatischen Schwellenländern auf einem stabilen Niveau von 8% ein.

2006 war für die Aktienmärkte nicht nur das vierte Jahr einer Aktienhausse in Folge, sondern sogar ein Rekordjahr. Nach dem kurzzeitigen Rückschlag im Mai und Juni erholten sich die Märkte aufgrund von steigenden Unternehmensgewinnen, sinkenden langfristigen Zinsen und nachgebenden Öl- und Energiepreisen rapide und erreichten in einigen Bereichen neue Rekordwerte.

Sowohl die Konjunktur wie auch die Finanzmärkte schafften ein günstiges Marktumfeld für die Private Equity-Industrie: Zum einen trug das Wirtschaftswachstum zur positiven Entwicklung der Private Equity-finanzierten Unternehmen bei, zum anderen führten steigende Gewinne und Aktienpreise zu einem günstigen Umfeld für Unternehmensübernahmen und -fusionen mit attraktiven Ausstiegsmöglichkeiten und guten Investitionsmöglichkeiten.

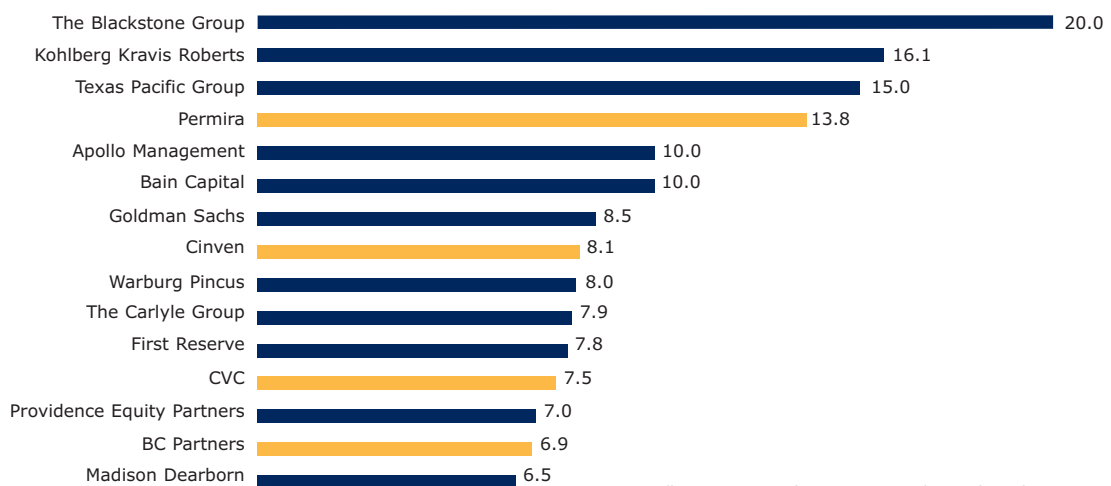
World economy is booming

Despite the slowdown in US economic growth in the second half of the year, the world economy showed strong GDP growth in 2006, expanding by +5% in real terms against +4% in 2005. One of the main drivers of this positive growth was the development of the European economies, with Germany, in particular, accelerating its rate of economic growth substantially. At the same time, the rate of economic growth in the emerging Asian economies stabilized at a high level of 8%.

For global equity markets, 2006 was not just the fourth year in a row of bull markets – it also saw new records being set. After the temporary setback in May and June, the markets rebounded sharply on the back of much stronger corporate earnings, falling long-term interest rates and easing oil and energy prices to reach in some cases new all-time highs.

The combination of booming economic growth and strong financial markets created a positive environment for the private equity industry. On the one hand, economic growth contributed to the positive development of private equity portfolio companies. On the other hand, higher earnings and rising share prices led to a favorable M&A environment, creating not only good exit but also investment opportunities.

DIE GRÖSSTEN BUYOUT-FONDS LARGEST BUYOUT FUNDS EVER RAISED



Alle Beträge in Mrd. USD. Europäische Fonds sind in orange dargestellt
All amounts in USD bn. European funds are indicated in orange

Private Equity-Fonds werben über USD 400 Mrd. ein

Noch vor einem Jahr dachte niemand, dass das enorme Fundraising-Volumen von 2005 übertroffen werden könnte. Genau dies ist aber eingetroffen: Verglichen mit USD 311 Mrd. in 2005 wurden im Jahr 2006 612 Fonds mit einem Gesamtvolumen von USD 401 Mrd. aufgelegt. Die Rekordsumme wurde durch einige Mega-Buyout-Fonds unterstützt: Galt bis letztes Jahr noch GS Capital Partners V mit USD 8.5 Mrd. als der grösste Fonds, wurde er im Jahr 2006 von sechs neuen Mega-Fonds übertroffen, darunter The Blackstone Group (USD 20 Mrd.), Kohlberg Kravis Roberts (USD 16.1 Mrd.), Texas Pacific Group (USD 15 Mrd.) und Permira (EUR 11 Mrd.). Die Tatsache, dass selbst diese Fonds trotz ihrer enormen Grösse überzeichnet waren, zeigt, dass Zugang zu den besten Fondsmanagern nach wie vor eine entscheidende Rolle in der Private Equity-Industrie spielt.

Auf Rekordfonds folgen Mega-Deals

Buyout-Häuser legten nicht nur grosse Fonds auf, sondern fanden auch zahlreiche überzeugende Investitionsmöglichkeiten. Tatsächlich kam die Mehrheit der grössten jemals durchgeführten Buyout-Deals in den vergangenen 18 Monaten zustande. Im Juli wurde mit der Übernahme der amerikanischen Spitalkette HCA für USD 33 Mrd. der bis dahin grösste Deal aller Zeiten – die USD 31.4 Mrd.-Über-

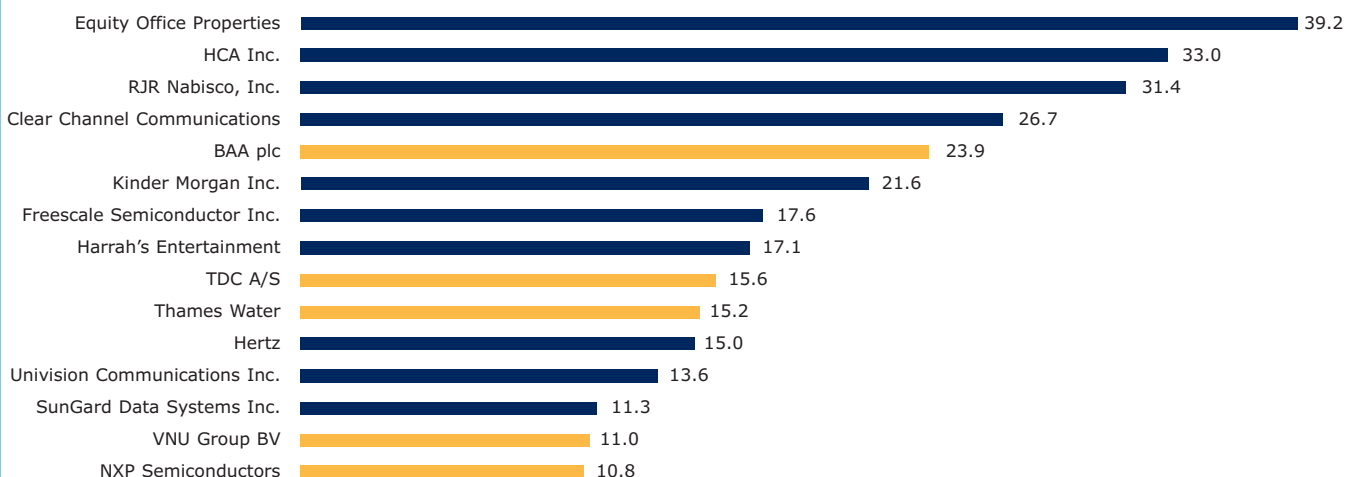
Private equity industry raises over USD 400bn in funds

A year ago, it would have seemed inconceivable to be able to top the record levels of private equity fundraising seen in 2005. But this is exactly what happened: in 2006, some 612 funds raised a total of USD 401bn, compared to USD 311bn in 2005. This record amount was driven by a number of mega-buyout funds – indeed, the largest ever raised in private equity history. Whereas up until last year the largest fund ever raised was GS Capital Partners V at USD 8.5bn, 2006 saw as many as six funds being raised that were even bigger. These mega funds were raised by firms with the longest and most well-established track records, such as The Blackstone Group (USD 20bn), Kohlberg Kravis Roberts (USD 16.1bn), Texas Pacific Group (USD 15bn) and Permira (EUR 11bn). The fact that these mega funds – despite their huge size – were even oversubscribed shows that access to good fund managers remains an issue in the private equity industry.

Record funds resulting in mega deals

Not only did buyout fund managers raise enormous sums, but they also found enough opportunities to invest at a robust rate. In fact, most of the biggest leveraged buyout deals ever completed were closed over the past 18 months.

DIE GRÖSSTEN PRIVATE EQUITY-TRANSAKTIONEN LARGEST PRIVATE EQUITY TRANSACTIONS EVER



Alle Beträge in Mrd. USD. Europäische Transaktionen sind in orange dargestellt
All amounts in USD bn. European deals are indicated in orange

nahme von RJR Nabisco im Jahr 1989 – übertroffen. Auch andere Transaktionen lagen jenseits der USD 10 Mrd.-Grenze, so Kinder Morgan mit USD 21.6 Mrd., TDC mit USD 15.6 Mrd. oder Hertz mit USD 15 Mrd. Dieser Trend wurde durch relativ niedrige Zinsen und allgemein weniger risikoscheue Banken unterstützt, die vor allem im Mid- und Large-cap-Buyout-Segment einen höheren Verschuldungsgrad zulassen und so den Boom im Leveraged Buyout-Markt ermöglichen.

Rückzüge von der Börse sind im Trend

Sowohl die steigenden Fondsgrößen als auch der einfache Zugang zu Fremdkapital führte dazu, dass Buyout-Fonds vermehrt nach Investitionsmöglichkeiten ausserhalb des Private Equity-Marktes Ausschau hielten und sich zunehmend für den öffentlichen Markt interessierten. Dabei visierten Fondsmanager börsennotierte Unternehmen als neue Zielinvestitionen an. Dies führte zu einem Anstieg der sogenannten «Public-to-private-Transaktionen», bei denen börsennotierte Unternehmen mit der Unterstützung von Private Equity-Firmen privatisiert werden. Dabei ist es nicht überraschend, dass nicht nur kleine, sondern zunehmend vor allem grosse Public-to-private-Deals beobachtet wurden. Insgesamt erreichten diese Transaktionen angetrieben von US-Firmen ein Volumen von USD 150 Mrd. Markante Beispiele sind Clear Channel (USD 26.7 Mrd.), Freescale (USD 17.6 Mrd.) und Univision (USD 13.6 Mrd.). Angesichts dieser Dealgrößen ist es nur eine Frage der Zeit, bis Private Equity-finanzierte Übernahmen von S&P 500- und FTSE 100-Firmen zum Alltag gehören.

M&As im Buyout-Bereich gewinnen an Bedeutung

Nachdem in der Vergangenheit Restrukturierungen und Kosteneinsparungen im Vordergrund standen, um Firmen in die Gewinnzone zu bringen und somit zu höheren Aktienpreisen zu führen, konzentrieren sich Unternehmen heute verstärkt auf strategische Investitionen, von denen viele mit einer Übernahme einhergehen. Dies führte 2006 zum höchsten M&A-Volumen in den letzten zehn Jahren und erlaubte Private Equity-Investoren gute Ausstiegsmöglichkeiten: Buyout-Fonds konnten ihre Investitionen nach Restrukturierung und Neuorganisation zu einem guten Preis veräussern. Zugleich bot die M&A-Hausse gute Investitionsmöglichkeiten für Buyout-Fonds, die für 18% des gesamten M&A-Volumens in 2006 sorgten. Seit 2001 (4%) stieg diese Zahl konstant an und war vor allem in den USA bemerkenswert, wo sich der Anteil von Private Equity-finanzierten Übernahmen am gesamten M&A-Volumen beinahe verdoppelte.

In July 2006, the takeover of HCA, a US hospital chain, for USD 33bn even broke the record for the biggest deal ever, namely that of RJR Nabisco which closed at USD 31.4bn in 1989. The market saw several other deals surpass the USD 10bn mark, including Kinder Morgan with USD 21.6bn, TDC with USD 15.6bn and Hertz with USD 15bn. This trend towards mega deals was supported by relatively low interest rates and generally less risk-averse banks, enabling significantly higher levels of leverage especially in the mid-to large-cap buyout segment and which led to a booming leveraged buyout market.

Trend towards taking companies private

With the size of funds growing and given the easy accessibility of debt financing, buyout funds started to look for investment opportunities outside of the private market and became increasingly interested in the public market. The managers saw new targets, including large listed companies, coming within their reach. As a result, there was an increase in the number of public-to-private transactions, in which private equity companies back the privatization of listed companies. Not surprisingly, the number of small and, in particular, large public-to-private transactions has been on the rise. Overall, the value of take-privates reached a record USD 150bn in 2006, boosted by US companies. Prominent examples include Clear Channel (USD 26.7bn), Freescale (USD 17.6bn) and Univision (USD 13.6bn). Given the size of these transactions, it can only be a matter of time before private equity-backed takeovers of S&P 500 and FTSE 100 firms become commonplace.

Growing importance of M&As in the buyout industry

Companies, after spending years restructuring and cost-cutting in order to get back into the profit zone and enjoy rising share prices, are now focused on strategic investments, many of which are acquisition-related. This advantageous environment for M&As took the value of M&As to a 10-year high and provided opportunities for private equity exits. Buyout funds could sell their investments for a good price after having restructured and reorganized them. At the same time, the booming M&A market provided good investment opportunities for buyout funds: financial sponsor-backed buyouts represented 18% of total M&A volume in 2006. This figure has risen constantly since 2001 (4%). It has risen especially sharply in the US, where private equity activity nearly doubled as a proportion of total M&A volume from 14% in 2005 to 27% in 2006.

Venture-Fundraising weiterhin stabil

Während das Buyout-Segment von einem Rekordjahr beim Fundraising geprägt war, blieb das Venture-Fundraising stabil. In den USA wurde etwas mehr Geld eingeworben als noch 2005, in Europa waren die Beträge unverändert. Nach einer starken ersten Jahreshälfte nahm das Fundraising gegen Jahresende hin ab: Die meisten Venture-Firmen haben ihre neuen Fonds aufgelegt und befinden sich in den nächsten voraussichtlich fünf bis sieben Jahren in einer aktiven Investitionsphase. Im Unterschied zum Fundraising 2005 war die Anzahl an grossen, neu aufgelegten Fonds im Jahr 2006 deutlich höher. Bemerkenswert ist, dass 22% der abgegebenen Venture-Zahlungszusagen an Fonds mit einer Fondsgrosse von USD 500 Mio. oder mehr gingen, während dies im vergangenen Jahr nur 8% waren.

Venture-Investitionen übertreffen die vergangenen Jahre

Im Gegensatz zum Fundraising erreichte das Volumen von Venture-Investitionen weltweit mit USD 32 Mrd. den höchsten Wert seit 2001. Firmen, die sich in der Gründungs- oder Frühphase befinden, spielten 2006 hierbei eine wichtige Rolle. Das positive Marktumfeld für Börsengänge sowie das allgemein günstige M&A-Umfeld boten Investoren die nötigen Realisierungsmöglichkeiten für bestehende Beteiligungen, die es ihnen erlaubten, den nächsten Schwung an Firmengründungen zu unterstützen. Als Folge nahmen die Summen für Spätphasenfinanzierungen stetig ab und wurden zugunsten von Frühphasenfinanzierungen eingesetzt. Allerdings ist nicht nur die Gesamtsumme der Frühphasenfinanzierungen während der vergangenen Monate gestiegen, sondern auch die Grösse der Investitionen in einzelne Firmen.

Angesichts einer steigenden Internationalisierung des Venture-Marktes interessieren sich Venture-Investoren zunehmend für Investitionsmöglichkeiten ausserhalb ihres eigenen Marktes: Insbesondere Indien und China konnten 2006 ein starkes Wachstum an Venture-Finanzierungen verzeichnen – ein Trend, der anhalten dürfte.

Höhere Bewertungen für Venture-finanzierte Firmen in den USA und Europa spiegeln sowohl eine höhere Qualität der Unternehmen als auch das positive Exit-Umfeld wider, welches in den USA nach wie vor stark von Übernahmen und Fusionen geprägt ist. Da Firmen beim Börsengang (IPO) in den USA mit regulatorischen Hürden wie Sarbanes-Oxley – einem Gesetz zur Verbesserung und Verschärfung der Bilanzprüfung – konfrontiert werden, suchen Venture-finanzierte Unternehmen nach Alternativen zu US-Börsen, wie

Venture capital fundraising remained stable

While the buyout segment was dominated by the enormous amount of fundraising in 2006, venture fundraising as a whole reported stable numbers. The amount of venture capital raised in the US exceeded, albeit slightly, that raised in the previous year, while the numbers for Europe remained stable. After a robust first half, fundraising slowed in the second half, coinciding with the end of a fundraising cycle. Most venture firms have raised funds and are now concentrating on actively investing with a five to seven year horizon in mind. Compared to 2005, there was a significant increase in the number of large venture funds being raised and, as a consequence, the total number of new venture funds raised declined. Notably, 22% of the venture capital raised in 2006 was committed to funds with a size of USD 500m and over, compared to only 8% in 2005.

Venture investments outpaced levels set in previous years

In contrast to fundraising, the volume of global venture investments was at around USD 32bn at its highest since 2001. Investment in seed and early-stage companies gained in importance in 2006. Strong IPO markets, especially in Europe, and an active M&A environment provided investors with the exits they needed to support the next wave of start-up companies. As a result, the amount dedicated to later rounds steadily declined in favor of early-stage investment activity. Over the past few quarters, not only the total amount going to early-stage investments, but also the size of the investment per company has been increasing.

This development was accompanied by the internationalization of the venture market. Leading venture capital firms have been increasingly looking for investment opportunities outside of their home market. India and China, in particular, saw rapid growth in venture capital financing in 2006 – a trend that is expected to continue.

Rising valuations for venture-backed companies in both the US and Europe reflected the fact that the quality of the companies had improved as well as the good exit environment. M&A transactions continued to be the dominant exit route for US venture capital firms. The reason being companies going public on US stock exchanges face regulatory hurdles, such as the Sarbanes-Oxley, which is a US law that seeks to improve and, at the same time, tighten a company's audit. As a result, venture-backed companies have begun to look for alternatives to US exchanges, such as the AIM in London. Nevertheless, last year venture-backed IPO

etwa den AIM in London. Dessen ungeachtet übertraf die IPO-Aktivität Venture-finanzierter Firmen in den USA und in Europa das Niveau des Vorjahres.

Der Mezzanine-Markt wächst parallel zum LBO-Markt

Wie aufgrund des freundlichen Kreditumfelds erwartet, haben Mezzanine-Transaktionen analog zu fremdfinanzierten Buyouts zugelegt und erzielten anzahl- und volumenmässig mit EUR 12.2 Mrd. 2006 einen weiteren Rekord. Kennzeichnend für das Jahr waren auch die vielen Mezzanine-«Mega-Tranchen», wie beispielsweise im Rahmen der Fusion von Casema/Multikabel/Essent Kabelcom die erste europäische Tranche über EUR 1 Mrd.

Mezzanine-Renditen blieben über die vergangenen Jahre hinweg stabil und sind daher bei den aktuell niedrigen Zinsen eine attraktive Anlagealternative. Das freundliche Kreditumfeld mit historisch niedrigen Zinsen führte zu steigendem Druck auf die Finanzierungskonditionen im LBO-Bereich, was sich in niedrigeren Zinserträgen und geringeren Eigenkapitalbeteiligungen durch Optionsscheine niederschlug. Allerdings ist es den erstklassigen Mezzanine-Investoren gelungen, diesen Verlust teilweise auszugleichen, indem sie kleinere Eigenkapitalbeteiligungen – sogenannte synthetische Equity-Kicker – erwarben und dadurch einen insgesamt stabilen Ertrag für ihre Investoren erzielen konnten.

Listed Private Equity erlebte ein gutes Jahr

Nach einem guten Start ins Jahr mit einer positiven Performance im ersten Quartal ging die Korrektur auf den Weltfinanzmärkten im Mai und Juni nicht spurlos am Listed Private Equity-Markt vorbei. Allerdings konnte dieser die Verluste in der zweiten Jahreshälfte wieder ausgleichen und das Jahr mit +13.5% (LPX 50) deutlich positiv beenden. Obwohl der Aktienkurs von mehreren Private Equity-Gesellschaften im Verlauf des Jahres markant anstieg, blieb das Verhältnis zwischen Innerem Wert und Preis dieser Gesellschaften recht stabil, was auf einen gesunden Zustand der Anlageklasse deutet.

Der Sekundärmarkt ist weiter auf dem Vormarsch

Ausschlaggebend für das Wachstum des Private Equity-Sekundärmarktes in den letzten beiden Jahren – sowohl anzahl- wie volumenmässig – ist der steigende Einsatz von Sekundärtransaktionen als Portfoliomanagement-Tool. Sekundärtransaktionen sind Beteiligungen in Private Equity-Fonds (einschliesslich Dachfonds), die auf dem Sekundärmarkt erworben werden. In der Vergangenheit diente der Sekundärmarkt Investoren, die Liquiditätsprobleme hatten

activity in the US and Europe surpassed the previous year's level.

Mezzanine market growing alongside LBO market

As expected, given the favorable lending environment, mezzanine financing grew alongside the leveraged buyout market to produce yet another record, both in terms of the number of deals and total volume (EUR 12.2bn), in 2006. Deal flow remained very active and provided a number of mega tranches, for instance the first European EUR 1bn mezzanine tranche in the Casema/Multikabel/Essent Kabelcom tie-up.

Mezzanine returns have remained stable over the past few years and therefore offered a good investment opportunity in the current market environment with its low interest rates. The favorable lending environment with historically low interest rates has led to pressure on the financing terms, including lower yields and smaller equity participations through warrants. However, high-quality mezzanine players have managed to partially compensate by being able to purchase small equity stakes, so-called synthetic equity kickers, and generate a stable yield for investors.

Positive year for listed private equity

After a strong start to the year and a positive performance during the first three months, the listed private equity market was affected by the setback in global equity markets in May and June. During the second half of 2006, the listed private equity market recovered ground lost during the second quarter to close the year up 13.5% (LPX 50). Although the share price of many listed private equity companies rose significantly during the course of 2006, the relationship between the NAV and the share price remained stable, indicating healthy growth of the asset class.

Secondary market continuing to grow

The main driver behind the growth of the private equity secondaries market – i.e. the number of deals and volume – over the past two years has been the increasing use of secondaries as a portfolio management tool. Secondaries are interests in private equity funds (including funds of funds) acquired in the secondary market. Historically, the secondaries market has been a tool for investors with cash constraints or needing to create liquidity from illiquid long-term holdings. Nowadays, the secondaries are used in broader portfolio management, such as optimizing long-term returns or bringing an investor's portfolio in line with the most current investment strategy. On the investors' side,

oder illiquide langfristige Beteiligungen liquidieren wollten. Heutzutage wird der Sekundärmarkt breiter im Portfoliomanagement verwendet, beispielsweise zur Optimierung von langfristigen Renditen oder zur Anpassung des Portfolios an die Investitionsstrategie. Aus Investorensicht besteht aufgrund von attraktiven und stabilen Renditen eine steigende Nachfrage nach Sekundärtransaktionen, was zum Anstieg der Bewertungen eben dieser führte. Parallel zu dem sich verbessernden Exit-Umfeld sind auch Verkäufer – was die Preisgestaltung angeht – anspruchsvoller geworden.

Stabile Private Equity-Renditen

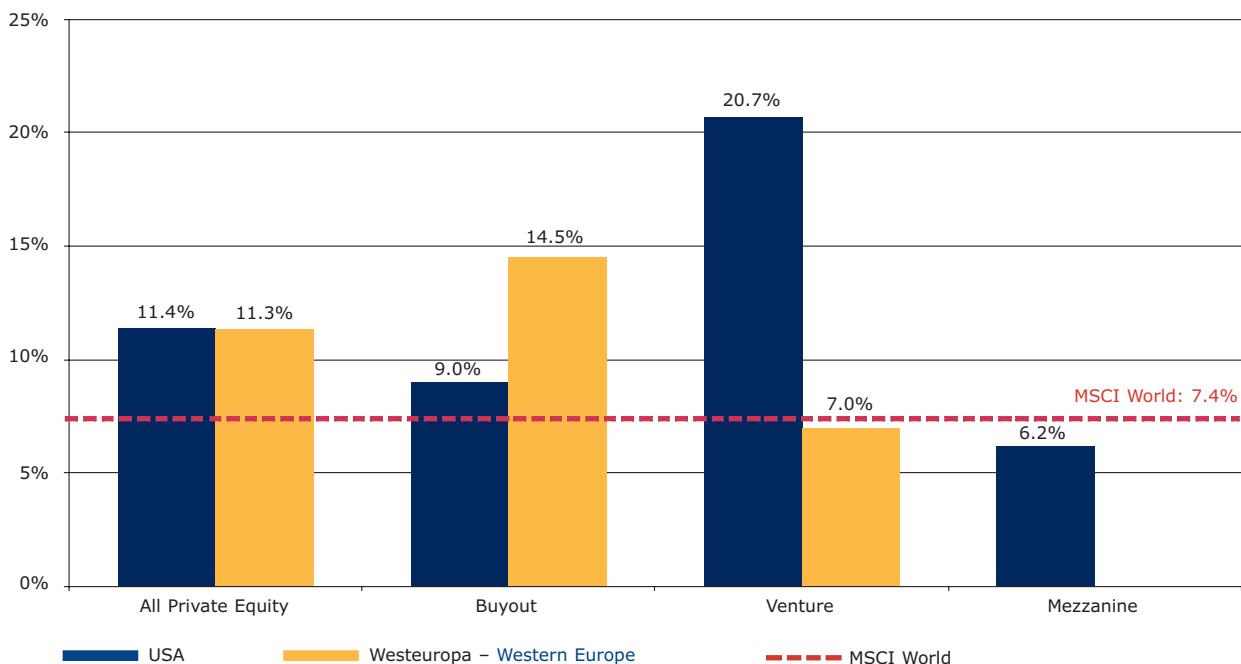
Die Gesamtperformance über die letzten zehn Jahre blieb für die Anlageklasse Private Equity 2006 stabil. Während Renditen für US Private Equity-Fonds leicht auf 11.4% zurückgingen, stiegen Renditen von europäischen Private Equity-Fonds von 10.7% auf 11.3%. Die beste Performance wurde von US Venture Capital-Fonds erzielt, die im zehnjährigen Zeitraum von Juni 1996 bis Juni 2006 eine interne Verzinsung von 20.7% erreichten. Allgemein erweist sich Private Equity weiterhin als wertvolle Anlageklasse, um Portfoliorenditen zu verbessern. US-amerikanische und europäische Private Equity-Fonds übertrafen beide den MSCI World, der über den gleichen zehnjährigen Zeitraum einen Anstieg von 7.4% aufweist.

demand for secondaries has increased due to the attractive and stable returns. The rise in demand has led to rising prices for secondary transactions. As the exit environment has improved, sellers have also become more demanding on the pricing front.

Private equity returns remain stable

The overall 10-year performance figures for the private equity asset class remained stable in 2006. While returns for US private equity funds declined slightly to 11.4%, European private equity returns increased from 10.7% to 11.3%. The best performance came from US venture capital funds, which posted an IRR of 20.7% in the ten-year period from June 1996 to June 2006. Private equity thus still proves to be a valuable asset class for enhancing portfolio returns. US and European private equity funds both outperformed the MSCI World Index, which posted a 7.4% gain over the same 10-year period.

LANGFRISTIGE PRIVATE EQUITY-PERFORMANCE
LONG-TERM PRIVATE EQUITY PERFORMANCE



Quelle – Source: Thomson Venture Economics 10Y Investment Horizon Performance per 30.06.2006, Bloomberg (GDDUWI Index Return in USD): 01.07.1996–30.06.2006 / Für Westeuropa-Mezzanine sind keine Daten verfügbar – No data available for Western Europe Mezzanine

WERTENTWICKLUNG DES PRINCESS-PORTFOLIOS PERFORMANCE OF THE PRINCESS PORTFOLIO

Der Investmentmanager freut sich, über ein für Princess historisches Jahr 2006 Bilanz ziehen zu dürfen: nicht nur die erfolgreiche Restrukturierung sowie die Einführung der Aktien an der Frankfurter Wertpapierbörse, sondern auch die Wertentwicklung des Portfolios waren für das Unternehmen sehr erfreulich. Durch die sehr gute Entwicklung des Portfolios wurden 2006 mehrere Meilensteine erreicht und neue Rekorde gesetzt. So erreichte der Innere Wert (NAV) per Jahresende das Allzeithoch von USD 846 Mio. Gegenüber den USD 707 Mio. vor Jahresfrist ist dies ein Anstieg von 19.65%, nachdem bereits in den Vorjahren der Innere Wert um 14% bzw. 13% zugenommen hatte.

Die treibenden Kräfte hinter dem NAV-Anstieg waren die hohen Rückflüsse aus Veräusserungen der Portfolio-Partnerships und beachtliche Aufwertungen der Beteiligungen im Portfolio. Mit USD 267 Mio. erreichten die Rückflüsse einen Rekordwert, 30% mehr als noch 2005 und ein Drittel aller bis anhin erhaltenen Rückflüsse. Viele der Partnerships im Portfolio zahlten beträchtliche Summen aus einzelnen Veräusserungen aus: *SR Technics* (3i Europartners III), *Carpark* (Bridgepoint Europe I), *Sydsvenska Kemi* (Industri Kapital 2000), *Carron Energy* (The Rutland Fund) und *Casema* (GMT Communications Partner) – um nur einige zu nennen – schütteten nicht nur Beträge in Millionenhöhe aus, sondern zahlten Princess auch das Mehrfache des investierten Betrages zurück. Während die Rückflüsse den noch verbleibenden Wert an Private Equity-Beteiligungen reduzieren, tragen sie zum Gesamtwert des Princess-Portfolios durch die Erhöhung der kurzfristigen Anlagen sowie des Barbestandes bei. Diese betragen per Jahresende 2006 USD 283 Mio., nachdem sie Ende 2005 noch USD 112 Mio. ausmachten.

Ende 2006 belief sich der Wert der Private Equity-Investitionen im Princess Portfolio auf USD 568 Mio., nachdem er ein Jahr zuvor noch USD 595 Mio. betrug. Die Reduzierung des Wertes der Private Equity-Investitionen als Folge der hohen Rückflüsse konnte zu einem grossen Teil von den Aufwertungen der Portfoliobeteiligungen (USD 145 Mio.) aufgefangen werden. Der Grossteil der Neubewertungen kommt aus dem Buyout-Sektor, wobei aber auch Venture-Capital-Fonds deutliche Wertsteigerungen verzeichneten.

Princess hat im Berichtsjahr die Investitionen, die nicht in US-Dollar denominated sind, regelmässig gegen den US-Dollar abgesichert. Dies geschah, um die Währungsrisiken für die Investoren so gering wie möglich zu halten und den NAV nicht zusätzlicher Volatilität auszusetzen. Der Investmentmanager wird den Bedarf einer Währungsabsicherung im Jahr 2007 neu beurteilen und ist derzeit bestrebt, nach der Umstellung der Berichtswährung von US-Dollar in Euro den Grossteil des Nicht-Euro-Engagement abzusichern.

The Investment Manager is delighted to report that 2006 was a memorable year not only for Princess' successful restructuring with the subsequent listing of the shares on the Frankfurt Stock Exchange but also in terms of the performance of the portfolio.

Several milestones were achieved and records set in 2006, as the portfolio performed extremely well, with the key result being the increase in the NAV of the portfolio from USD 707m at the end of 2005 to a record USD 846m at the end of 2006. This increase of 19.65% in 2006 follows increases of around 14% in 2005 and 13% in 2004.

The main drivers behind the increase in the NAV were the high level of distributions received and the substantial revaluation of the remaining private equity assets in the portfolio. The level of distributions received reached a record USD 267m in 2006, 30% more than in 2005 and one third of all proceeds returned from investments so far. Many of the funds paid significant distributions from single exits: *SR Technics* (3i Europartners III), *Carpark* (Bridgepoint Europe I), *Sydsvenska Kemi* (Industri Kapital 2000), *Carron Energy* (The Rutland Fund) and *Casema* (GMT Communications Partner), just to mention a few, not only paid back amounts of several millions of dollars to Princess, but also returned a multiple of the initial investment. While distributions reduce the remaining value of the private equity assets in the portfolio, they add to the value of the portfolio as a whole through an increase in the value of short-term investments, cash and equivalents. At year-end these stood at USD 283m, against USD 112m at the end of 2005.

The value of the private equity assets at the end of 2006 was USD 568m, against USD 595m at the end of 2005. The diminution in the value of the private equity assets as a result of the high level of distributions was offset to a significant extent by revaluations, which totaled USD 145m. The bulk of the revaluations were recorded in the buyout sector, but there were also significant revaluations in both early and later stage venture funds.

Princess has adopted a consistent policy of hedging the non-US dollar exposure back into US dollars. This has been done so as to ensure that the portfolio's exposure to currency risk is minimized and that the NAV is not unduly volatile. The Investment Manager will continue to assess the benefits of hedging throughout 2007 with the current intention, following the change in reporting currency to the euro, being to hedge the bulk of the non-EUR exposure back to the EUR.

INVESTITIONSAKTIVITÄTEN INVESTMENT ACTIVITY

Wie im letzten Jahresbericht im Detail erörtert, wurde der Investmentmanager von Princess im Februar 2006 angehalten, infolge der Ausübung des Mitigation Rights durch die Swiss Re keine weiteren Zahlungsverprechen mehr im Private Equity-Bereich abzugeben. Vor der Ausübung des Mitigation Rights wurden neue Kapitalzusagen in der Höhe von USD 160 Mio. an Private Equity-Fonds der Gründungsjahre 2005 und 2006 abgegeben. Nach der erfolgreichen Wandlung der Anleihen in Aktien Anfang Dezember 2006 hat der Investmentmanager die Commitmenttätigkeit für Princess wieder aufgenommen. Bis Jahresende konnten so bereits wieder Kapitalzusagen an zwei neue Primärfonds abgegeben werden, nämlich an 3i Eurofund V und an Terra Firma Capital Partners III. Diese und auch die Anfang des Jahres getätigten Zahlungsverprechen sind weiter hinten im Kapitel «Neue Zahlungsverprechen im Jahr 2006» beschrieben.

Wie im Bericht des Verwaltungsrates erwähnt, hat Princess im Rahmen des Restrukturierungsprozesses eine neue Anlagepolitik verabschiedet: Princess strebt danach, den Aktionären langfristig Kapitalwachstum und mittel- bis langfristig eine attraktive Dividendenrendite zu bieten. Um dies zu erreichen, wird Princess einen globalen Relative Value-Ansatz verfolgen, um sich die relative Attraktivität von Investitionstypen, Finanzierungsstadien, Industriesegmente und Regionen im Zeitablauf zu Nutze zu machen. Das Ziel der Relative Value-Anlagestrategie ist es, systematisch Private Equity- und Private Debt-Anlagen zu finden, die nach Ansicht der Partners Group, des Anlageberaters von Princess, zu einem bestimmten Zeitpunkt besonders attraktiv sind.

Konnte Princess bis zur Restrukturierung nur in Fonds – hauptsächlich Primärfonds – investieren, wird nun das Anlageuniversum auch auf Direktinvestitionen (typischerweise an der Seite von anderen professionellen Private Equity-Investoren) und auf Sekundärbeteiligungen wie auch auf ausgewählte börsennotierte Private Equity-Anlagen ausgedehnt.

Fonds: Beteiligungen an Private Equity-Fonds (Buyouts, Mezzanine-Finanzierungen, Venture Capital, Sondersituationen wie Distressed-Situationen oder Turnarounds, Private Real Estate, private Infrastrukturprojekte, PIPE (Privatbeteiligung an einem öffentlichen Unternehmen), Leveraged Debt), die entweder von einem anderen Investor übernommen werden (Sekundärbeteiligung) oder mittels eines Zahlungsverprechens an einen neuen Fonds (Primärbeteiligung) eingegangen werden.

As detailed in the previous Annual Report, the Investment Manager was directed by Princess Private Equity Holding Limited in February 2006 not to make further commitments to the private equity asset class following the exercise of the right to mitigate by Swiss Re. New commitments of USD 160m had been made to 2005 and 2006 vintage funds prior to the exercise of the mitigation right. Following the successful conversion of the bonds to shares in early December 2006, the Investment Manager resumed making new commitments on behalf of Princess and by year-end had already been able to enter into new commitments to two primary funds, 3i Eurofund V and Terra Firma Capital Partners II. These and the commitments made earlier in the year are detailed in the New Commitments section of this report.

As noted in the Directors' Report, a new Investment Policy was adopted by Princess as part of the restructuring process. Under the new policy, the objective is to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long term. To achieve this objective, Princess will pursue a global relative value approach to exploit the relative attractiveness of investment types, financing stages, industry segments and geographic regions over time. The goal of the relative value investment strategy is to systematically identify and invest in private equity and private debt investments that Partners Group, the Investment Advisor to the Investment Manager, believes are particularly attractive at a given point in time.

Whereas previously Princess had only been investing through funds (mainly primary investments), it aims to broaden its investment scope to include direct investments (typically alongside other professional private equity investors) and secondaries, as well as select investments in listed private equity.

Fund investments: interests in private equity funds (including vehicles focusing on buyouts, mezzanine funding, venture capital and special situations such as distressed or turnaround situations, private real estate, private infrastructure investments, PIPE (private investments in public equity) transactions and leveraged debt) acquired from other investors (secondary investments) or through a commitment to a new fund (primary investments).

Direct investments: interests (including equity, debt and other kinds of securities) in (typically unlisted) assets or operating companies which are either held directly by the issuer or through any pooling vehicle.

Direktinvestitionen: Beteiligungen in der Form von Eigenkapital, Fremdkapital oder anderen Finanzierungsarten an (typischerweise nicht börsennotierten) operativ tätigen Unternehmen, die entweder direkt von Princess oder über ein sogenanntes Pooling-Vehikel gehalten werden.

Börsennotierte Private Equity-Anlagen (Listed Private Equity): Beteiligungen an börsennotierten Vehikeln, die in Private Equity-Transaktionen oder -Fonds investieren.

Bei den Anlageentscheiden wird der Investmentmanager makroökonomische Werttreiber wie Industrietrends, regionale Faktoren und wirtschaftliche Rahmenbedingungen sowie Deal-spezifische Faktoren wie Managementqualität, Unternehmensstrategie und Finanzanalyse berücksichtigen, um diejenigen Investitionen zu bestimmen, die nach seiner Ansicht die besten risikoabereinigten Renditeausichten bieten.

Die von Princess bisher abgegebenen Zahlungsverprechen – die nicht in US-Dollar denominierten Kapitalzusagen wurden zum jeweiligen Wechselkurs per Bilanzstichtag umgerechnet – belaufen sich auf insgesamt USD 1.39 Mrd., etwas mehr als noch vor Jahresfrist (USD 1.26 Mrd.). Neue

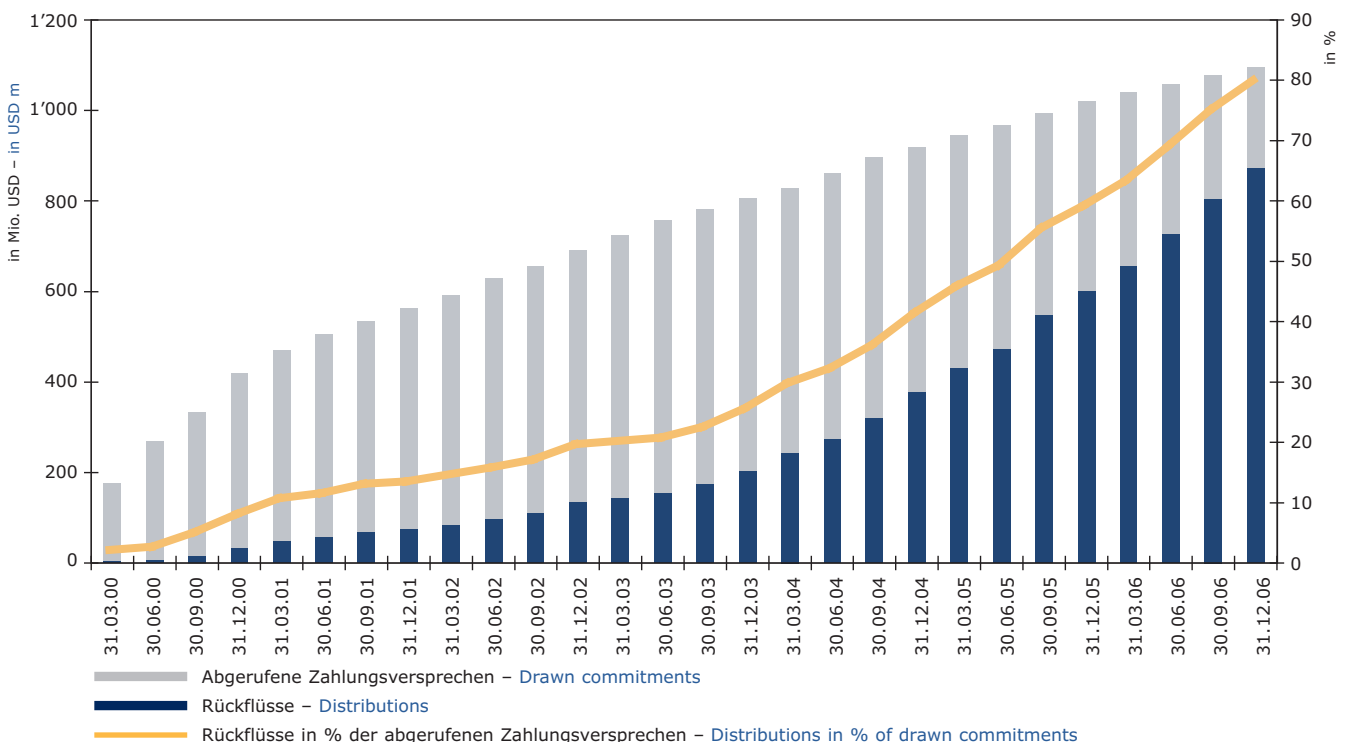
Listed private equity: interests in vehicles listed on a public stock exchange that invest in private equity transactions or funds.

In making investments, the Investment Manager will consider macro value drivers (industry trends, regional factors, economic conditions, etc) and deal-specific factors (management quality, firm strategy, financial analysis, etc.) to determine the investments that it believes offer superior risk-adjusted return potential.

Princess has made commitments totaling USD 1.39bn to limited partnerships, up from USD 1.26bn in 2005, based on the exchange rates prevailing at the balance sheet date. New commitments in 2006 were primarily made to funds in the Western European buyout sectors and included a EUR 20m commitment to Terra Firma Capital Partners III and a EUR 10m commitment to 3i Eurofund Vb.

Princess continued to fund new capital calls during 2006, but at a lower level than that seen in recent years. New capital calls funded in the year totaled USD 76m, compared to USD 98m in 2005, and were evenly spread across the financing stages. The level of capital calls is expected to increase in 2007 under the new investment strategy

**INVESTITIONSVERLAUF
INVESTMENT PROGRESS**



Zahlungsversprechen im Jahr 2006 gingen hauptsächlich an Fonds im westeuropäischen Buyout-Bereich, darunter EUR 20 Mio. an Terra Firma Capital Partners III oder EUR 10 Mio. an 3i Eurofund Vb.

Princess hat auch im abgelaufenen Geschäftsjahr weiterhin Kapitalabrufe der Portfolio-Partnerships breit gestreut über alle Finanzierungsstadien bedient: allerdings lagen die USD 76 Mio. an Kapitalabrufen deutlich unter dem Vorjahreswert von USD 98 Mio. Durch die Wiederaufnahme der Commitmenttätigkeit und aufgrund der neuen Anlagestrategie (vermehrt Direktinvestitionen) dürften die Kapitalabrufe im Jahr 2007 allerdings wieder ansteigen.

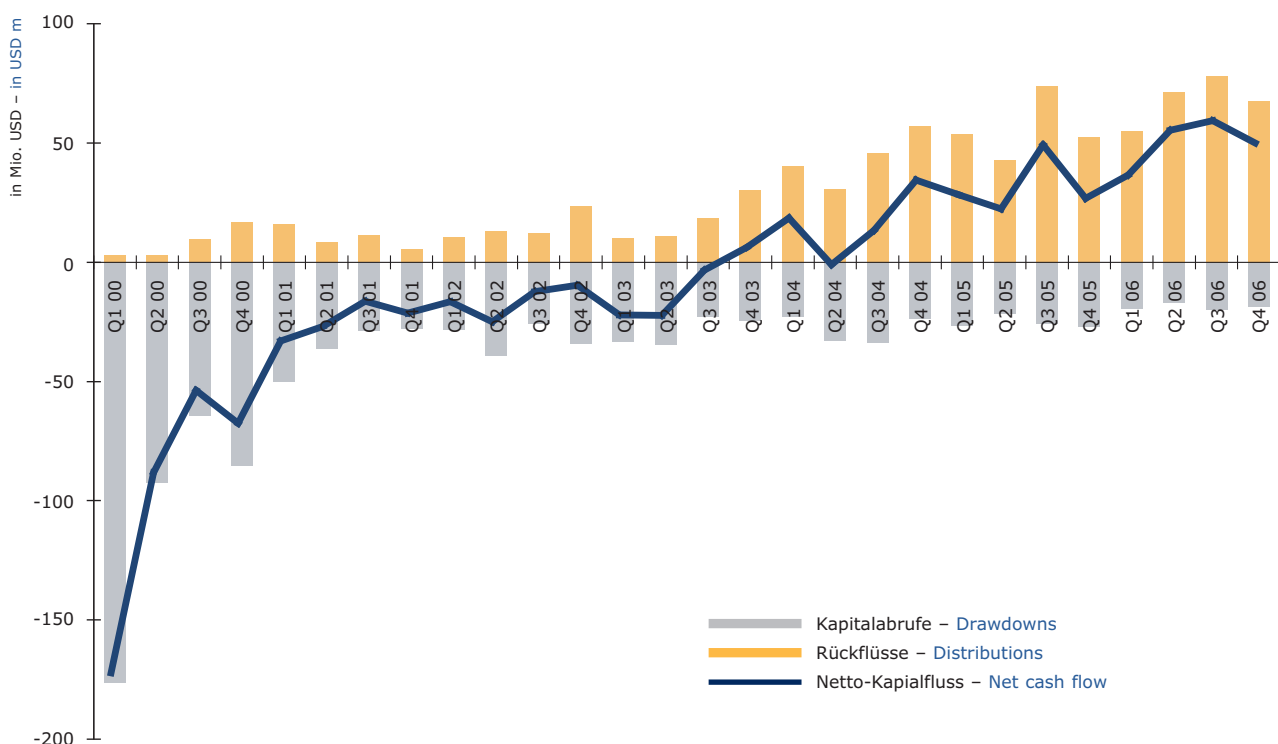
Offene Zahlungsverprechen liegen am Jahresende 2006 mit USD 259 Mio. knapp über dem Vorjahreswert von USD 245 Mio. Der trotz Kapitalabrufen höhere Wert ist auf die neuen Kapitalzusagen zurückzuführen, die hauptsächlich gegen Jahresende gesprochen wurden und zum überwiegenden Teil noch nicht abgerufen wurden. Die offenen Zahlungszusagen werden 2007 und darüber hinaus abgerufen werden, wenn Princess neue Investitionen über die

(increased direct investments) and due to increased commitment activity.

Undrawn commitments stood at USD 259m at the end of 2006, against USD 245m at the end of 2005. The increase reflects the fact that a number of new commitments were made late in 2006 and have yet to be drawn down to any significant extent. The unfunded commitments will continue to be drawn down in 2007 and beyond, as Princess carries on funding new investments both through its existing commitments and commitments to be made in 2007 and beyond, thus ensuring that the portfolio continues to benefit from the attractive investment opportunities offered by this asset class.

Princess received around USD 267m in distributions in 2006, compared to USD 205m in 2005, bringing total distributions to USD 872m. Some 70% of distributions in 2006 originated from the buyout sector. The majority of the funds in the portfolio made distributions in 2006. Significant contributions in terms of both the amount and the multiple came from 3i Europartners III (*SR Technics*),

ENTWICKLUNG DER NETTO-KAPITALFLÜSSE DEVELOPMENT OF NET CASH FLOW



bestehenden sowie neu abzugebenden Commitments tätigen wird. Dies stellt sicher, dass das Princess-Portfolio auch weiterhin von den attraktiven Anlagemöglichkeiten im Private Equity-Bereich profitieren kann.

Haben die Partnerships im Princess-Portfolio im Vorjahr USD 205 Mio. ausgeschüttet, so waren es 2006 bereits USD 267 Mio., womit die insgesamt aus Veräusserungen von Portfoliounternehmen an Princess zurückgeflossenen Gelder auf nunmehr beachtliche USD 872 Mio. angestiegen sind. Der überwiegende Teil der Portfoliopartnerships schüttete auch im Jahr 2006 Beträge aus, wobei rund 70% der Ausschüttungen vom Buyout-Bereich stammen. Bedeutende Rückflüsse – sowohl in Bezug auf Betrag wie auch auf Multiple – kamen von 3i Europartners III (*SR Technics*), Bridgepoint Europe I (*Carpark*), Industri Kapital 2000 (*Sydsvenska Kemi*), The Rutland Fund (*Carron Energy*) und GMT Communications Partner (*Casema*).

Bridgepoint Europe I (*Carpark*), Industri Kapital 2000 (*Sydsvenska Kemi*), The Rutland Fund (*Carron Energy*) and GMT Communications Partner (*Casema*).

PORTFOLIO-ALLOKATION

PORTFOLIO ALLOCATION

Im Rahmen der neuen Anlagepolitik wird der Investmentmanager weiterhin ein global diversifiziertes Private Equity-Portfolio für Princess führen. Während die Anlageentscheide auf der globalen Relative Value-Einschätzung der Partners Group beruhen, ist es das Bestreben, langfristig die im Nachfolgenden beschriebene Allokation zu erreichen, wobei die jeweilige Allokation im Zeitablauf variieren kann.

Geografische Regionen

Das längerfristige Ziel ist eine Allokation von zwischen 35% und 65% sowohl in Nordamerika wie auch in Europa, während das Engagement in Asien und im Rest der Welt nach und nach auf maximal 30% ansteigen wird, nachdem dieser Region grosses Potenzial bescheinigt wird.

Die aktuelle Allokation ist in der Grafik am Ende dieser Seite dargestellt. Während des abgelaufenen Geschäftsjahres gab es aufgrund der hohen Ausschüttungen der europäischen Fonds eine leichte Verschiebung von Europa nach Nordamerika und nach Asien & Rest der Welt.

Finanzierungsstadien

Im Vergleich zur gegenwärtigen Allokation wird der Investmentmanager mit 70–90% der Allokation einen grösseren Schwerpunkt auf den Buyout- und Special-Situations-Bereich legen und sich weniger auf Venture Capital konzentrieren, wobei Venture Capital aber in naher Zukunft nach wie vor ein wichtiger Bestandteil im Princess-Portfolio sein wird. Im Jahr 2006 stieg der Venture-Anteil im Portfolio von 35% auf 39% an, während der Buyout-Anteil auf 49%

Under the new investment policy the Investment Manager will continue to maintain a globally diversified private equity portfolio for Princess. While investment decisions will be made based on the relative value assessment by Partners Group, in the long term the aim is to allocate Princess's assets as set out below, though the issuer's target asset allocation may vary over time.

Geographic regions

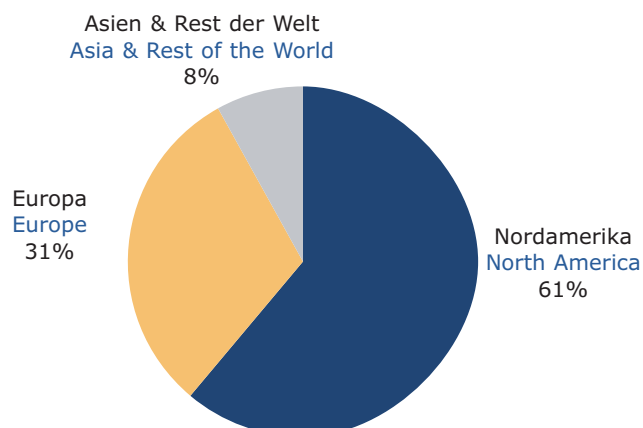
The longer term objective is to achieve an allocation of between 35% and 65% to both the North American and Europe regions, while Asia and the Rest of the World will progressively increase to a maximum of 30% as this is a region seen as having great potential.

The current allocation is shown below. During the year there was a slight switch from Europe to North America and Asia & the Rest of the World due to the high level of distributions from European funds.

Financing Stages

Compared to the current allocation, the Investment manager will give greater emphasis to the buyout and special situation financing stages (70–90%) and less to venture, although venture will remain an important part of the portfolio. In 2006 venture exposure increased from 35% to 39%, with a compensating decline in buyout to 49%, as the venture sector benefited from proportionally higher portfolio company revaluations and the buyout sector witnessed a high level of distributions.

WERT DER INVESTITIONEN NACH GEOGRAFISCHEN REGIONEN
INVESTMENTS BY GEOGRAPHIC REGIONS



zurückging, da der Anteil an Neubewertungen im Venture-Segment proportional höher ausfiel und der Buyout-Bereich von hohen Rückflüssen gekennzeichnet war.

Beteiligungsarten

Die grösste Änderung in der Portfolio-Allokation wird sich hinsichtlich der Art der Beteiligung ergeben. Zum Zeitpunkt der Wandlung bestand das Portfolio zu rund 95% aus Investitionen in Primärfonds, der Rest waren Sekundärbeteiligungen. Letztere wurden kurz nach der Auflegung von Princess eingegangen, um mit frühen Ausschüttungen, die aus den Sekundärbeteiligungen zu erwarten waren, dem Princess-Portfolio von Beginn an Stabilität zu verleihen.

Im Rahmen der neuen Anlagepolitik wird Princess in ein breiteres Universum an Private Equity-Anlagentypen investieren.

Primäranlagen sind Fondsbeteiligungen, die direkt bei Ausgabe erworben werden, sodass Princess am vollen Wertschöpfungspotential, das sich während einer Fondsdauer ergibt, teilhaben kann und das Princess-Portfolio breit diversifiziert wird. Der Grossteil der Kapitalzusagen wird erst während des Investitionszeitraumes – typischerweise während drei bis fünf Jahren – der jeweiligen Fonds abgerufen. Die Zielallokation an Primäranlagen beläuft sich auf 40–80%.

Sekundäranlagen sind Beteiligungen an Fonds, die bereits teilweise oder voll investiert sind. Zugesagte Gelder werden schneller abgerufen und Princess kann einen früheren Rückfluss des eingesetzten Kapitals erreichen. Princess strebt eine 0–30%ige Allokation an diesen Anlagentyp an.

Investment types

The most significant change in terms of portfolio allocation will be in the area of investment types. At the time of the conversion, 95% of the portfolio comprised investments in primary funds, with the balance in secondary funds. These secondary investments were made when Princess was first launched as they could provide stability to the Princess portfolio with their early distributions.

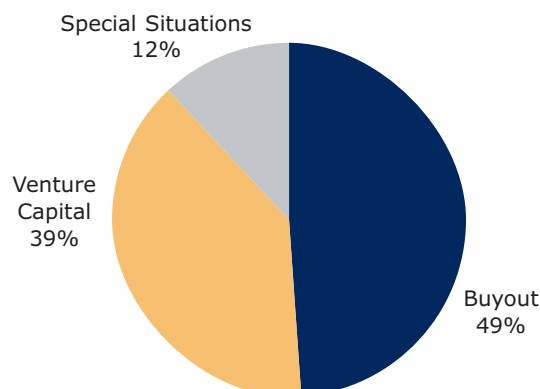
Under the new investment policy Princess will invest in a wider range of private equity investment types. This includes:

Primary investments, being investments in funds purchased directly from the issuer, ensure that the investor receives the full upside gain that may be achieved during the life of the fund and help to ensure that the portfolio is broadly diversified. However, the bulk of the committed funds will only be drawn down over the investment period of the fund, typically three to five years. The target allocation is 40–80%.

Secondary investments are investments in a fund that is already partially or fully invested. Funds are drawn down more quickly and the investors can achieve a faster return of invested cash. Princess will have a target allocation of 0–30% to this investment type.

Direct investments are investments in the underlying private company, rather than through a fund. These transactions are typically done in conjunction with other leading private equity investors. Direct investments ensure funds are deployed quickly and only attract one fee layer, while any risk concentration is offset by the overall diversity of the portfolio. The target allocation is 0–30%.

WERT DER INVESTITIONEN NACH FINANZIERUNGSSTADIEN
VALUE OF INVESTMENTS BY FINANCING STAGES



Direktinvestitionen sind direkte Beteiligungen an einzelnen Unternehmen. Solche Transaktionen werden in der Regel an der Seite eines führenden Private Equity-Hauses getätigt. Direktinvestments stellen sicher, dass zugesagte Gelder schnell veranlagt werden. Ausserdem lässt sich durch Direktinvestments eine Gebührenebene vermeiden. Eine Risikokonzentration wird durch die insgesamt breite Diversifikation des Portfolios ausgeglichen. Die Zielallokation beträgt 0–30%.

Börsennotierte Private Equity-Anlagen (Listed Private Equity) sind eine attraktive Möglichkeit, überschüssige Gelder anzulegen, bevor sie für Investitionen in andere Anlagentypen abgerufen werden. Somit wird ein sofortiges Engagement in Private Equity erreicht. Zudem können Ungleichgewichte im Markt ausgenutzt werden. Ziel ist eine Allokation von 0–20% an diesen Anlagentyp.

Die nachfolgenden Seiten zeigen eine detaillierte Übersicht über das Princess-Portfolio. Zudem sind die neuen Zahlungsverprechen sowie einige der interessantesten Transaktionen, an denen Princess-Partnerships im Jahr 2006 beteiligt waren, ausführlich beschrieben.

Listed private equity is an attractive way of deploying surplus funds ahead of making investments in the other investment types. It gives immediate exposure to private equity and offers the chance to exploit any perceived market discrepancies. The target allocation is 0–20%.

In the following pages, an overview of the Princess portfolio partnership by partnership is given along with a description of the new commitments to general partners made in 2006 and some of the more interesting transactions in which the Princess portfolio participated during the past 12 months.

PORTFOLIO-ÜBERSICHT

PORTFOLIO OVERVIEW

in USD

Manager	Partnership	Fondsvolumen/ Fund size	Zahlungs- versprechen/ Amount committed	Beteiligung in %/ % owned	Abrufe in %/ % Drawn down	Lancierungs- jahr / Vintage year
PRIMÄRINVESTITIONEN						
PRIMARY INVESTMENTS						
Europa – Buyout						
Europe – Buyout						
3i Investments plc	3i Eurofund Vb, L.P.	5,684,458,978	13,189,000	0.2	0.0	2006
3i Investments plc	3i Europartners IIIA, L.P.	1,312,305,495	26,378,000	2.0	89.9	1999
Astorg Partners S.A.S.	Astorg II, FCPR	245,216,482	12,397,660	5.1	97.0	1998
BC Partners Limited	BC European Capital VIII, L.P.	7'715'564'971	13,189,000	0.2	16.6	2005
Botts & Company Limited	Botts Capital Partners, L.P.	302,241,198	39,138,000	13.0	100.0	1998
Bridgepoint Capital Limited	Bridgepoint Europe I "D", L.P.	1,958,917,546	39,138,000	2.0	95.3	1998
Bridgepoint Capital Limited	Bridgepoint Europe III, L.P.	3,297,249,988	9,891,750	0.3	21.1	2005
Candover Partners Ltd.	Candover 2005 Fund, L.P.	5,432,285,299	13,189,000	0.2	29.3	2005
Cinven	Fourth Cinven Fund, L.P.	8'572'849'968	9'891'750	0.1	0.0	2006
Graphite Capital Management Limited	Graphite Capital Partners V, L.P.	358,601,922	19,569,000	3.0	87.5	1999
Industri Kapital 2000 Limited	Industri Kapital 2000, L.P.	2,769,689,990	13,189,000	0.5	100.0	1999
B & S Investments Limited	Italian Private Equity Fund III, L.P.	395,677,912	5,275,600	1.3	95.6	2000
Mercapital Servicios Financieros	Mercapital Spanish Private Equity Fund II, L.P.	791,339,997	9,232,300	1.2	93.9	2000
Nordic Capital	Nordic Capital IV, L.P.	901,412,320	19,722,960	2.2	93.6	2000
Nordic Capital	Nordic Capital VI, L.P.	2,505,909,991	9,891,750	0.4	38.9	2005
Palamon Capital Partners	Palamon European Equity "C", L.P.	579,892,631	13,189,000	2.3	100.0	1999
Partners Private Equity Management Inc.	Partners Private Equity, L.P.	122,970,000	8'788'256	7.2	100.0	1998
Permira Advisers Limited	Permira Europe II, L.P.	4,352,369,984	26,378,000	0.6	97.5	2000
Quadriga Capital Limited	Quadriga Capital Private Equity Fund II, L.P.	350,658,490	10,780,658	3.2	98.2	1999
Segulah Management II Limited	Segulah II, L.P.	124,181,600	12,418,160	10.0	91.1	1999
Terra Firma Capital Partners Holding	Terra Firma Capital Partners III, L.P.	4,608,608,375	26,378,000	0.6	0.0	2006
Warburg Pincus, LLC	Warburg Pincus International Partners, L.P.	2,500,000'000	5'000'000	0.2	100.0	2000
Europa – Venture Capital						
Europe – Venture Capital						
Abingworth Management Limited	Abingworth Bioventures III, L.P.	225,000,000	2,500,000	1.1	92.5	2001
Elderstreet Investments Limited	Elderstreet Capital Partners, L.P.	111,541,342	13,698,300	12.3	91.8	1999
Zouk Ventures Limited	European E-Commerce Fund	75,800,000	5'000'000	6.6	99.8	1999
EEP Managers Limited	European Equity Partners (III), L.P.	69,367,644	3,956,700	5.7	99.7	1999
EEP Managers Limited	European Equity Partners (IV), L.P.	13,848,450	791,340	5.7	53.1	2004
Galileo Partners	Galileo III, L.P.	208,328,497	5,539,380	2.7	79.1	2000
GMT Communications Partners Limited	GMT Communications Partners II, L.P.	484,695,748	18,464,600	3.8	88.1	2000
Index Ventures	Index Ventures I (Jersey), L.P.	183,453,456	10,000,000	5.5	100.0	1998
Merlin Capital Partners	Merlin Biosciences Fund, L.P.	325,701,035	6,594,500	2.0	98.0	2000
SVLS Management Advisers Inc.	SV Life Sciences Fund II, L.P.	279,964,000	20,000,000	7.1	100.0	1998
Wellington Partners Verwaltungs GmbH	Wellington Partners II, L.P.	146,397,899	5,275,600	3.6	96.0	2000
Europa – Special Situations						
Europe – Special Situations						
Coller Capital Limited	Coller International Partners III, L.P.	501,000,000	12,000,000	2.4	99.0	1999
Doughty Hanson & Co	Doughty Hanson & Co. European Real Estate Fund	616,350,000	7,728,563	1.3	83.5	1999
Intermediate Capital Group PLC (AKA: ICG)	ICG Mezzanine Fund 2000 L.P. No. 2	405,561,748	13,189,000	3.3	97.6	2000
Mezzanine Management Limited	Mezzanine Management Fund III, L.P.	528,926,900	15,000,000	2.8	96.3	1999
Rutland Fund Management Limited	Rutland Fund, The	410,326,702	12,719,850	3.1	79.7	2000
Nordamerika – Buyout						
North America – Buyout						
American Securities Associates	American Securities Partners III, L.P.	650,000,000	5,000,000	0.8	86.1	2001
Apollo Management, L.P.	Apollo Investment Fund V, L.P.	3,741,951,000	10,000,000	0.3	100.0	2001
Apollo Management, L.P.	Apollo Overseas Partners VI, L.P.	10,025,000,000	25,000,000	0.3	17.2	2005
The Blackstone Group	Blackstone Communications Partners I, L.P.	2,018,600,000	10,000,000	0.5	97.8	2000
Bruckmann, Rosser, Sherrill & Co., Inc.	Bruckmann, Rosser, Sherrill & Co. II, L.P.	767,200,000	15,000,000	2.0	100.0	1999
Carlyle Group	Carlyle Partners III, L.P.	3,800,000,000	10,000,000	0.3	100.0	1999
Clayton, Dubilier & Rice, Inc.	Clayton, Dubilier & Rice Fund VII L.P.	2,660,000,000	10,000,000	0.4	31.7	2005
Fenway Partners, Inc.	Fenway Partners Capital Fund II, L.P.	909,090,909	30,500,000	3.4	100.0	1998
Heritage Partners, Inc.	Heritage Fund III, L.P.	843,434,343	10,000,000	1.2	83.0	1999
INVESCO Private Capital, Inc.	INVESCO U.S. Buyout Partnership Fund II, L.P.	87,897,373	30,000,000	34.1	88.7	2000
Kohlberg & Company, L.L.C.	Kohlberg TE Investors IV, L.P.	576,044,250	10,000,000	1.7	89.3	2000
Providence Equity Partners, Inc.	Providence Equity Partners IV, L.P.	2,755,511,022	10,380,028	0.4	100.0	2000
Silver Lake Partners	Silver Lake Partners, L.P.	2,247,940,000	30,000,000	1.3	93.5	1999
Sterling Investment Advisers Management L.L.C	Sterling Investment Partners II, L.P.	544,500,000	10,000,000	1.8	19.9	2005
Texas Pacific Group	T3 Partners, L.P.	486,842,106	7,000,000	1.4	77.0	2000
Thomas H. Lee Company	Thomas H. Lee Parallel Fund V, L.P.	6,114,039,327	10,000,000	0.2	92.2	2000
Texas Pacific Group	TPG Partners III, L.P.	3,413,684,209	4,000,000	0.1	92.1	2000
Vestar Capital Partners	Vestar Capital Partners IV, L.P.	2,480,350,000	5'000'000	0.2	92.9	1999
Warburg Pincus, LLC	Warburg Pincus Private Equity IX, L.P.	8,000,000,000	15,000,000	0.2	45.5	2005

Nordamerika – Venture Capital						
North America – Venture Capital						
Access Technology Partners	Access Technology Partners, L.P.	272,676,768	15,000,000	5.5	100.0	1999
Advanced Technology Ventures	Advanced Technology Ventures VI, L.P.	400,000,000	5,000,000	1.3	97.5	2000
Apax Partners	APAX Excelsior VI, L.P.	1,053,131,313	5,000,000	0.5	94.9	2000
Austin Ventures	Austin Ventures VII, L.P.	825,000,000	5,000,000	0.6	95.2	1999
Battery Ventures	Battery Ventures VI, L.P.	850,000,000	4,207,500	0.5	100.0	2000
Cardinal Health Partners	Cardinal Health Partners II, L.P.	117,474,747	5,000,000	4.3	87.3	2000
Catterton Partners	Catterton Partners IV Offshore, L.P.	400,000,002	15,000,000	3.8	100.0	1999
INVESCO Private Capital, Inc.	Chancellor V, L.P.	225,740,230	20,000,000	8.9	84.0	1999
Columbia Capital	Columbia Capital Equity Partners III (Cayman), L.P.	855,675,639	10,000,000	1.2	93.0	2000
Crescendo Ventures	Crescendo IV, L.P.	644,777,735	7,000,000	1.1	100.0	2000
Dolphin Communications	Dolphin Communications Fund, L.P.	125,606,061	10,000,000	8.0	100.0	1998
Draper Fisher Jurvetson	Draper Fisher Jurvetson Fund VII, L.P.	643,080,808	5,000,000	0.8	81.1	2000
EnerTech Capital Partners	EnerTech Capital Partners II, L.P.	234,194,600	5,000,000	2.1	93.0	2000
Infinity Capital Ventures	Infinity Capital Venture Fund 1999, L.P.	199,013,258	10,000,000	5.0	97.5	1999
INVESCO Private Capital, Inc.	INVESCO Venture Partnership Fund II, L.P.	341,877,575	60,000,000	17.6	88.6	1999
Partners Private Equity Management Inc.	INVESCO Venture Partnership Fund II-A, L.P.	40,404,040	34,500,000	85.4	81.8	2000
Lightspeed Venture Partners	Lightspeed Venture Partners VI, L.P.	880,838,323	8,000,000	0.9	80.8	2000
Menlo Ventures	Menlo Ventures IX, L.P.	1,515,151,515	10,000,000	0.7	80.0	2000
Morgan Stanley Dean Witter & Co	Morgan Stanley Dean Witter Venture Partners IV, L.P.	487,000,000	5,000,000	1.0	95.7	1999
Morgenthaler Partners	Morgenthaler Partners VII, L.P.	868,917,526	3,172,740	0.4	79.9	2001
Prism Venture Partners	Prism Venture Partners IV, L.P.	428,838,388	2,000,000	0.5	74.0	2001
Sevin Rosen Funds	Sevin Rosen Fund VIII, L.P.	600,426,500	3,430,000	0.6	88.5	2000
Sierra Ventures	Sierra Ventures VIII-A, L.P.	495,172,803	10,000,000	2.0	90.0	2000
Summit Partners	Summit Ventures VI-B, L.P.	2,005,282,121	5,000,000	0.3	98.4	2000
TA Associates, Inc.	TA IX, L.P.	2,000,100,000	10,000,000	0.5	97.0	2000
TH Lee Internet Partners	TH Lee Putnam Parallel Ventures, L.P.	432,018,616	10,000,000	2.3	85.0	1999
Tailwind Capital Partners	Thomas Weisel Capital Partners, L.P. (Tailwind)	1,070,741,483	10,000,000	0.9	99.8	1999
TL Ventures	TL Ventures V, L.P.	685,506,000	10,000,000	1.5	77.0	2000
Vortex Partners	Vortex Corporate Development Fund, L.P.	46,230,400	2,920,000	8.7	95.1	2000
Worldview Technology Partners	Worldview Technology Partners III, L.P.	364,646,465	5,000,000	1.4	100.0	1999
Worldview Technology Partners	Worldview Technology Partners IV, L.P.	512,890,426	3,021,671	0.6	83.4	2000
Nordamerika – Special Situations						
North America – Special Situations						
Ares Management, L.P. (ACOF funds)	Ares Corporate Opportunities Fund II, L.P.	2,065,000,000	20,000,000	1.0	13.3	2006
The Blackstone Group	Blackstone Mezzanine Partners, L.P.	1,141,000,000	4,000,000	0.4	64.6	1999
Canterbury Capital Partners	Canterbury Mezzanine Capital II, L.P.	243,181,818	10,000,000	4.1	86.9	1999
Levine Leichtman Capital Partners II, Inc.	Levine Leichtman Capital Partners II, L.P.	349,455,000	30,000,000	8.6	100.0	1998
Oaktree Capital Management, LLC	OCM Mezzanine Fund II, L.P.	1,250,000,000	15,000,000	1.2	49.5	2005
Oaktree Capital Management, LLC	OCM Opportunities Fund III, L.P.	2,076,910,000	4,000,000	0.2	100.0	1999
Oaktree Capital Management, LLC	OCM/GFI Power Opportunities Fund, L.P.	449,101,000	4,000,000	0.9	84.7	1999
Pegasus Capital Advisors	Pegasus Partners II, L.P.	561,050,000	4,000,000	0.7	100.0	1999
Peninsula Capital Partners, LLC	Peninsula Fund IV, L.P.	335,353,535	10,000,000	3.0	24.0	2005
TCW/Crescent Mezzanine, L.L.C.	TCW/Crescent Mezzanine Partners III, L.P.	1,172,135,000	10,000,000	0.9	97.5	2001
Asien & Rest der Welt – Buyout						
Asia & Rest of World – Buyout						
Advent International Corporation	Advent Latin American Private Equity Fund II, L.P.	127,500,000	5,000,000	3.9	97.0	2001
Exxel Group S.A., The	Exxel Capital Partners VI, L.P.	441,382,766	5,000,000	1.1	95.7	2000
Newbridge Capital Ltd	Newbridge Asia III, L.P.	724,000,000	5,000,000	0.7	100.0	2000
Enterprise Investors	Polish Enterprise Fund IV, L.P.	216,666,666	5,000,000	2.3	98.3	2000
Unison Capital, Inc.	Unison Capital Partners, L.P.	319,126,660	5,290,784	1.7	80.5	1999
Asien & Rest der Welt – Venture Capital						
Asia & Rest of World – Venture Capital						
Carmel Ventures	Carmel Software Fund (Cayman), L.P.	171,130,000	10,000,000	5.8	90.0	2000
Crimson Capital	Crimson Velocity Fund, L.P.	331,050,000	5,000,000	1.5	100.0	2000
Genesis Partners	Genesis Partners II LDC	263,407,775	10,000,000	3.8	85.7	1999
Jerusalem Venture Partners (Israel)	Jerusalem Venture Partners III, L.P.	146,400,000	5,000,000	3.4	100.0	1999
Pitango Venture Capital	Pitango Venture Capital Fund III (USA) L.P.	500'000'000	12'000'000	2.4	93.0	2000

Manager	Partnership	Fondsvolumen/ Fund size	Zahlungs- versprechen/ Amount committed	Beteiligung in %/ % owned	Abrufe in % / % Drawn down	Lancierungs- jahr / Vintage year
SEKUNDÄRINVESTITIONEN						
SECONDARY INVESTMENTS						
PGPEAL	Partners Group SPP1 Limited	310,219,000	40,000,000	12.9	93.7	1996
William Blair & Company LLC	William Blair Capital Partners VI, L.P.	269,655,000	2,000,000	0.7	99.1	1998
Chase Capital Partners	Chase 1998 Pool Participation Fund, L.P.	252,525,252	20,000,000	7.9	98.7	1998
Coller Capital Limited	Coller International Partners III NW1, L.P.	222,381,243	25,439,700	11.4	81.7	1994
Coller Capital Limited	Coller International Partners III NW2, L.P.	225,160,524	30,331,950	13.5	92.4	1996
Doughty Hanson & Co	Doughty Hanson & Co. Fund III, L.P.	2,660,000,000	6,784,269	0.3	92.1	1997
Cinven	Second Cinven Fund (No.2), L.P.	1,770,994,484	10,029,112	0.6	97.5	1998

NEUE ZAHLUNGSVERSPRECHEN IM JAHR 2006 NEW COMMITMENTS IN 2006

Ares Corporate Opportunities Fund II, L.P.

Princess hat im Januar ein USD 20 Mio.-Zahlungsversprechen an Ares Corporate Opportunities Fund II abgegeben. Der Fonds wird die Anlagestrategie seines Vorgängerfonds fortsetzen und sich auf Investitionen in unterkapitalisierte mittelständische Unternehmen konzentrieren, die entweder verschuldet sind, sich in einer strategisch schwierigen Lage befinden oder generell eingeschränkte Kapitalmöglichkeiten haben und deren Wachstumschancen voll ausgeschöpft werden sollen. Der Fonds konzentriert sich auf Investitionen in den USA und in Kanada und ist gut positioniert, um in allen Wirtschaftszyklen investieren zu können. Der Manager des Fonds, Ares Management, wurde 1997 als eine Tochtergesellschaft von Apollo Management gegründet.

The Fourth Cinven Fund, L.P.

Princess sprach im Februar eine Kapitalzusage von EUR 7.5 Mio. an den vierten durch Cinven aufgelegten Fonds. Der Fonds wird die Anlagestrategie seiner Vorgängerfonds weiterführen und in grosse, marktführende Unternehmen investieren, welche einen bedeutenden Anteil ihres Umsatzes in Europa erwirtschaften und einen Unternehmenswert von über EUR 500 Mio. aufweisen. Cinven wurde 1977 gegründet und entwickelte sich seither zu einem Marktführer für grosse europäische Buyout-Finanzierungen.

3i Eurofund Vb, L.P.

Im Dezember sprach Princess eine Zahlungszusage von EUR 10 Mio. an 3i Eurofund Vb. Dieser Fonds ist der dritte paneuropäische Fonds der 3i Group, der sich ausschliesslich auf Buyout-Investitionen in mittelständischen Unternehmen in Europa konzentrieren wird. 3i Eurofund Vb plant, in ein diversifiziertes Portfolio von 45 bis 60 mittelgrossen Buyout-Transaktionen zu investieren. Aufgrund der langjährigen Erfahrung in Europa, der lokalen Präsenz in zwölf europäischen Ländern sowie einer etablierten Marktposition in drei Kontinenten zählt 3i zu den erfahrenen Private Equity-Unternehmen.

Terra Firma Capital Partners III, L.P.

Ebenfalls im Dezember sprach Princess eine Kapitalzusage in Höhe von EUR 20 Mio. an Terra Firma Capital Partners III. Der Fonds konzentriert sich auf grosse und komplexe europäische Buyout-Finanzierungen in Industriesektoren mit ineffizienten Kapitalstrukturen oder in unbeliebten Branchen, die gesetzlichen Veränderungen ausgesetzt sind (darunter auch Privatisierungen). Terra Firma III's Schwerpunkt liegt auf grossen Buyout-Transaktionen ab EUR 500 Mio. bis hin zu mehreren Milliarden Euro, eine Anlagestrategie, die Terra Firma schon seit 1994 verfolgt.

Ares Corporate Opportunities Fund II, L.P.

In January, Princess committed USD 20m to Ares Corporate Opportunities Fund II, a fund that will follow the same strategy as its predecessor fund by investing in undercapitalized 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 and Canada and is well positioned to invest throughout all economic cycles. The manager of the fund, Ares Management, was formed in 1997 as an affiliate of Apollo Management.

The Fourth Cinven Fund, L.P.

In February, Princess committed EUR 7.5m to The Fourth Cinven Fund. The fund will follow the same strategy as its predecessor funds, making buyout investments in large, market-leading companies that have significant European operations and an enterprise value of over EUR 500m. Cinven was founded in 1977 and has since developed a market leadership position for large European buyout transactions.

3i Eurofund Vb, L.P.

In December, Princess made a EUR 10m commitment to 3i Eurofund Vb, the third pan-European fund raised by 3i Group that is dedicated to the European mid-market buyout sector. During the investment period, 3i Eurofund Vb plans to build up a diversified portfolio of 45 to 60 European mid-market buyout opportunities. 3i Group's longstanding history in Europe, with a local presence in twelve European countries, and its foothold on three continents, along with its strong market positioning make 3i an experienced private equity player.

Terra Firma Capital Partners III, L.P.

In December, Princess committed EUR 20m to Terra Firma Capital Partners III, a fund which will focus on large, complex European buyout opportunities in unpopular sectors going through regulatory change (including privatization) and in industries with inefficient capital structures. Terra Firma III will primarily target large buyout investments with a typical transaction size of between EUR 500m and several billion euros, a strategy which Terra Firma has applied successfully since 1994.

AUSGEWÄHLTE INVESTITIONEN IM JAHR 2006 SELECTED INVESTMENTS IN 2006

BC European Capital VIII, L.P.

Im Januar hat BC Partners ein Abkommen unterzeichnet, 51.57% des Casinobetreibers *Hyatt Regency Hotels and Tourism SA (HRHT)* von den Mehrheitseigentümern der Hyatt Corp. (Familie Pritzker) und ihren lokalen Partnern für EUR 476 Mio. zu erwerben. Die an der Athener Börse kotierte HRHT ist der grösste Casinobetreiber der Region und besitzt zudem einige Hotels in Griechenland und Albanien. Die Übernahme wurde von der EU-Wettbewerbskommission im Februar bewilligt.

Thomas H. Lee Parallel Fund V, L.P.

Im Februar hat die Princess-Partnership Thomas H. Partners Lee gemeinsam mit The Carlyle Group und Bain Capital Partners die Übernahme von *Dunkin' Brands Inc.* für USD 2.43 Mrd. von Pernod Richard SA abgeschlossen. Dunkin' Brands ist einer der grossen Franchisegeber für Schnellbedienungsrestaurants mit einer führenden Marktstellung im Bereich Kaffee und Eiscreme. Zu Dunkin' Brands gehören Dunkin' Donuts, Baskin-Robbins-Eisdielen und Togo's-Sandwich-Läden. Die neuen Investoren sehen ein beachtliches Wachstumspotenzial im Bereich der Ausser-Haus-Konsumation und planen, aktiv mit dem bestehenden Management daran zu arbeiten, die Lizenzverträge in den USA und international weiter auszubauen. Investment Dealers' Digest, ein auf die Wall Street und Kapitalmärkte spezialisiertes Fachmagazin, hat der Akquisition von Dunkin' Brands seine prestigeträchtige Auszeichnung als «Private Equity-Transaktion des Jahres» verliehen.

Providence Equity Partners IV, L.P.

Die Princess-Partnership Providence Equity Partners hat im März gemeinsam mit Goldman Sachs Capital Partners eine Vereinbarung unterzeichnet, *Education Management Corp. (EDMC)* für USD 3.4 Mrd. zu übernehmen. EDMC ist ein führendes privates Unternehmen für die postsekundäre Ausbildung mit 72 Standorten in Nordamerika. Providence sieht eine beachtliche Nachfrage nach Ausbildung sowohl in den USA wie auch ausserhalb, der bisher noch nicht nachgekommen wird, und EDMC ist Providence zufolge in diesem Markt gut positioniert. Die Übernahme wurde im Juni abgeschlossen.

Blackstone Communications Partners I, L.P.

Im April unterzeichnete Blackstone eine Vereinbarung mit der staatlichen deutschen Kreditanstalt für Wiederaufbau (KfW), 191.7 Mio. Aktien oder 4.5% der *Deutschen Telekom AG* für EUR 2.68 Mrd. zu erwerben. Blackstone gab an, ein langfristiger Investor sein und die Aktien für mindestens zwei Jahre halten zu wollen. Die Deutsche Telekom hat Blackstone als neuen Investor ausdrücklich willkommen geheissen, da Blackstone sein Fachwissen in der Telekom-

BC European Capital VIII, L.P.

In January, BC European Capital VIII 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. In February, BC Partners were granted European Commission approval to buy the 51.57% stake in Hyatt Regency Hotels and Tourism.

Thomas H. Lee Parallel Fund V, L.P.

In February, Princess partnership Thomas H. Lee, together with The Carlyle Group and Bain Capital Partners, completed the USD 2.43bn acquisition of the *Dunkin' Brands, Inc.*, comprising Dunkin' Donuts, Baskins-Robbins ice cream parlors and Togo's sandwich stores, from Pernod Richard SA. Dunkin' Brands is a premier quick service restaurant franchisor with a leading position in the coffee and ice cream segments. The new investors see significant growth potential in the away-from-home food consumption market and plan to work actively with the existing management to expand the franchise in the US and internationally. Investment Dealers' Digest, a magazine specialized in Wall Street and capital markets topics, awarded its prestigious "Private Equity Deal of the Year" to the Dunkin' Brands deal.

Providence Equity Partners IV, L.P.

In March, Princess partnership Providence Equity Partners, together with Goldman Sachs Capital Partners, signed a definitive agreement to acquire *Education Management Corp. (EDMC)* in a transaction valued at USD 3.4bn. EDMC is a leading provider of private post-secondary education in North America with 72 primary campus locations. Providence believes there is significant unmet demand for higher education in both America and abroad and considers EDMC well positioned to address this compelling market opportunity. The transaction closed in June.

Blackstone Communications Partners I, L.P.

In April, Blackstone signed an agreement with the Kreditanstalt für Wiederaufbau (KfW), a German state-owned bank, to purchase 191.7m shares, or 4.5%, of *Deutsche Telekom AG* for EUR 2.68bn. Blackstone has stated that it intends to be a long-term investor and has pledged to hold the shares for at least two years. Deutsche Telekom has welcomed Blackstone as a shareholder as they have demonstrated expertise in the telecommunications sector and they will broaden the shareholder base. The German government and the KfW will between them continue to

branche in der Vergangenheit bereits unter Beweis gestellt hat und für eine breitere Aktionärsbasis der Deutschen Telekom sorgt. Die deutsche Regierung und die KfW werden gemeinsam noch 33% der Aktien von Europas grösster Telefongesellschaft halten.

TA IX, L.P.

Im April hat die Princess-Partnership TA Associates zusammen mit Technology Crossover Ventures und JMI Equity in einer USD 200 Mio. Buyout-Transaktion das in Dallas ansässige Software- und Service-Unternehmen *Global 360 Inc.* übernommen. Global 360 bietet Softwarelösungen, um Geschäftsprozesse zu optimieren, und stellt das Programm «Business Process Management Suite» her, das Unternehmen dabei unterstützt, kritische Geschäftsprozesse zu verwalten und zu verbessern. Zu den Kunden von Global 360 gehören einige der weltweit führenden Versicherungen und Banken wie auch zahlreiche amerikanische Regierungsbehörden. Die erwartete jährliche Wachstumsrate von Global 360 wird mit 20–25% beziffert, was deutlich über der des Marktes liegt.

Ares Corporate Opportunities Fund II, L.P.

Im Mai beteiligte sich Ares Management mit einer USD 100 Mio. Eigenkapitaleinlage an der USD 273 Mio. Finanzierung von *White Energy, Ltd.*, eines aufstrebenden Ethanol-Produzenten in den USA. White Energy, Ltd. wurde gegründet, um saubere und erneuerbare Energie-Lösungen zu erzeugen. Die jüngste Finanzierung diente zum einen der Übernahme einer Ethanol-Produktionsanlage in Russell, Kansas, die eine der innovativsten und einzigartigsten Anlagen in den USA ist. Zudem wurde ein Teil der Finanzierung dazu verwendet, den Bau einer weiteren Produktionsanlage in Hereford, Texas, fertig zu stellen. Die verbleibenden Mittel aus der Finanzierung stehen als Betriebskapital für zukünftige Akquisitionen und für Projektentwicklungen zur Verfügung.

Clayton, Dubilier & Rice Fund VII, L.P.

Im Juni übernahm Clayton, Dubilier & Rice einen 48%-Anteil am Fachhändler für Schönheitsprodukte, *Sally Beauty Co.*, einem Unternehmensbereich der Alberto-Culver Co. Die USD 3 Mrd.-Transaktion, die im November abgeschlossen wurde, umfasst USD 575 Mio. an Eigenkapital von Clayton, Dubilier & Rice. Sally Beauty betreibt eine internationale Einzelhandelskette, die Pflegeprodukte vertreibt, und liefert zudem Markenprodukte direkt an Schönheitssalons in den USA. Das neue Unternehmen notiert in der Zwischenzeit an der New Yorker Börse.

Nordic Capital VI, L.P.

Im Juni gab die Princess-Partnership Nordic Capital VI die Übernahme von *Dangaard Telecom* von BHS Holding,

hold 33% of the shares in Deutsche Telekom, Europe's largest telephone company.

TA IX, L.P.

Princess partnership TA Associates, together with Technology Crossover Ventures and JMI Equity, completed a USD 200m buyout of *Global 360 Inc.*, a Dallas-based software and services company, in April. Global 360 provides business process management and optimization solutions and produces Business Process Management Suite, a program to help companies manage and optimize critical business processes. Global 360 clients include the world's top insurance companies and banks, as well as numerous US government agencies. Global 360 is expected to grow at a rate of 20% to 25% a year, a growth rate higher than that of the market.

Ares Corporate Opportunities Fund II, L.P.

In May, Ares Management sponsored the USD 100m equity portion of the USD 273m financing raised by *White Energy, Ltd.*, an emerging leader in ethanol production in the US. White Energy, Ltd. was founded to create clean and renewable energy solutions. The financing raised was earmarked for the acquisition of an ethanol production facility in Russell, Kansas, one of the most innovative and unique ethanol plants in America, and to complete the construction of a production facility in Hereford, Texas. The balance of the proceeds is to be used for operating capital, future acquisitions and project developments.

Clayton, Dubilier & Rice Fund VII, L.P.

In June, Clayton, Dubilier & Rice signed a definitive agreement to acquire a 48% stake in *Sally Beauty Co.*, the beauty supply distribution business of US-based Alberto-Culver Co. The USD 3bn transaction, which was concluded in November, includes USD 575m in equity from Clayton, Dubilier & Rice. Sally Beauty operates an international store chain that carries personal beauty supplies, and distributes professional brands to beauty salons in the US. The new company is now traded on the New York Stock Exchange.

Nordic Capital VI, L.P.

Princess partnership Nordic Capital VI announced in June that it had acquired *Dangaard Telecom* from BHS Holding, Debitel, Fleggaard Holding and Dangaard Telecom Partners for an undisclosed amount. Daangard Telecom, headquartered in Denmark, is Europe's largest and the world's second-largest distributor of mobile phones and original accessories. Nordic Capital believes the role of the distributor will become even more important in the future because both manufacturers and retailers will need large, competent distributors to scale and develop their businesses.

Debitel, Fleggaard Holding und Dangaard Telecom Partners für eine nicht genannte Summe bekannt. Daangard Telecom, mit Hauptsitz in Dänemark, ist der in Europa grösste und weltweit zweitgrösste Vertriebshändler für Mobiltelefone und Telefonzubehör. Nordic Capital ist überzeugt, dass die Rolle des Vertriebshändlers für die Hersteller und Einzelhändler in Zukunft noch entscheidender sein wird, da diese zur weiteren Entwicklung ihrer Geschäftsbereiche auf ein effizientes Vertriebsnetz angewiesen sind.

Candover 2005 Fund

Candover bot im Juli 415 Pence pro Aktie bzw. GBP 348.7 Mio. für *DX Services plc*, einen Business-to-Business-Postzusteller. *DX Services* ist der führende unabhängige Anbieter für die Übernacht-Postzustellung sowie den Paketdienst in Grossbritannien. Die Transaktion bewertet *DX Services* auf 12.6-mal das EBITDA von 2005. Candover kündigte ausserdem an, *Secure Mail Services Ltd.*, einen Business-to-Consumer-Postzusteller, übernehmen zu wollen, um beide Unternehmen zu fusionieren. Das so entstehende Unternehmen würde mit der staatlichen Royal Mail konkurrieren und Ineffizienzen im kürzlich erst deregulierten britischen Postmarkt ausnutzen.

Mercapital Spanish Private Equity Fund II, L.P.

Im Juli erwarb Mercapital zusammen mit dem Managementteam des Unternehmens einen 75%-Anteil an *Gasmedi*, einem spanischen Anbieter von medizinischem Gas. Die vorherigen Eigentümer, die Familie Fierro March, ist mit 25% noch immer am Unternehmen beteiligt. Die Transaktion bewertet das 1996 gegründete Unternehmen mit EUR 275 Mio. Die Haupttätigkeit von *Gasmedi* ist die Bereitstellung von Heimbehandlungsprodukten für Atemwegserkrankungen; zudem versorgt *Gasmedi* Krankenhäuser mit medizinischen Gasen. Das Unternehmen plant eine Konsolidierung und möchte gleichzeitig die derzeitigen Verträge erweitern, seine Krankenhaussparte ausbauen und in neue Märkte expandieren.

Candover 2005 Fund

Candover führte im Oktober die EUR 1 Mrd.-Übernahme von *Hilding Anders*, Europas marktführendem Hersteller von Matratzen und Betten, an. *Hilding Anders* wurde 1939 in Schweden gegründet und produziert Matratzen und Bettgestelle unter Marken- und Eigennamen. Das Produktportfolio umfasst Namen wie Bico (Schweiz), *Hilding* (Skandinavien), *Slumberland* (England, Irland) und *Jensen* (Norwegen). Das Unternehmen stellt auch Produkte für die schnell wachsenden Eigenmarken der grossen Einzelhändler wie *IKEA* und *Jysk* her. *Hilding Anders* hat seinen Hauptsitz in Malmö in Schweden und beschäftigt in 26

Candover 2005 Fund

In July, Princess partnership Candover made an offer of 415 pence per share, or GBP 348.7m, for business-to-business mail delivery company *DX Services plc*. *DX Services* is the top, independent provider of early-morning, next-day mail and parcel services in the UK. The deal values *DX Services* at 12.6x 2005 EBITDA. Candover also announced a contingent agreement to purchase *Secure Mail Services Ltd.*, a business-to-consumer delivery group. It plans to merge the two companies. The combined group would compete directly with the state-owned Royal Mail and would aim to exploit inefficiencies in the recently de-regulated UK mail market.

Mercapital Spanish Private Equity Fund II, L.P.

Mercapital, jointly with the management team, acquired 75% of the Spanish medical gas provider *Gasmedi* in July. The Fierro March family, current owners of the company, will reinvest to hold the remaining 25%. The transaction valued the company at EUR 275m. Founded in 1996, *Gasmedi's* core activities are the provision of respiratory home therapies (RHTs) and the supply of medical gases to hospitals. Going forward, the company plans to consolidate and expand the current portfolio of contracts, to bolster the hospital division, and to enter new markets.

Candover 2005 Fund

In October, Candover led the EUR 1.0bn buyout of *Hilding Anders*, a market-leading, European manufacturer of mattresses and beds. Founded in Sweden in 1939, the company manufactures both branded and own-label mattresses and the supporting bed frames. Its portfolio includes household names such as Bico (Switzerland), *Hilding* (Nordic), *Slumberland* (UK, Ireland) and *Jensen* (Norway). The business also supplies the fast-growing private label segment for sale by large retailers such as *IKEA* and *Jysk*. *Hilding Anders* is headquartered in Malmö, Sweden, and employs over 3,100 staff across several production sites in 26 European countries. For Candover the key investment attractions were: the robustness and diversification of the business, market-leading positions in most of its markets; a strong management team; and the company's clear strategy with its aim of continuing to outperform the market.

Apollo Overseas Partners VI, L.P.

In November, Apollo Management, together with Graham Partners, completed the acquisition of *Berry Plastics Corp.* from Goldman Sachs Capital Partners and JPMorgan Partners for an enterprise value of USD 2.25bn. Following the transaction, Apollo owns the majority of *Berry Plastics'* common stock. *Berry Plastics*, founded in 1967, is a leading maker of injection-molded and thermoformed plastic pro-

europäischen Ländern und in mehreren Produktionsstätten 3'100 Mitarbeiter. Für Candover waren die Hauptinvestitionsgründe die Stärke und die Diversifikation des Unternehmens, das marktführende Anteile in den meisten Märkten, in denen es tätig ist, hält. Zudem verfügt Hilding Anders über ein ausgezeichnetes Managementteam und eine klare Strategie, um auch in Zukunft besser zu sein als seine Mitbewerber.

Apollo Overseas Partners VI, L.P.

Im November übernahm Apollo Management in Zusammenarbeit mit Graham Partners *Berry Plastics Corp.* für einen Unternehmenswert von USD 2.25 Mrd. von Goldman Sachs Capital Partners und JPMorgan Partners. Nach dem Abschluss der Transaktion hält Apollo eine Mehrheit des Aktienkapitals von Berry Plastics. Das 1967 gegründete Unternehmen ist ein führender Anbieter von Spritzguss- und thermogeformten Plastikprodukten, die in Bereichen wie halbgeöffneten Containern, Verschlüssen, Trinkbechern, Flaschen, Tuben, Ampullen und Konsumgüter angewendet werden. Apollo Management erachtet Berry Plastics als einen der am besten positionierten Spezialisten in der Plastikverpackungsindustrie, der zudem eine der höchsten Margen erwirtschaftet. Apollo wird Berry Plastics dabei unterstützen, die bewährte Wachstumsstrategie in den kommenden Jahren fortzusetzen.

ducts for hundreds of products in areas such as open-top containers, closures, drink cups, bottles, tubes, prescription vials, overcaps, and consumer products. Apollo Management see Berry Plastics as one of the best positioned, highest margin specialty packaging businesses in the industry and expect to continue to implement Berry Plastics' proven growth strategy in the years to come.

AUSGEWÄHLTE REALISIERUNGEN IM JAHR 2006

SELECTED REALIZATIONS IN 2006

TPG Partners III, L.P.

Im Februar hat NRG Energy die Übernahme von *Texas Genco* für USD 8.3 Mrd. von einem Private Equity-Konsortium, zu dem auch die Princess-Partnership Texas Pacific Group gehört, abgeschlossen. Die Investoren hatten den amerikanischen Stromversorger aus Houston Ende 2004 von CenterPoint Energy übernommen und haben durch den Verkauf ihr damals eingesetztes Kapital sechsfach zurückerhalten. Mit der Übernahme durch NRG Energy hat Texas Genco die Pläne für einen Börsengang fallen gelassen.

Industri Kapital 2000

Im März hat Industri Kapital 2000 ein Abkommen unterzeichnet, *Sydsvenska Kemi* an PAI Partners zu verkaufen. Sydsvenka Kemi ist die Holdinggesellschaft des international führenden Spezialchemie-Konzerns Perstorp AB. Nachdem Industri Kapital Perstorp vor fünf Jahren in einer Public-to-private-Transaktion von der Stockholmer Börse genommen hatte, arbeitete der Fondsmanager eng mit dem Management zusammen, um die Firma in ein fokussiertes Unternehmen mit erstklassiger Betriebsleistung zu wandeln. Die Bedingungen der Transaktion wurden nicht bekannt gegeben, Industri Kapital teilte allerdings mit, dass es eine erfolgreiche Investition für den Fonds war.

The Rutland Fund

Im April hat The Rutland Fund *Carron Energy*, den Besitzer des in South Wales ansässigen Uskmouth Kohlekraftwerks, für GBP 125 Mio. an die Deutsche Bank und ein Konsortium von Private Equity-Investoren verkauft. Rutland hatte Carron Energy im Juli 2004 übernommen, als das Unternehmen unter Konkursverwaltung stand und ausser Betrieb war. Rutland setzte ein neues Management ein, nahm die Anlage wieder in Betrieb und wandelte ein einst gestrandetes Unternehmen in eine wirtschaftlich erfolgreiche Organisation. Bei einer internen Verzinsung von 150% erhielt Rutland sein eingesetztes Kapital rund 4.1-fach zurück.

Polish Enterprise Fund IV, L.P.

Die Princess-Partnership Polish Enterprise Fund IV, die von Enterprise Investors gemanagt wird, hat im Juni ihre 32%-Beteiligung an *Sfinks* durch einen Börsengang an der Warschauer Börse vollständig veräussert. Sfinks, die grösste und am schnellsten wachsende Restaurantkette in Polen, hat ihren Reinertrag in den letzten drei Jahren 8.5-fach steigern können. Der stark überzeichnete Börsengang hat das Interesse sowohl von privaten wie auch institutionellen Investoren geweckt. Im Jahr 2002 hatten von Enterprise Investors verwaltete Fonds USD 3.6 Mio. in Sfinks inves-

TPG Partners III, L.P.

In February, NRG Energy finalized its acquisition of *Texas Genco* from a consortium of private equity investors, including Princess partnership Texas Pacific Group, in a deal valued at approximately USD 8.3bn. The sale of the Houston-based wholesale electric power generating company will result in a reported 6x return for the investors, who had acquired the business from CenterPoint Energy in late 2004. Texas Genco has since withdrawn its registration for an IPO.

Industri Kapital 2000

In March, Industri Kapital 2000 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.

The Rutland Fund

In April, The Rutland Fund agreed to sell *Carron Energy*, the owner of the Uskmouth Power Station, for GBP 125m to a special purpose company backed by Deutsche Bank and a consortium of private equity investors. Uskmouth is a coal-fired power station in South Wales. Rutland acquired it from administrative receivership in July 2004. Rutland brought in new management, re-commissioned the plant and transformed a once stranded asset into a successful commercial operation. The sale has generated an IRR of 150% and a return of 4.1x for the Rutland Fund.

Polish Enterprise Fund IV, L.P.

In June, Princess partnership Polish Enterprise Fund IV, managed by Enterprise Investors, fully exited its 32% stake in *Sfinks*, the largest and fastest-growing restaurant chain in Poland, in an IPO on the Warsaw Stock Exchange. The company has increased its net earnings 8.5 fold over the past three years. The heavily oversubscribed offering attracted the interest of retail and institutional investors alike. Funds managed by Enterprise Investors had invested USD 3.6m in Sfinks back in 2002 to finance the rollout of its restaurants in Poland's largest cities. The sale yielded a 6.8x investment multiple and gross proceeds of USD 25.5m.

tiert, um die Expansion der Restaurants in Polens grössten Städten voranzutreiben. Mit dem Verkauf des Unternehmens erzielte Enterprise Investors einen Bruttoertrag von USD 25.5 Mio. und erhält somit sein ursprünglich eingesetztes Kapital 6.8-fach zurück.

Bridgepoint Europe I «D», L.P.

Im Juni wurde das schwedische Parkplatz-Unternehmen CP Group, auch bekannt als *Carpark*, vom europäischen Parkplatzbetreiber Q-Park übernommen. Carpark, das im Jahr 1959 gegründet wurde, war 2001 von Bridgepoint übernommen worden und wuchs unter dessen Eigentümerschaft zu einem führenden Betreiber im nordischen Parkplatzmarkt. Das Private Equity-Haus hat Carpark Berichten zufolge für EUR 325 Mio. verkauft und erhielt seine Investition mehr als 7-fach zurück.

Carlyle Partners III, L.P.

GMT Communications Partners II, L.P.

Providence Equity Partners IV, L.P.

Im Juli verkauften die Princess-Partnerships Carlyle Group, Providence Equity Partners und GMT Communication Partners den holländischen Kabel-, Internet- und Telefonanbieter *Casema* an Warburg Pincus LLC und Cinven Ltd. Nachdem die Private Equity-Investoren Casema im Jahr 2003 für EUR 665 Mio. von France Telecom S.A. kauften, investierten sie erheblich in Netzwerke und Infrastrukturen und restrukturierten das Top-Management des Unternehmens. Dank dieser betrieblichen Wertsteigerung, welche Carlyle, Providence und GMT bei Casema umsetzten, konnten diese mit der EUR 2.1 Mrd.-Transaktion beachtliche Gewinne erzielen.

Permira Europe II, L.P.

Im August veräusserte die Princess-Partnership Permira Europe II ihren Anteil an der Budget-Hotelkette *Travelodge* für GBP 675 Mio. an Dubai International Capital. Travelodge, die am schnellsten wachsende Hotelkette in Grossbritannien, betreibt insgesamt 291 Hotels, davon 279 in Grossbritannien. Seit Permira im Februar 2003 Travelodge übernommen hat, durchlief die Hotelkette einen tiefgreifenden Wandel und steigerte die Bettenzahl von anfänglich 13'000 auf erwartete 20'000 bis Ende 2006, wobei sich die Hotelkette auf Kapazitätssteigerungen in zentralen Lagen konzentrierte.

Carlyle Partners III, L.P.

Im August stimmten die Carlyle Group und Finmeccanica dem Verkauf von *Avio SpA* für ein Transaktionsvolumen von EUR 2.57 Mrd. an durch Cinven verwaltete Fonds zu. Carlyle und Finmeccanica hatten den italienischen Flugzeugmotorenhersteller im Jahr 2003 für EUR 1.6 Mrd. von

Bridgepoint Europe I "D", L.P.

Swedish parking firm CP Group, also known as *Carpark*, was acquired by Q-Park, a European car parking company, in June. Founded in 1959, Carpark had been acquired by Bridgepoint in 2001 and the company had grown substantially under their ownership and is now a leading operator in the Nordic car park market. The value of the transaction was a reported EUR 325m, representing a return of more than 7x for Bridgepoint.

Carlyle Partners III, L.P.

GMT Communications Partners II, L.P.

Providence Equity Partners IV, L.P.

In July, Princess partnerships Carlyle Group, Providence Equity Partners and GMT Communication Partners sold *Casema*, a Dutch provider of cable, Internet and telephony services, to Warburg Pincus LLC and Cinven Ltd. After buying Casema in 2003 for EUR 665m from France Telecom S.A., the private equity backers invested heavily in network and infrastructure and reorganized the top management of the company. Through the EUR 2.1bn deal, Carlyle, Providence Equity Partners and GMT have capitalized on the operational enhancements they have implemented at Casema.

Permira Europe II, L.P.

In August, Princess partnership Permira Europe II sold its investment in *Travelodge* to Dubai International Capital for GBP 675m. Travelodge, the UK's fastest-growing hotel company, operates 291 hotels, of which 279 are in the UK. Permira acquired the budget hotel chain in February 2003 and it has since undergone extensive changes and has increased its number of rooms from 13,000 to an expected 20,000 by the end of 2006, with a focus on openings in central locations.

Carlyle Partners III, L.P.

In August, Carlyle Group and Finmeccanica agreed to the sale of *Avio SpA* to funds advised by Cinven in a transaction valued at EUR 2.57bn. Cinven and Finmeccanica – the latter having agreed to subsequently reinvest in Avio – had acquired the Italian aircraft engine manufacturer from the Fiat Group back in 2003 for EUR 1.5bn. Since then, the company has increased its revenues through increased sales in the commercial aerospace and industrial sectors and through acquisitions and international expansion.

der Fiat Group erworben. Seitdem hat Avio seinen Umsatz durch gestiegene Verkäufe in den Bereichen gewerbliche Raumfahrt und weiteren Industriesektoren sowie durch Akquisitionen und internationale Expansion gesteigert.

3i Europartners III, L.P.

Im September verkündete 3i den Verkauf von *SR Technics*, einem Schweizer Unternehmen für die Flugzeugwartung, für EUR 1 Mrd. an ein Konsortium aus den Vereinigten Arabischen Emiraten. 2002 unterstützte 3i *SR Technics'* Management-Buyout von SAirGroup. Seitdem hat 3i *SR Technics* darin unterstützt, durch organisches Wachstum und Akquisitionen, u.a. durch die Übernahme des Konkurrenten FLS Group im Jahr 2004, zum führenden unabhängigen Anbieter für technischen Support im zivilen Fluggeschäft zu werden. Derzeit beschäftigt *SR Technics* 5'000 Mitarbeiter. Der Verkauf bringt 3i das eingesetzte Kapital (EUR 425 Mio.) bei einer internen Verzinsung (IRR) von 50% 4.5 fach zurück.

Doughty Hanson & Co European Real Estate Fund

Im Oktober verkaufte Doughty Hanson den *IZD Tower* in Wien für EUR 247 Mio. an die Matrix Property Fund Management LLC. Das charakteristische, 38 Stockwerke hohe Gebäude wurde im Dezember 2000 noch während des Baus durch Doughty Hanson übernommen. Es ist heute voll in Betrieb und von erstklassigen Mietern belegt. Aus dem Verkauf erzielte Doughty Hanson gemessen am Multiple eine Rendite von 3.9x und einen IRR von 26%. Im Dezember verkaufte Doughty Hanson zudem das im Süden Stockholms gelegene *Tumba Einkaufszentrum* für USD 80 Mio. an Citycon. Der Verkauf resultiert in einem Multiple von 5.8x und einem IRR von 90%.

Clayton, Dubilier & Rice Fund VII, L.P.

Im November, knapp sechs Monate nach dem Erwerb des Mietwagenunternehmens *Hertz Corp.*, hat Clayton, Dubilier & Rice das Unternehmen an die Börse gebracht. Clayton, Dubilier & Rice hatte *Hertz* in einer USD 15 Mrd.-Transaktion vom US-Autohersteller Ford Motor Corp. übernommen. Ein Teil der ca. USD 1.3 Mrd. an Erlösen aus dem Börsengang wurde für die Rückzahlung eines Darlehens verwendet, das aufgenommen worden war, um eine Dividende in Höhe von USD 1 Mrd. an die Investoren auszusütten. Die Dividende hat den Investoren rund die Hälfte ihrer ursprünglichen Eigenkapitalinvestition zurückbezahlt.

3i Europartners III, L.P.

In September, 3i announced the sale of Swiss aircraft maintenance company *SR Technics* to a consortium from the United Arab Emirates for EUR 1bn. 3i had backed the *SR Technics* management in a buyout from the administrators of SAirGroup in 2002. 3i helped *SR Technics* to become the leading independent provider of technical services to commercial airlines through both organic growth and acquisitions, most notably that of its competitor FLS Aerospace in 2004. The company employs a workforce of 5,000. 3i generated a money multiple of 4.5x and an IRR of 50% on its original investment of EUR 425m.

Doughty Hanson & Co European Real Estate Fund

In October, Doughty Hanson sold the *IZD Tower* in Vienna to Matrix Property Fund Management LLP for EUR 247m. The 38-storey landmark building had been acquired in December 2000 during its construction. The building is now fully operational and occupied by prime tenants. The sale generated a 3.9x return and a gross IRR of 26%. Further, in December Doughty Hanson sold the *Tumba Centrum* shopping center in southern Stockholm to Citycon for USD 80m. This represents a 5.8x return and an IRR of 90% on the investment.

Clayton, Dubilier & Rice Fund VII, L.P.

In November, a little over a year after being acquired by private equity backers, including Clayton, Dubilier & Rice, the *Hertz Corp.* completed an IPO. The automobile and equipment rental company had been acquired from US auto manufacturer Ford Motor Corp. in a USD 15bn deal. Part of the IPO proceeds of approximately USD 1.3bn were used to repay the loan used to fund a USD 1.0bn dividend which had allowed the investors to recoup nearly half of their initial equity investment.

Thomas H. Lee Parallel Fund V, L.P.

In November, a private equity consortium including Thomas H. Lee Partners agreed to the sale of portfolio company *Houghton Mifflin* to Riverdeep Holding, a new Irish public limited company, for USD 3.4bn. Boston-based Houghton Mifflin publishes educational material, ranging from textbooks to reference books, as well as fiction and non-fiction. The consortium had acquired the company at the end of 2002 for a reported USD 1.66bn.

Thomas H. Lee Parallel Fund V, L.P.

Im November stimmte ein Private Equity-Konsortium, zu dem auch Thomas H. Lee Partners gehört, dem Verkauf des Portfoliounternehmens *Houghton Mifflin* für USD 3.4 Mrd. an das neu gegründete irische Unternehmen Riverdeep Holding zu. Houghton Mifflin ist in Boston ansässig und veröffentlicht Lern- und Ausbildungsmaterial, darunter Lehrbücher, Nachschlagewerke, Belletristik und Sachbücher. Das Konsortium hatte Houghton Mifflin Ende 2002 Berichten zufolge für USD 1.66 Mrd. übernommen.

**Providence Equity Partners IV, L.P.
Thomas H. Lee Parallel Fund V, L.P.**

Im Dezember gaben die Princess-Partnerships Providence Equity Partners und Thomas H. Lee Partners den Verkauf von *ProSiebenSat.1*, Deutschlands grösstem privaten Fernsehsender, an Permira und Kohlberg Kravis Roberts & Co. für EUR 3.1 Mrd. bekannt. Providence und Thomas H. Lee hatten *ProSiebenSat.1* zusammen mit einem Konsortium von Finanzinvestoren im Jahr 2003 von der finanziell angeschlagenen Kirch Media Group erworben. Gemäss Presseberichten erhält das Konsortium seine Investition vierfach zurück.

**Providence Equity Partners IV, L.P.
Thomas H. Lee Parallel Fund V, L.P.**

In December, a consortium of private equity investors, including Providence Equity Partners and Thomas H. Lee, announced the sale of Germany's largest private television network *ProSiebenSat.1* to Permira and Kohlberg Kravis Roberts & Co. for EUR 3.1bn. The consortium of financial investors had acquired *ProSiebenSat.1* from the financially stricken Kirch Media Group in 2003. According to press reports, the consortium will make nearly 4x its investment from the sale.

AUSBLICK AUF DAS JAHR 2007 OUTLOOK FOR 2007

Starkes europäisches Wachstum und Abkühlung in den USA

Der makroökonomische Ausblick für das Jahr 2007 zeigt sich positiv, wenn auch unterschiedlich für die einzelnen geografischen Regionen: während sich in den USA eine Verlangsamung des Konjunkturverlaufes abzeichnet, hat sich die wirtschaftliche Aktivität in Europa beschleunigt. Die Abschwächung der amerikanischen Wirtschaft im Jahr 2007 wird einerseits mit dem Rückgang der Immobilieninvestitionen aufgrund des sich abschwächenden Wohnungsmarktes sowie Schwankungen in den Konsumausgaben begründet. Die europäische Wirtschaft hingegen hat im Jahr 2006 das stärkste Wachstum seit sechs Jahren verzeichnen können und es wird erwartet, dass sich diese positive Entwicklung aufgrund von höheren Investitionsausgaben fortsetzen wird. Gleichzeitig wird für Asien und Südamerika ein weiterhin stabiles Wachstum auf hohem Niveau vorausgesagt. Die grössten Risiken, die das positive Wachstumsszenario im Jahr 2007 beeinträchtigen könnten, sind ein drastischer Anstieg des Ölpreises sowie Turbulenzen auf den Devisenmärkten.

Mega Buyout-Fonds: gross und grösser

Im Jahr 2006 wurden von den Buyout-Häusern Rekordsummen an neuen Mitteln aufgenommen und diese Entwicklung dürfte sich auch im Jahr 2007 fortsetzen. Angesichts des freundlichen wirtschaftlichen Ausblicks und der Tatsache, dass bereits heute Fonds mit einer Grösse von mehreren Milliarden überzeichnet sind, werden Fonds von USD 10 Mrd. und mehr in der Zukunft keine Ausnahme mehr sein. Wenn man Private Equity als Anteil der gesamten wirtschaftlichen Aktivität einer Volkswirtschaft betrachtet, dann übertrifft die Anlageklasse nur in wenigen Ländern – darunter in den USA, England, Schweden und Australien – 0.5% des Bruttoinlandsproduktes. Würde man diesen Wert in weiteren OECD-Ländern erreichen, dann würde dies weitere USD 200 Mrd. an Private Equity-Investitionen weltweit nach sich ziehen. Diese Sichtweise lässt auf enorme Investitionsmöglichkeiten für Buyout-Investoren schliessen.

Auch im Jahr 2007 wird der Trend zur Investition der aufgenommenen Gelder in so genannte «Mega-Buyouts» weiter anhalten, nachdem bereits 2006 Transaktionen in noch nie zuvor gesehener Höhe zu beobachten waren. Durch die anhaltende Unterstützung der Kreditmärkte könnten im Jahr 2007 sogar noch grössere Transaktionen abgeschlossen werden. Zudem werden die ansteigenden Fondsgrössen die Volumen der Private Equity-Investitionen weiter ansteigen lassen. Dabei dürften vornehmlich Investitionen in grössere Unternehmen mit stabilem Cashflow getätigt werden. Der

Strong European growth versus a weaker US economy

The macroeconomic outlook for 2007 is positive. The geographical pattern of growth has recently shifted: the US economy has slowed slightly, while activity has accelerated in Europe. The US economy is expected to slow down further in 2007 due to declining residential investment as the housing market weakens and fluctuations in consumer spending. The European economy grew strongly in 2006, its strongest performance in six years. It is expected to continue expanding at a robust rate thanks to stronger investment activity. Economic growth in the Asian and South American regions should remain stable and at a high level. The biggest risks to this positive economic scenario for 2007 are a drastic hike in the oil price and turbulence on the foreign exchange markets.

Mega buyout funds: big and bigger

2006 was another year for record fundraising in the buyout market. This is expected to be repeated in 2007. Given the favorable global economic outlook and the fact that multi-billion dollar funds are nowadays typically several times oversubscribed, the USD 10bn fund will not be an exception in the future. Furthermore, private equity, measured as a percentage of overall economic activity, accounts for over 0.5% of gross domestic product (GDP) in just a handful of countries, including the US, the UK, Sweden and Australia. Getting the other OECD countries just up to this simple benchmark would add another USD 200bn to the value of private equity activity worldwide. Thus there are still vast opportunities for investment in the buyout market.

The trend of investing the money that has been raised into so-called "mega" buyouts is likely to continue in 2007. In 2006 the market saw several transactions which in terms of size were unprecedented. With the continued support of the credit markets, even bigger buyout deals can be expected in 2007. As the size of the buyout funds being raised increases, the size of the investments being made is also likely to increase. Investments are increasingly likely to be made in larger assets with broader, more stable underlying cash flows, as well as in growth-type assets rather than in restructuring plays.

For the buyout sector, these developments imply the need to reevaluate the value creation model, which is based on an active ownership approach. Under this model, portfolio companies are analyzed precisely and monitored pre-transaction right through to realization. The crucial success factor for the active ownership approach will be deep know-

Fokus der Private Equity-Investoren wird sich dabei weg von Restrukturierungen und vermehrt hin zu wachstumsorientierten Investitionen richten.

Die Auswirkung dieser Entwicklung im Buyout-Markt ist eine Aufwertung des Wertschöpfungsmodells, das auf dem Ansatz der aktiven Beteiligung basiert. Nach diesem Ansatz werden Portfoliounternehmen sorgfältig analysiert und überwacht, beginnend bereits vor der tatsächlichen Investition und hin bis zur Veräußerung derselben. Der ausschlaggebende Erfolgsfaktor bei diesem Ansatz ist das Fachwissen und die Erfahrung der Private Equity-Investoren in bestimmten Industriebereichen. Buyout-Firmen, die sich in bestimmten Bereichen spezialisieren, sollten demnach die besten Chancen haben, die ihren Investoren versprochenen Renditen zu erreichen.

Das Umfeld für die Veräußerung von Investitionen sollte sich im Jahr 2007 für Buyout-Firmen ähnlich gut wie im Jahr 2006 präsentieren. So könnte im Jahr 2007 ein neuer Höchststand im Transaktionsvolumen erreicht werden, da sowohl Private Equity-Häuser wie auch strategische Käufer verstärkt im Bereich der Unternehmensfusionen und -übernahmen (M&A) tätig sein werden. Industriesektoren wie Energie, Gesundheitswesen, Finanzdienstleistungen, Telekommunikation, Medien und Unterhaltungsbereich sind gut positioniert, um im Jahr 2007 für nachhaltige Aktivitäten auf dem M&A-Markt zu sorgen.

Mezzanine-Investitionen bleiben auf stabilem Niveau

Nach einem starken Anstieg im Bereich der Mezzanine-Finanzierungen im Jahr 2006 wird für 2007 eine Stabilisierung des privaten Kreditmarktes erwartet. Obwohl Buyout-Häuser den Fremdfinanzierungsgrad ihrer Transaktionen konstant erhöhen, konnten sie aufgrund des Auftritts vieler neuer Mezzanine-Investoren in den letzten Jahren oft die Konditionen für eine Mezzanine-Tranche diktieren. In den kommenden zwölf Monaten dürften die Renditen von Mezzanine-Finanzierungen etwas zurückgehen. Obwohl erwartet wird, dass die Ausfallraten, die derzeit auf einem niedrigen Niveau von 1–2% stehen, sich in den nächsten Jahren erhöhen könnten, deuten keine Anzeichen auf einen Zusammenbruch des Marktes hin.

Mezzanine-Investitionen werden nichtsdestotrotz eine attraktive Alternative zu den öffentlichen Kreditmärkten bleiben, da ihre Renditen im derzeitigen niedrigen Zinsumfeld weiterhin eine Prämie gegenüber den öffentlichen Märkten bieten. Mezzanine-Investoren sollten jedoch nur sehr selektiv und mit einem starken Fokus auf Qualität agieren: die Auswahl des in die Transaktion involvierten

ledge of specific industries: buyout firms specializing in specific sectors will stand the best chance of delivering the promised returns to investors.

This year, as in 2006, the exit environment for buyout investments should remain friendly. 2007 could well see a new record being set for deal volume as strategic buyers and private equity firms alike step up their acquisition and M&A activity. Industries such as energy, healthcare, financial services, telecommunications and media and entertainment are poised for sustained M&A activity in 2007.

Mezzanine investments remain stable

While 2006 saw a sharp increase in mezzanine financing, 2007 is expected to be the year when the private debt market stabilizes. Notwithstanding the increasing levels of leverage, deal sponsors have generally been able to dictate many of the terms in a mezzanine transaction as the competition has stiffened over the past few years on account of the entry of a large number of new leverage players to the market. Returns on mezzanine investments are expected to be somewhat lower over the next twelve months. There is, however, no indication that a crash is on the horizon, though default rates are currently only around 1–2% and are expected to rise over the next two to three years.

Mezzanine investments will nevertheless remain an alternative to the public debt market because the returns available in this asset class continue to yield an attractive premium in the current low interest rate environment. Investors should remain highly selective, keeping a strong focus on quality: a selective approach to sponsor selection will become increasingly important.

Venture capital in good shape

On the venture capital front, access to high-quality venture groups remains crucial. The strong trend in venture fundraising should continue unabated through 2007 and though the funds are increasing in size their investor base is likely to remain closed. The investors' appetite for this asset class is continuing to grow and is expected to increase still further in 2007. The US National Venture Capital Association (NVCA) anticipates that US venture capital investment will amount to USD 28bn in 2007.

The worldwide venture capital environment is expected to remain robust over the years to come, with relatively high-quality deal flow and reasonable company valuations, particularly for early-stage investments. Early-stage valuations are expected to remain stable, while mid- and later-

Private Equity-Hauses wird von zunehmender Bedeutung sein.

Der Venture Capital-Markt befindet sich in guter Verfassung

Im Bereich Venture Capital bleibt der Zugang zu den besten Venture Capital-Fonds weiterhin ausschlaggebend. Obwohl für das Jahr 2007 wiederum eine starke Mittelaufnahme von Venture Capital-Fonds mit steigenden Fondsgrößen erwartet wird, werden auch diese Fonds für Neuinvestoren vielfach geschlossen sein. Die Investorennachfrage nach Venture Capital bleibt indessen hoch und wird 2007 nicht nachlassen. So sagt die amerikanische Venture Capital-Vereinigung (NVCA) für das Jahr 2007 allein in den USA Venture Capital-Finanzierungen von rund USD 28 Mrd. voraus.

Für das weltweite Venture Capital-Umfeld wird in den nächsten Jahren eine solide Entwicklung erwartet, die durch einen qualitativ hochwertigen Dealfluss und angemessene Unternehmensbewertungen – insbesondere für Frühphasenfinanzierungen – gekennzeichnet ist. Während die Bewertungen für Frühphasenfinanzierungen stabil bleiben dürften, zeichnet sich jedoch insbesondere für Spätphasenfinanzierungen eine weitere Aufwärtstendenz ab. Insgesamt zeigen sich die Bewertungen auf einem attraktiven Niveau.

Das gute Umfeld für die Realisierung von Investitionen dürfte sich auch im Jahr 2007 fortsetzen, wobei Unternehmensfusionen und -übernahmen weiterhin die bevorzugte Veräußerungsvariante für amerikanische Venture Capital-Häuser sein werden: Eine Mischung aus politischen und wirtschaftlichen Faktoren schaffen ein günstiges Umfeld, das durch moderate Zinsen, ein Ausfallrisiko auf tiefstem Niveau und hohe Liquidität gekennzeichnet ist. Unternehmen, die in den USA einen Börsengang wagen möchten, sehen sich jedoch weiterhin hohen regulatorischen Hürden gegenüber, so dass immer mehr durch Venture Capital finanzierte Unternehmen nach Alternativen an europäischen Börsen suchen. So sind die Kosten für einen Börsengang etwa am AIM in London denn auch rund dreibis fünfmal tiefer als für eine Notierung in den USA.

Aufgrund des makroökonomischen Ausblicks und der Erwartungen für die Finanzmärkte sollte sich der positive Trend im Venture Capital-Markt fortsetzen und in überdurchschnittlichen Renditen für dieses Segment in den nächsten Jahren niederschlagen.

stage valuations are likely to continue heading upwards. On the whole, valuations appear to be at attractive levels.

Exit conditions are expected to remain good, with a mix of political and economic factors creating a favorable environment, i.e. moderate interest rates, record low default rates and plenty of liquidity. M&A deals are likely to be the primary exit route again for US venture capital firms in 2007. With companies going public on US exchanges continuing to face regulatory hurdles, venture-backed companies are consequently seeking alternative exit routes on European exchanges. The fact that the cost of a listing on, for instance, the AIM in London is some three to five times lower than a listing in the US is also likely to play a role.

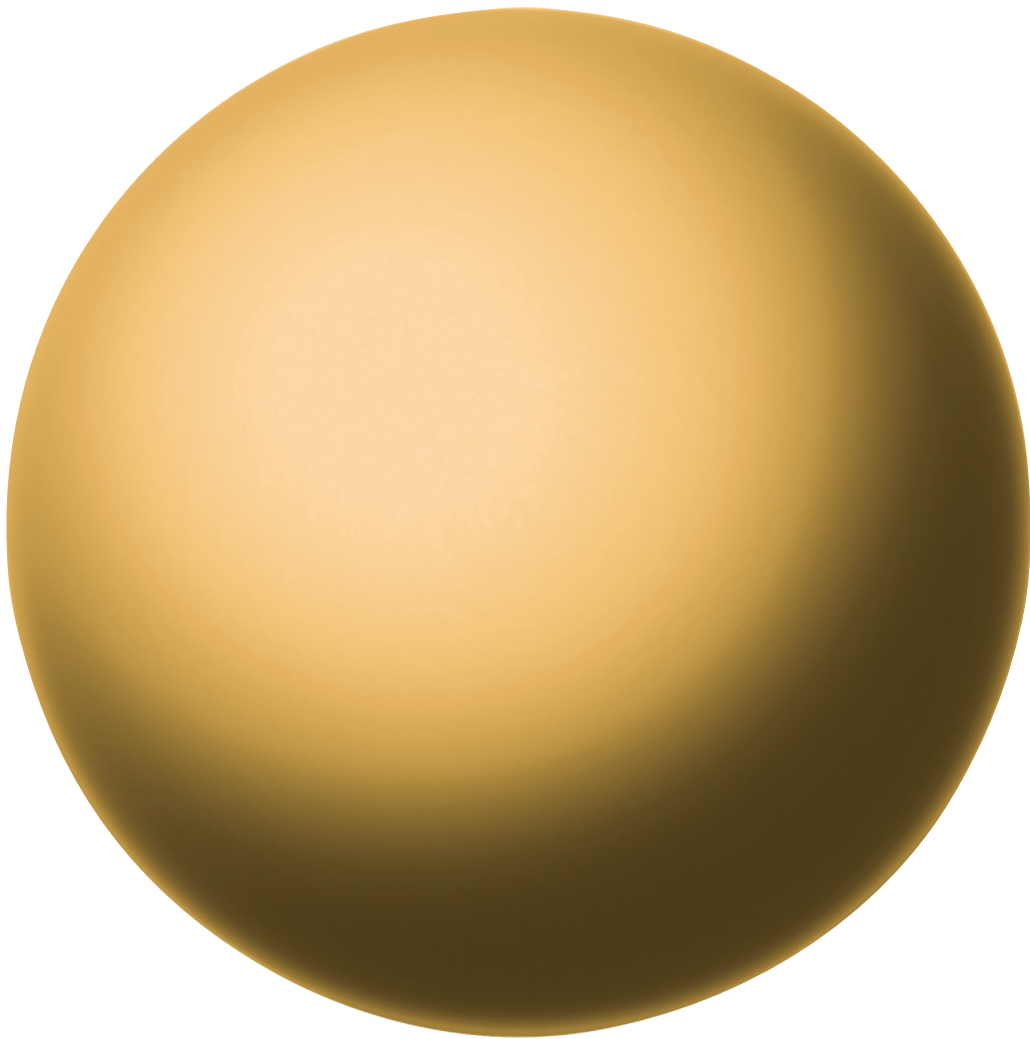
Given the macroeconomic and financial outlook, the positive trend in the venture market should continue and above-average returns are to be expected in this private market sub-segment in the years to come.

AUSBLICK 2007 FÜR PRINCESS OUTLOOK FOR PRINCESS FOR 2007

Der Ausblick für Princess für das Jahr 2007 ist sehr positiv. Vorausgesetzt es gibt keine unerwarteten makroökonomischen Entwicklungen, ist das Portfolio bestens positioniert, um von den vorhergesagten positiven Entwicklungen im Private Equity-Sektor zu profitieren. Princess hat ein sehr ausgewogenes Portfolio mit USD 568 Mio. an Private Equity-Investitionen, USD 259 Mio. an offenen Kapitalzusagen und USD 283 Mio. an liquiden Mitteln. Die bestehenden Investitionen werden vom erwarteten positiven Wirtschaftsausblick profitieren, welcher das weitere Wachstum der einzelnen Unternehmen unterstützen dürfte, während das nach wie vor lebhaftes Realisierungsumfeld sowohl für Buyout- wie auch für Venture Capital-finanzierte Unternehmen höhere Bewertungen und Rückflüsse bringen sollte. Die überarbeitete Anlagepolitik wird es dem Investmentmanager ermöglichen, aus einer grösseren Auswahl an Private Equity-Anlagemöglichkeiten geeignete Investitionen zu selektieren. Der Investmentmanager und Partners Group als Investmentberater haben den Zugang zu Investitionsmöglichkeiten und das Fachwissen, um das Private Equity-Portfolio von Princess wieder rasch aufzubauen und damit die zur Verfügung stehenden Barmittel so rasch als möglich wieder zu investieren. So kann wieder ein hoher Investitionsgrad erreicht werden.

The outlook for Princess for 2007 is seen as very positive. Provided there are no unexpected macroeconomic developments, the portfolio is well placed to benefit from the anticipated positive developments within the private equity sector in general. Princess has a well-balanced portfolio with USD 568m in private equity assets, USD 259m in unfunded commitments and USD 283m in cash and equivalents. The existing investments will benefit from the expected positive macroeconomic outlook, which should support further growth of individual companies, while the continuation of the recent buoyant exit environment for both buyout and venture companies will support higher valuations and distributions. The revised investment policy will allow the Investment Manager to select from a greater variety of private equity investment types and the Investment Manager, together with Partners Group as Investment Advisor, have the deal flow and investment expertise to rapidly ramp-up the private equity portfolio, ensuring early utilization of the available cash reserves and returning to a high investment level.

FINANZZAHLEN
FINANCIAL FIGURES



DIRECTORS' REPORT

Directors:	B. Human
	G. Hall
	U. Wietlisbach
	A. Billmaier (appointed 5 December 2006)
	S. Scherling (resigned 5 December 2006)
	P. Gujer (resigned 5 December 2006)
	M. Rowe (appointed 6 February 2006 and resigned 5 December 2006)
	F. Meyer (resigned 6 February 2006)

Secretary: Aon Insurance Managers (Guernsey) Limited

Registered Office: Tudor House
St. Peter Port
Guernsey
GY1 1BT

The directors present their report and consolidated audited financial statements for the year from 1 January 2006 to 31 December 2006.

Incorporation

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

Principal activity

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

Dividends

The directors of Princess Private Equity Holding Limited do not propose a dividend for the year ended 31 December 2006.

Results

The results for the year are shown in the income statement on page 47.

Directors

The directors of Princess Private Equity Holding Limited are detailed on page 44.

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

Directors' responsibilities

The directors are required by The Companies (Guernsey) Law, 1994 to prepare financial statements for each financial year. In preparing those financial statements the directors are required to:

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

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

Restructuring

The restructuring that took place during this financial year is explained in note 13.

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

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

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

Secretary

The secretary of the Company at 31 December 2006 was Aon Insurance Managers (Guernsey) Limited.

Auditors

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

B. Human
Director

G. Hall
Director

Date: 8 February 2007

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



Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Princess Private Equity Holding Limited which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 1994.

Without qualifying our opinion, we draw attention to Note 9 to the consolidated financial statements. As indicated in Note 9, the consolidated financial statements include unquoted investments (funds and direct investments) stated at their fair value of USD 567'886'778. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realisable values, and the differences could be material.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. The other information comprises only the director's report.

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

CONSOLIDATED AUDITED INCOME STATEMENT

for the year from 1 January 2006 to 31 December 2006

	Notes	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Net income from limited partnerships and directly held investments		155,616,523	110,274,266
– Dividend and interest income	9&16	6,357,510	15,018,766
– Revaluation	9&18	144,763,441	95,766,450
– Foreign exchange gains & losses	9&17	4,495,572	(510,950)
Net income from short-term investments		4,177,756	150,296
– Gains and losses	10	3,928,867	150,296
– Interest on short-term investments	10	248,889	–
Net income from cash & cash equivalents		3,079,003	1,323,072
– Interest income	12&16	3,317,947	1,328,159
– Foreign exchange gains & losses	17	(238,944)	(5,087)
Operating income		162,873,282	111,747,634
Operating expenses		(23,730,383)	(21,747,598)
– Management fee	5	(12,235,377)	(11,852,212)
– Insurance fee	5	(8,060,798)	(9,114,500)
– Administration fee	5	(364,798)	(303,817)
– Tax exemption fee	6	(2,181)	(2,179)
– Restructuring costs		(1,572,567)	–
– Other foreign exchange gains & losses	17	(684,712)	(52,503)
– Other operating expenses		(809,950)	(422,387)
Financing cost		(45,036,272)	(42,625,400)
– Finance cost on convertible bond	14	(43,348,759)	(40,664,029)
– Amortization of transaction costs	14	(1,487,513)	(1,487,513)
– Interest expense	16	(200,000)	(473,858)
Surplus / (loss) for the financial year		94,106,627	47,374,636
		01.01.2006– 31.12.2006	01.01.2005– 31.12.2005¹
Earnings per share			
– Weighted average number of shares outstanding		7,010,000	10,000
– Basic surplus / (loss) per share for the financial year		13.42	4'737.46
– Diluted surplus / (loss) per share for the financial year		13.42	6.76

¹ The earnings per share are calculated by dividing the surplus for the financial year by the weighted average number of shares outstanding (7,010,000). For the financial year 2005 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.

The notes on pages 52 to 66 form an integral part of these financial statements.

CONSOLIDATED AUDITED BALANCE SHEET

as at 31 December 2006

	Notes	31.12.2006 USD	31.12.2005 USD
Assets			
Non-current assets			
Investments in limited partnerships and directly held investments	2&9	567,886,778	595,273,964
Current assets			
Short-term investments	2&10	61,265,350	59,463,335
Other short-term receivables	11	279,276	421,528
Hedging assets	9	-	2,913,419
Cash and cash equivalents	12	221,472,657	49,315,979
		283,017,283	112,114,261
Total assets		850,904,061	707,388,225
Equity			
Capital and reserves			
Issued capital	13	93,191	100
Reserves		845,717,295	51'703'726
Total equity		845,810,486	51,703,826
Liabilities			
Liabilities falling due after more than one year			
Convertible bond	14	-	655,163,727
Liabilities falling due within one year			
Hedging liabilities	9	2,462,473	-
Other short-term payables	15	2,631,102	520,670
Rounding		-	2
		5,093,575	520,672
Total liabilities and equity		850,904,061	707,388,225

The notes on pages 52 to 66 form an integral part of these financial statements.

The financial statements on pages 47 to 66 were approved by the board of directors on 8 February 2007 and are signed on its behalf by:

B. Human
Director

G. Hall
Director

CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY

for the year from 1 January 2006 to 31 December 2006 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	100	263,086,949	(211,383,223)	51,703,826
Surplus / (loss) for the financial year	-	-	94,106,627	94,106.627
Increase of share capital	33	-	-	33
Conversion of the convertible bond	93,058	699,906,942	-	700,000,000
Equity at end of reporting year	93,191	962,993,891	(117,276,596)	845,810,486

The notes on pages 52 to 66 form an integral part of these financial statements.

CONSOLIDATED AUDITED STATEMENT OF CHANGES IN EQUITY
for the year from 1 January 2005 to 31 December 2005 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	100	263,086,949	(258,757,859)	4,329,190
Surplus / (loss) for the financial year	–	–	47,374,636	47,374,636
Equity at end of reporting year	100	263,086,949	(211,383,223)	51,703,826

The notes on pages 52 to 66 form an integral part of these financial statements.

CONSOLIDATED AUDITED CASH FLOW STATEMENT

for the year from 1 January 2006 to 31 December 2006

	Notes	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Cash flow from operating activities			
– Management fee	5	(12,235,377)	(11,852,212)
– Administration fee	5	(364,798)	(303,817)
– Insurance fee	5	(8,060,798)	(9,114,500)
– Tax exemption fee	6	(2,181)	(2,179)
– Restructuring costs		(1,572,567)	–
– Other operating expenses		(809,950)	(422,387)
– Proceeds from / (costs of) hedging activities	9	(9,038,588)	1,194,415
– (Increase) / decrease in other short-term receivables		(542,459)	(51,038)
– Increase / (decrease) in other short-term payables		2,359,090	(116,322)
– Dividends received from limited partnerships and directly held investments	9	1,711,846	11,954,949
– Interest received from limited partnerships and directly held investments	9	4,645,664	3,063,817
– Purchase of limited partnerships and directly held investments	9	(76,292,283)	(98,252,399)
– Distributions from limited partnerships and directly held investments	9	267,352,962	205,398,410
– Net purchase of short-term investments	10	(318,696,968)	(59,313,038)
– Redemptions of short-term investments	10	320,823,818	–
– Interest on short-term investments	10	248,889	–
– Interest from cash and cash equivalents	12	3,317,947	1,328,159
– Financing cost / credit line charges		(448,658)	(796,647)
Net cash from / (used in) operating activities		172,395,589	42,715,211
Cash flow from financing activities			
– Increase / (decrease) in credit facility	21	–	(10,000,000)
– Increase in share capital		33	–
Net increase / (decrease) in cash and cash equivalents		172,395,622	32,715,211
Cash and cash equivalents at beginning of reporting year	12	49,315,979	16,605,856
Effects on cash and cash equivalents			
– Movement in exchange rates		(238,944)	(5,087)
– Rounding		–	(1)
Cash and cash equivalents at end of reporting year	12	221,472,657	49,315,979

The notes on pages 52 to 66 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

1 ORGANIZATION AND BUSINESS ACTIVITY

Princess Private Equity Holding Limited is an investment holding company established on 12 May 1999. The company's registered office is Tudor House, St. Peter Port, Guernsey, GY1 1BT. The Company is a Guernsey 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, in private market investments.

Since 13 December 2006 the shares of the company have been listed on the Prime Standard of the Frankfurt Stock Exchange (See note 13).

As of 31 December 2006 the company has one part time employee who serves as managing director.

2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies correspond to those of the audited consolidated financial statements of the year ended 2005 except for the changes discussed below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

As at 1 January 2006 there are new and existing revised International Financial Reporting Standards (IFRS) to be adopted. The Group has consequently adopted all relevant and below-mentioned Standards since 1 January 2006.

– IAS 39 (revised 2005) – The Fair Value Option

There are no substantial effects and changes to the accounting policies due to the adoption of IAS 39 (revised 2005).

The following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 1 January 2007, or later periods have not been early adopted.

– International Financial Reporting Standard 7 (IFRS 7 [effective 1 January 2007]) – Financial Instruments: Disclosures

The Group assessed the impact of IFRS 7 as well as the complementary amendments to IAS 1 and concluded that this new standard will result in some additional disclosures. The Group will apply IFRS 7 from accounting periods beginning 1 January 2007.

Basis of preparation

The consolidated financial statements comprise the financial statements of Princess Private Equity Holding Limited and its wholly-owned subsidiary Princess Private Equity Subholding Limited and have been prepared in accordance with IFRS and under the historical cost convention as modified by the revaluation of "financial assets and financial liabilities at fair value through profit or loss".

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

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

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

Expenditure

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

Functional and presentation currency

Items included in the Company's 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 currently reflects the Company's primary activity of mainly investing in US dollar limited partnerships and private equity. The Company 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

"International Financial Reporting Standards; IAS 39 (revised 2004), Financial Instruments: Recognition and Measurement" requires investments treated as "financial assets at fair value through profit or loss" to be held at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction.

Investments in limited partnerships are being treated as "financial assets at fair value through profit or loss" and therefore disclosed at fair value. Initially they are valued at fair value. For the ongoing valuation of such investments the directors review information provided by underlying partnerships and other business partners and apply widely recognized valuation methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation to estimate a fair value as at the balance sheet date.

Investments in limited partnerships are derecognized when the rights to receive cash flow from investments in limited partnerships have expired or where substantially all risks and rewards of ownership have been transferred.

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.

Amounts realized on the sale of directly held investments and limited partnerships 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.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS (continued)

Directly held investments are derecognized when the rights to receive cash flow from directly held investments have expired or where substantially all risks and rewards of ownership have been transferred.

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 term deposits.

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 9.

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 24.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Investments in limited partnerships and directly held investments

For the valuation of such investments the directors review information provided by underlying partnerships and other business partners and apply widely recognized valuation methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation to estimate a fair value as at the balance sheet date. The variety of valuation bases adopted 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.

4 EARNINGS PER SHARE / NET ASSET VALUE PER SHARE

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

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

5 EXPENSES

Management fee

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

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

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

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

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

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS (continued)

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

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

Incentive Fee

In respect of Direct Investments and Secondary Investments an incentive fee will be charged after taking into account a "Preferred Return" calculated at a rate of 8% per annum. At the end of the financial year no incentive fee has been charged.

6 TAXATION STATUS

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

7 SEGMENT REPORTING

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

8 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management 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 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 maturity between three and twelve months from the date of purchase. Due to the fact that interest bearing investments are short-term, the influence of changes in the market interest rates is not expected to be significant. 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 foreign 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 such as time of last financing, multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for 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.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

9 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS

9.1 INVESTMENTS

	31.12.2006	31.12.2005
	USD	USD
Balance at beginning of reporting year	595,273,964	629,976,924
Capital activity recorded at the transaction rate	76,292,283	98,252,399
Distributions	(267,352,962)	(205,398,410)
Revaluation	144,763,441	95,766,450
Foreign exchange gains / (losses)	18,910,052	(23,323,399)
Balance at end of reporting year	567,886,778	595,273,964

9.2 DISTRIBUTIONS

	01.01.2006–	01.01.2005–
	31.12.2006	31.12.2005
	USD	USD
Dividends	1,711,846	11,954,949
Interest income	4,645,664	3,063,817
	6,357,510	15,018,766
Return of investments	267,748,578	205,484,959
Gains / (losses) from sale of stock distributions	(395,616)	(86,549)
Total distributions	273,710,472	220,417,176

9 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS**9.3 FOREIGN EXCHANGE**

	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Foreign exchange revaluation	18,910,052	(23,323,399)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	(5,375,892)	21,618,035
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	(9,038,588)	1,194,415
Rounding	-	(1)
	4,495,572	(510,950)

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 year is detailed below:

	USD	Rate	Value date	Surplus / (loss) 31.12.2006 USD	Surplus / (loss) 31.12.2005 USD
Sell GBP against USD	36,799,770	1.7524	20.04.2006	-	679,602
Sell EUR against USD	91,254,375	1.2167	20.04.2006	-	1,959,825
Sell SEK against USD	9,777,083	7.6710	20.04.2006	-	273,992
Buy EUR against USD	300,000,000	0.7501	28.04.2007	(1,819,059)	-
Buy EUR against USD	125,000,000	0.7536	22.01.2007	(643,414)	-
				(2,462,473)	2,913,419

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

10 SHORT-TERM INVESTMENTS

10.1 INVESTMENTS

	31.12.2006 USD	31.12.2005 USD
At beginning of reporting year	59,463,335	–
Additions	318,696,968	59,313,038
Redemptions	(317,696,189)	–
Unrealized gains / (losses) on short-term investments	801,238	150,296
Rounding	(2)	1
At end of reporting year	61,265,350	59,463,335

10.2 INCOME

	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Interest on short-term investments	248,889	–
Realized gains / (losses) from short-term investments	3,127,629	52,915
Unrealized gains / (losses) from short-term investments	801,238	97,381
Total gains and losses from short-term investments	4,177,756	150,296

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.

11 OTHER SHORT-TERM RECEIVABLES

	31.12.2006 USD	31.12.2005 USD
Distributions receivable	279,276	421,528
	279,276	421,528

12 CASH AND CASH EQUIVALENTS

12.1 BALANCE

	31.12.2006 USD	31.12.2005 USD
Cash at banks	221,472,657	49,315,980
Rounding	–	(1)
Total cash and cash equivalents	221,472,657	49,315,979

12.2 INTEREST INCOME

	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Interest received from cash at banks	3,317,947	1,328,159
Total interest income from cash and cash equivalents	3,317,947	1,328,159

13 SHARE CAPITAL

	31.12.2006 USD	31.12.2005 USD
Authorized		
20,000,000 Class A shares of USD 0.01 each (cancelled)	–	200,000
10,000 Class B shares of EUR 0.01 each reclassified to Ordinary shares	133	100
20,000,000 Ordinary shares of EUR 0.01 each	265,880	–
	266,013	200,100
Issued and fully paid		
10,000 Class B shares of USD 0.01 each	–	100
10,000 Class B shares of EUR 0.01 each reclassified to Ordinary shares	133	–
7,000,000 Ordinary shares of EUR 0.01 each out of the bond conversion	93,058	–
	93,191	100

Restructuring

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

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

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

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

14 CONVERTIBLE BOND

	31.12.2006	31.12.2005
	USD	USD
Balance at beginning of reporting year	655,163,728	613,012,186
Amortization of transaction costs	1,487,513	1,487,513
Finance cost on convertible bond	43,348,759	40,664,029
Conversion of the convertible bond	(700,000,000)	-
Balance at end of reporting year	-	655,163,728

As at the balance sheet date the nominal value of the convertible bond outstanding was USD nil (2005: USD 700,000,000).

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond were split between the liability and equity option components. The fair value of the equity component was calculated as USD 264,834,825 using cash flows discounted at market interest rates for an equivalent year. This amount was classified as share premium and remained 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 were allocated to the liability component. The liability, including transaction costs, were therefore stated at a discount of 1.6110% per quarter to the maturity value.

The result of this technical requirement in IAS 32 was that the discount was 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 had no effect on either the economic position or the net asset value of the Group. The cumulative finance cost in retained earnings was offset by an equivalent credit in share premium. However, the required treatment clearly did have a significant impact on the net surplus or loss reported in the income statement over the years to the conversion of the bond.

On 8 December 2006 the 700,000 convertible bonds at a par value of USD 1,000 each at USD 100 per share were converted into 7,000,000 Ordinary Shares. The amount of the convertible bond outstanding has been reduced to USD nil. See also note 13.

15 OTHER SHORT-TERM PAYABLES

	31.12.2006	31.12.2005
	USD	USD
Accrued interest	200,000	448,658
Accruals to related parties	57,499	-
Other accruals	2,373,603	72,012
	2,631,102	520,670

16 DIVIDEND AND INTEREST INCOME AND EXPENSE	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Interest income:		
– Dividend and interest income from limited partnerships and directly held investments	6,357,510	15,018,766
– Interest income from cash and cash equivalents	3,317,947	1,328,159
Total dividend and interest income	9,675,457	16,346,925
Total interest expense	(200,000)	(473,858)
17 FOREIGN EXCHANGE GAINS AND LOSSES	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Foreign exchange gains and losses on:		
– Limited partnerships and directly held investments	4,495,572	(510,950)
– Cash and cash equivalents	(238,944)	(5,087)
– Other	(684,712)	(52,503)
	3,571,916	(568,540)
18 REVALUATION	01.01.2006– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Revaluation of:		
– Limited partnerships and directly held investments	144,763,441	95,766,450
19 COMMITMENTS	31.12.2006 USD	31.12.2005 USD
Total commitments translated at the rate prevailing at the balance sheet date	1,391,680,428	1,264,969,349
Unutilized commitments translated at the rate prevailing at the balance sheet date	258,716,407	245,329,670

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

(continued)

20 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.

	31.12.2006	31.12.2005
	USD	USD
Net assets of the Group	845,810,486	706,867,553
Outstanding shares at the balance sheet date	7,010,000	10,000
Additional shares due to conversion	–	7,000,000
Net asset per share at year-end	120.66	70,686.76
Diluted net assets per share at the balance sheet date	120.66	100.84

21 CREDIT LINE FACILITY

The Company entered into a revolving credit facility with Bank of Scotland on 31 December 2002 for a maximum of USD 130,000,000. Security is inter alia, by way of a security agreement over the entire issued share capital of Princess Private Equity Subholding Limited. The credit facility has been reduced to USD 50,000,000 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 draw-down 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 (2005: nil).

22 INSURANCE POLICY

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

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

23 RELATED PARTY TRANSACTIONS

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

At 31 December 2005 Partners Group Holding and Swiss Reinsurance Company held 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– 31.12.2006 USD	01.01.2005– 31.12.2005 USD
Management fee paid to:			
– Princess Management Limited	5	12,235,377	11,852,212
Insurance fee paid to:			
– Princess Management Limited	5	8,060,798	9,114,500
Administration fee paid to:			
– Partners Group (Guernsey) Limited	5	364,798	303,817
IFRS Valuation advice:			
– Princess Management Limited		100,000	100,000
Directors' fees paid		11'167	20'705
Director's compensation			
– Short-term employee benefits		3,998	–

The company does not operate a pension scheme.

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

ii) Year-end balances

	31.12.2006 USD	31.12.2005 USD
Other short-term payables to related parties:		
– Princess Management Limited	57,499	–

The year-end balances are unsecured, interest free and repayable upon demand.

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

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24 GROUP ENTERPRISES – SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest	
		31.12.2006	31.12.2005
Princess Private Equity Subholding Limited	Guernsey	100%	100%

25 PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

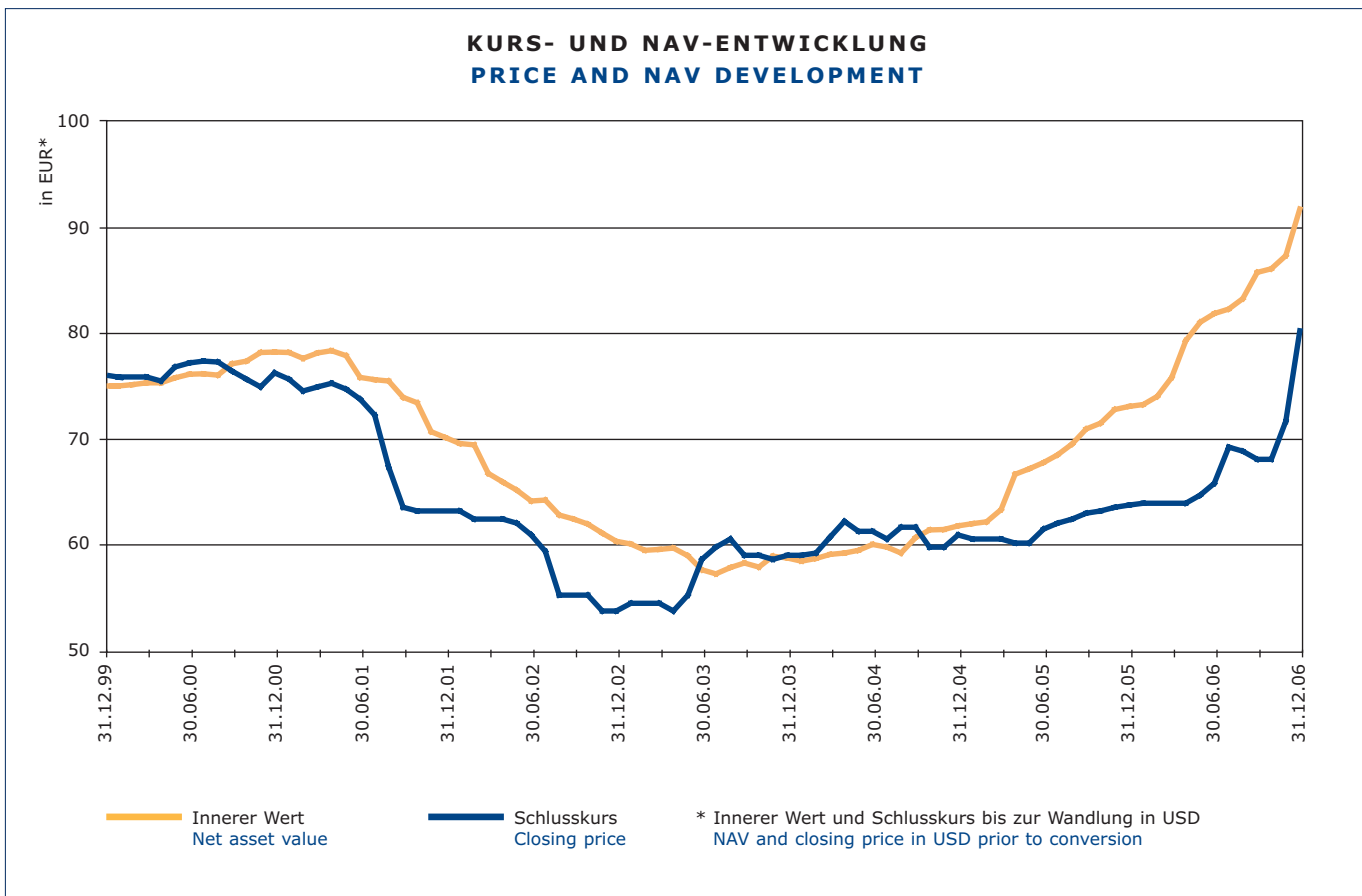
At 31 December 2006 there was no parent company or ultimate controlling party.

At 31 December 2005 Partners Group Holding, a company organized under Swiss law held the majority of the Class B shares of the Company.

26 SUBSEQUENT EVENT

The Group has changed its reporting currency from US dollar to euro with the effect of 1 January 2007.

WERTENTWICKLUNG PRICE AND PERFORMANCE DEVELOPMENT



	Bei Ausgabe ¹⁾ At issuance ¹⁾	31.12.1999 ¹⁾	31.12.2000 ¹⁾	31.12.2001 ¹⁾	31.12.2002 ¹⁾	31.12.2003 ¹⁾	31.12.2004 ¹⁾	31.12.2005 ¹⁾	31.12.2006 ²⁾
Geprüfter NAV Audited NAV	USD 100	USD 98.62	USD 102.89	USD 92.13	USD 78.66	USD 78.05	USD 88.07	USD 100.84	USD 120.66 (EUR 91.49) ³⁾
Schlusskurs Closing price	USD 100	USD 100.75	USD 100.25	USD 83.00	USD 70.50	USD 77.50	USD 80.00	USD 83.75	EUR 80.00

¹⁾ Wandelanleihe – convertible bond

²⁾ Aktie – shares

³⁾ verwendeter Umrechnungskurs – applied FX-rate: EUR/USD 1.3189

ADRESSEN LIST OF ADDRESSES

Sitz der Gesellschaft

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Email: princess@princess-privateequity.net

Info: www.princess-privateequity.net

Investmentmanager

Investment Manager

Princess Management Limited
Guernsey, Channel Islands

Investor Relations

Email: princess@princess-privateequity.net

Abschlussprüfer

Auditors

PricewaterhouseCoopers CI LLP

Handelsinformation

Trading Information

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