

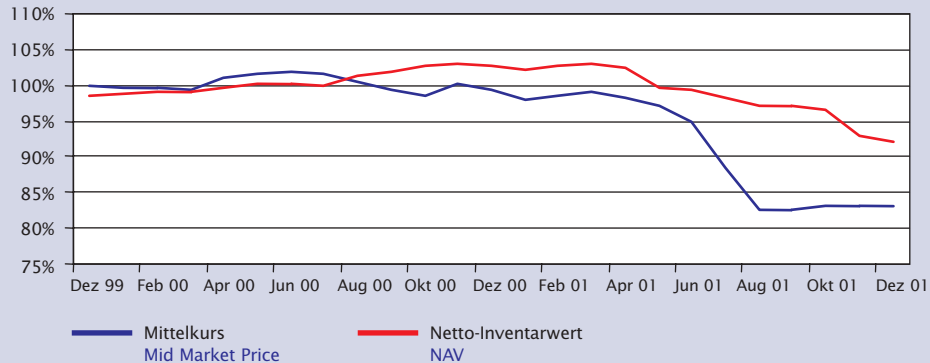
*Geschäftsbericht
Annual Report
2001*

 **Princess**

Kurs- und Performance-Information

Price and Performance Information

Mittelkurs und Netto-Inventarwert seit 31.12.99 bis 31.12.01
Mid Market Price and NAV since 31.12.99 until 31.12.01



Firmenprofil

Princess Private Equity Holding Limited ist eine Private Equity-Investmentgesellschaft mit Sitz in Guernsey. Die von der Princess Holding emittierte Wandelanleihe eröffnet sowohl institutionellen als auch privaten Investoren die Möglichkeit, an einem professionell betreuten und breit diversifizierten Portfolio aus Beteiligungen an Private Equity-Partnerships zu partizipieren. Der Emissionserlös von USD 700 Mio. wird seit Juni 1999 von diesen Partnerships in nicht börsennotierte Unternehmen investiert. Durch eine Rückversicherung der Swiss Re ist die deckungsstockfähige Wandelanleihe mit einem vollen Kapitalschutz bis zur Wandlung und einem AAA-Rating von Standard & Poor's ausgestattet.

Company profile

Princess Private Equity Holding Limited is a Guernsey-registered Private Equity investment company. The Princess Holding convertible bond enables institutional and private investors to participate in a professionally managed, broadly diversified portfolio of investments in Private Equity partnerships. Since June 1999, the total issue amount of USD 700 million has been progressively invested in unlisted companies by the partnerships. By means of re-insurance cover provided by Swiss Re, the capital of the convertible bond, which is eligible in Germany for investment of prime stock reserves, is fully protected until maturity and the issue has been assigned a AAA rating by Standard & Poor's.

	Wert per Ausgabe Juni 1999 Value as of Issuance June 1999	Wert per 31. Dez. 1999 Value as of Dec. 31. 1999	Wert per 31. Dez. 2000 Value as of Dec. 31. 2000	Wert per 31. Dez. 2001 Value as of Dec. 31. 2001	Performance seit Ausgabe bis 31. Dez. 2001 Since Issuance until Dec. 31. 2001
NAV	100%	98.62%	102.89%	92.13%	-7.87%
Mittelkurs Mid Market Price	100%	102.75%	100.25%	83.00%	-17.00%

Übersicht 2001 **Seite 3**

Princess Private Equity Holding Limited **Seite 7**

Vorwort des Verwaltungsrates **Seite 8**

Rückblick Private Equity Industrie 2001 **Seite 10**

Investment Manager's Report **Seite 13**

Verlauf des Investitionsprozesses **Seite 14**

Portfolio-Allokation **Seite 15**

Portfolio-Details **Seite 18**

Neue Partnership Commitments in 2001 **Seite 20**

Einige Beispiele von Portfoliorealisierungen in 2001 **Seite 23**

Aussicht für 2002 **Seite 25**

Anlageklasse Private Equity **Seite 26**

Struktur der Princess Private Equity Holding Limited **Seite 34**

Finanzzahlen **Seite 37**

Bericht des Wirtschaftsprüfers **Seite 38**

Finanzzahlen **Seite 39**

Entwicklung seit Emission **Seite 55**

Dieses Dokument stellt weder einen Verkaufsprospekt noch eine direkte oder indirekte Verkaufsförderung dar.

Overview 2001 **Page 3**

Princess Private Equity Holding Limited **Page 7**

Statement from the Board of Directors **Page 9**

Review of the Private Equity Industry 2001 **Page 10**

Investment Manager's Report **Page 13**

Progress of Investment Activities **Page 14**

Portfolio Allocation **Page 15**

Investments to Partnerships **Page 18**

New Partnerships Commitments in 2001 **Seite 20**

Some Example Exits in 2001 **Seite 23**

Outlook 2002 **Seite 25**

Asset Class Private Equity **Page 26**

Structure Princess Private Equity Holding Limited **Page 34**

Financial Figures **Page 37**

Statement of the Auditors **Page 38**

Financial Figures **Page 39**

Development since Issuance **Page 55**

This document is neither a sales prospectus nor a direct or indirect sales promotion instrument.

Daten und Fakten

Emittent der Wandelanleihe	Princess Private Equity Holding Limited, Guernsey
Versicherung	Kapitalgarantie bei Fälligkeit durch Princess Management & Insurance Limited, Guernsey, rückversichert durch Swiss Re
Gebühren	Versicherungsprämie: 1.5% p.a. Management Fee: 1.5% p.a.
Gesamtbetrag der Anleihe	USD 700 Mio.
Zinssatz	0%
Verfallsdatum	31. Dezember 2010
Rückzahlung bei Verfall	100%
Anfängliche Wandelprämie bei Emission	0%
Wandlungsfrist	1. Januar 2007 bis 30. November 2010
Status	AAA-Rating Standard & Poor's Deckungsstockfähig
Börse	Notierung an den Börsen in Frankfurt und Luxembourg
Kennnummern	Schweiz 813.917 Deutschland 313.965
Settlement	Euroclear/Clearstream/ ISIN XS0098576563
Berichte	Monatsbericht Quartalsbericht Jahresbericht

Facts and Figures

Issuer	Princess Private Equity Holding Limited, Guernsey
Capital Protection	Principal of the Bond protected at maturity under insurance arrangements by Princess Management & Insurance Limited, Guernsey, reinsured by Swiss Re
Fees	Insurance Fee: 1.5% p.a. Management Fee: 1.5% p.a.
Issue Size	USD 700 Mio.
Coupon	0%
Maturity	December 31, 2010
Redemption	100%
Initial Conversion Premium	0%
Conversion Period	January 1, 2007 until November 30, 2010
Rating	AAA-rating by Standard & Poor's Fulfills stringent investment regulations for German investors
Stock Exchange	Listed on the Frankfurt and Luxembourg Stock Exchanges
Security Numbers	Switzerland 813.917 Germany 313.965
Settlement	Euroclear/Clearstream/ ISIN XS0098576563
Reporting	Monthly Report Quarterly Report Annual Report



Vorwort des Verwaltungsrates

Liebe Investoren,

2001 war ein schwieriges Jahr für die Weltwirtschaft und die Finanzmärkte. Für die Private Equity-Industrie war das Jahr geprägt von erheblichen Bewertungsanpassungen und einem schwierigen Umfeld für Verkäufe der Investitionen; speziell Börsengänge (IPOs) waren hiervon betroffen. Die Vorfälle des 11. September 2001 machten letztlich die Hoffnungen auf eine schnelle Erholung der Weltwirtschaft zunichte. Obwohl 2001 ein schwieriges Jahr war, freut sich der Verwaltungsrat der Princess Private Equity Holding Limited, Ihnen den folgenden Jahresbericht vorlegen zu können.

In 2001 setzte Princess den Investitionsprozess fort und gab Commitments an sieben neue Partnerships in Höhe von USD 32.5 Millionen ab. Das Portfolio setzt sich derzeit aus 101 sorgfältig ausgewählten Partnerships zusammen. Diese sind nach geographischen Regionen, Finanzierungsstadien, Industriesektoren und Lancierungsjahren breit diversifiziert. Durch den strategischen Erwerb von Beteiligungen an drei Sekundär-Portfolios konnte die Diversifikation nach Lancierungsjahren sogar bis in die frühen 90er Jahre ausgedehnt werden. Diese Sekundär-Portfolios haben sich als wertvolle Ergänzung für Princess erwiesen, da sie den Reifeprozess des Portfolios beschleunigt und schon zu beachtlichen Rückflüssen geführt haben.

Aufgrund der bereits erwähnten Bewertungsanpassungen, ist der Innere Wert (NAV) von 102.89% am 31. Dezember 2000 um -10.46% auf 92.13% am 31. Dezember 2001 zurückgegangen. Obwohl der Verwaltungsrat davon ausgeht, dass ein Grossteil der notwendigen Bewertungsanpassungen bereits getätigt wurde, ist nicht auszuschliessen, dass vereinzelt weitere Neubewertungen vorgenommen werden müssen. Der Preisabschlag von -9.91% zum NAV am 31. Dezember 2001 ist zum einen darauf zurückzuführen, dass der Markt weitere NAV-Korrekturen bereits antizipiert, zum anderen jedoch ist für die Höhe des Abschlages wohl auch das insgesamt schlechte Börsenklima mitverantwortlich. Dennoch sind die Preis- und die NAV-Entwicklung für 2001 im Vergleich zur durchschnittlichen Performance-Entwicklung vieler öffentlicher Märkte (SMI, DAX, NASDAQ, NEMAX) vorteilhaft. Dies unterstreicht die Bedeutung der Private Equity-Beimischung in Portfolios institutioneller und privater Investoren.

Nach den Bewertungsanpassungen der Private Equity-Partnerships besteht das Princess Portfolio aus solide finanzierten Unternehmen. Der Verwaltungsrat ist sowohl von der Qualität als auch von der Diversifikation des Portfolios überzeugt, was mittel- bis langfristig in einem konstanten positiven Wertzuwachs resultieren sollte. Für das Jahr 2002, wie auch in vergangenen Jahren, sind wir bemüht, das uns von Ihnen entgegengebrachte Vertrauen zu erfüllen.

Der Verwaltungsrat

Statement from the Board of Directors

Dear Investors

2001 was a difficult year for the world economy and the financial markets. For the Private Equity industry, the year was marked by considerable revaluations of investments and a difficult exit environment, especially for Initial Public Offerings (IPOs). The events of 11 September 2001 shattered any hopes of a quick economic recovery. Despite it being a difficult year, the Board of Directors of Princess Private Equity Holding Limited is pleased to present you with the following report detailing the year's business activities.

Over the past twelve months, Princess Private Equity Holding continued to invest, making commitments to seven new partnerships in the order of USD 32.5 million. The portfolio presently comprises 101 carefully selected partnerships worldwide with broad diversification across geographic region, financing stage, industry sector and vintage year. Vintage year diversification was enhanced in 2000 with the participation in three substantial Secondary Private Equity portfolios. These investments have proved to be very valuable to the Princess portfolio since they have served to diversify the vintage mix of the portfolio and led to considerable inflows of proceeds over the last twelve months.

On account of the above-mentioned revaluations of partnerships, the net asset value (NAV) of Princess fell by -10.46% from 102.83% at 31 December 2000 to 92.13% at 31 December 2001. Although the Board of Directors believes that the bulk of necessary revaluations in respect of portfolio partnerships have been made, further NAV adjustments to parts of the portfolio are expected, and, given the -9.91% price discount at 31 December 2001, have already been anticipated by the market. Nevertheless, the relative performance of Princess both in terms of price and NAV compares favorably to the average performance for many public markets (SMI, DAX, NASDAQ, NEMAX) over the last year. This underlines the importance of Private Equity allocations for both institutional and private investors' portfolios.

Given the recent valuation adjustments to the Private Equity partnerships, Princess now has a portfolio of well-financed companies. The Board of Directors is convinced of both the quality and diversification of the Princess portfolio, which should result in a positive, constant rate of growth in the medium- to long-term. For 2002, as in previous years, we are fully dedicated to justifying the trust and confidence that you have placed in us.

The Board of Directors

Rückblick Private Equity Industrie in 2001

2001 war die Private Equity-Industrie von signifikanter Volatilität der Märkte, rückläufigen Unternehmensbewertungen, ungewissen Marktprognosen und einer schwachen Entwicklung der Wirtschaft gekennzeichnet. Durch dieses Umfeld waren auch die Private Equity-Renditen in 2001 stark beeinträchtigt, und dennoch vorteilhaft im Vergleich mit Erträgen vieler öffentlicher Märkte (SMI, DAX, NASDAQ, NEMAX). Bedingt durch die historischen überdurchschnittlichen Renditen von Private Equity-Investitionen und aufgrund der steigenden Akzeptanz und des Verständnisses hinsichtlich dieser Anlageklasse, wächst der Anteil an strategischen Allokationen in diesem Bereich weltweit.

In den USA, dem grössten Private Equity-Markt, wurde 43% weniger Kapital aufgenommen. Während in 2000 noch Kapital in Höhe von USD 174.1 Milliarden aufgenommen wurde, waren es in 2001 nur noch USD 99.6 Milliarden. Dennoch war dies der zweitgrösste Betrag, der jemals Private Equity-Partnerships zugeflossen ist. Der grösste Anteil des aufgenommenen Kapitals (USD 46.7 Milliarden) ging nach wie vor an Buyout-Funds, 37% weniger als in 2000. USD 35.7 Milliarden oder 52% weniger als im Vorjahr gingen an Venture-Funds; USD 8.7 Milliarden wurden an Fund-of-Funds alloziert, 52% weniger als im Vorjahr. USD 4.4 Milliarden wurden Mezzanine-Funds zugeteilt, eine Abnahme von 20%, wobei Sekundär-Transaktionen mit einem Volumen von USD 3.3 Milliarden einen Anstieg von 87% verzeichnen konnten. Die Kapitalaufnahme in Europa spiegelte die Entwicklung in den USA wieder. Commitments halbierten sich von USD 63.4 Milliarden in 2000 auf USD 28.9 Milliarden in 2001.

Die Investitionsaktivitäten, welche sich zwischen 1999 und dem ersten Halbjahr 2001 signifikant verlangsamt hatten, verstärkten sich wieder etwas gegen Ende des Jahres 2001. Trotzdem erhielten Unternehmen im letzten Jahr mehr Private Equity-Mittel als in jedem anderen Jahr vor 1999. Der Investitionsmix, d.h. die Anzahl der finanzierten Unternehmen nach ihrem jeweiligen Industriesegment, reflektierte das Bild von 1998. Investitionen in Buyout-Partnerships waren weiterhin hoch, wenn es auch weniger grosse Transaktionen gab. Venture Capital-Investitionen kehrten, nach den Hochs in 1999 und 2000, auf ein normales Bewertungs- und Commitment-Niveau zurück. Special Situations-Finanzierungen erlebten aufgrund des schwachen wirtschaftlichen Umfeldes und der grösseren Anzahl der sanierungsbedürftigen Unternehmen eine Renaissance. Der Life Science-Sektor konnte seinen Anteil am insgesamt investierten Kapital ausbauen, während der Anteil der Internet-bezogenen Investitionen stark rückläufig war.

Review of the Private Equity industry in 2001

2001 proved to be a year of significant market volatility, declining valuations, market uncertainty and weak economies for the Private Equity industry. Returns on Private Equity investments were significantly impacted in 2001, nevertheless they compared favourably with many public market returns (SMI, DAX, NASDAQ, NEMAX). On account of the relative returns but also due to the greater acceptance and understanding of the Private Equity asset class, strategic allocations to Private Equity continued to rise globally.

In the USA, the biggest Private Equity market, fundraising fell by 43% from USD 174.1 billion in 2000 to USD 99.6 billion in 2001, it was nevertheless the second-largest sum ever raised by Private Equity firms. This eclipsed the USD 97.1 billion raised in 1999 and making the USD 8 billion raised ten years ago in 1991 pale into insignificance. The lion's share or USD 46.7 billion went to Buyout funds, down 37% from 2000; USD 35.7 billion went to Venture funds, down 52%; USD 8.7 billion went to fund of funds, down 52%; and USD 4.4 billion went to Mezzanine funds, down 20%. In contrast Secondary funds saw an 87% hike in commitments to USD 3.3 billion. In Europe fundraising mirrored the development in the USA with commitments being halved from USD 63.4 billion in 2000 to USD 28.9 billion in 2001 which is just slightly below 1999's figure of USD 30.4 billion.

Investment activity, having slowed significantly in 1999 and the first half of 2001, picked up somewhat towards the end of the year. Nevertheless, Private Equity-backed companies received more investment last year than in any year prior to 1999. The investment mix, i. e., the quantities and types of business being financed, also reflected the mix seen in 1998 and earlier. Investments in Buyouts continued to be strong, albeit with fewer, larger deals. Venture Capital investments returned to more normal valuation and commitment levels in the wake of the anomalies of 1999 and 2000. Mezzanine and turnaround financing enjoyed a revival due to the weaker economic environment and greater corporate financial distress. The life science sector increased its share of total investment, while internet-related investment saw its share contract sharply.

In 2001 valuations continued their downward spiral from the previous year. Having had their fingers burned by investing too heavily in 1999 and 2000 in the telecommunications, media and technology sectors at valuations levels that, with the benefit of hindsight, were too high, partnerships adopted a wait-and-see approach in 2001. Fund managers continued to focus primarily on companies in the portfolio, providing finance for companies raising second and later stage financing to the detriment of those seeking seed and first round funding. 2001

In 2001 setzte sich der Abwärtstrend des vorangegangenen Jahres aufgrund der vorgenommenen Neubewertungen fort. Nachdem viele Partnerships schwere Verluste aufgrund ihrer in 1999 und der ersten Hälfte 2000 getätigten Investitionen in den Segmenten Telekommunikation, Medien und Technologie hinnehmen mussten, welche rückblickend auf einem zu hohen Bewertungsniveau getätigt wurden, nahmen Partnerships in 2001 eine abwartende Haltung ein. Private Equity-Partnerships fokussierten ihre Aktivitäten vor allem auf bestehende Portfolio-Unternehmen und stellten ihnen Kapital für Anschlussfinanzierungen zur Verfügung; dies zum Nachteil von Erstrundenfinanzierungen.

2001 war auch durch ein erhöhtes Qualitätsbestreben gekennzeichnet. Erfolgreiche Partnerships waren in einer Ausgangsposition, die es ihnen ermöglichte, nur hochwertige Unternehmen mit guten Management-Teams auszuwählen und gleichzeitig auf operative Exzellenz und realistische Preise zu achten. Alle diese Faktoren sprechen für aussichtsreiche Renditeerwartungen aus Transaktionen dieses Lancierungsjahres.

Auf der Exit-Seite beeinflussten schwache IPO- und M&A-Märkte die Rückflüsse an die Partnerships. Dies, zusammen mit kontinuierlich fallenden Unternehmensbewertungen, hatte zur Folge, dass viele junge Partnership-Funds in Schwierigkeiten gerieten.

Die Aussichten für die Private Equity-Industrie für 2002 sind positiver. Gegen Ende 2001 sammelten sich Anzeichen für das Erreichen der Talsohle der Private Equity-Industrie. Neben einer Zunahme an Exits, erhöhte sich die Investitionsaktivität der Partnerships. Durch die Akquisition von Unternehmensanteilen zu vorteilhaften Konditionen konnten Partnerships die Grundlage für mittel- bis langfristiges Wachstumspotential schaffen.

was also characterized by a flight to quality. Successful partnerships were in a position to cherry-pick high-calibre companies and good management teams while focusing on operational excellence and realistic pricing. All these factors augur well for returns on deals done in this vintage year.

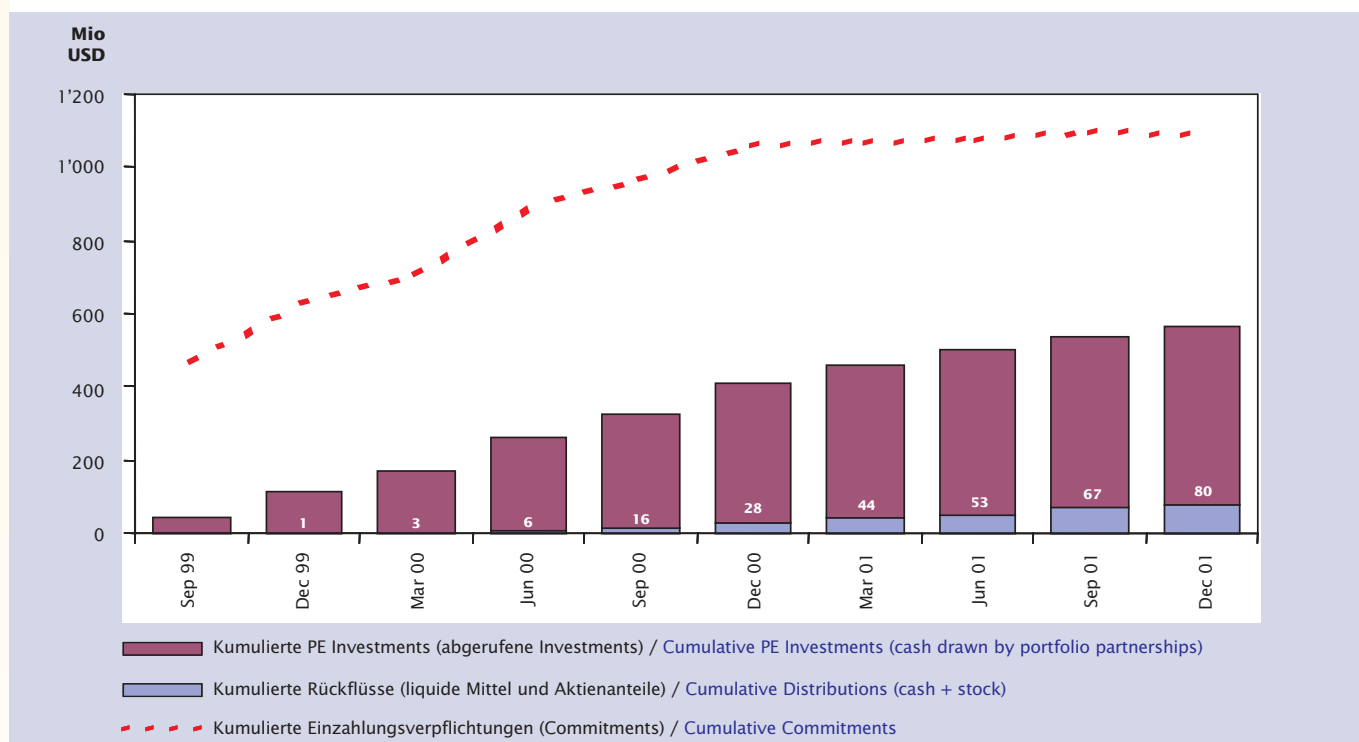
On the exit front, sluggish initial public offering (IPO) and merger and acquisitions (M&A) markets affected distributions to the limited partners. Moreover this, together with steadily declining company valuations, means that many young funds are likely to have had difficulty in reaching break-even.

The outlook for the Private Equity industry for 2002 is more promising. Towards the end of 2001, signs were mounting that the industry had indeed bottomed out. Along with an increase in the number of exits, the partnerships started to step up their investment activity and acquiring company stakes at favourable conditions and in doing so laying the foundation for significant value potential in the medium- and long-term.



Verlauf des Investitionsprozesses

Progress in Investment Activities



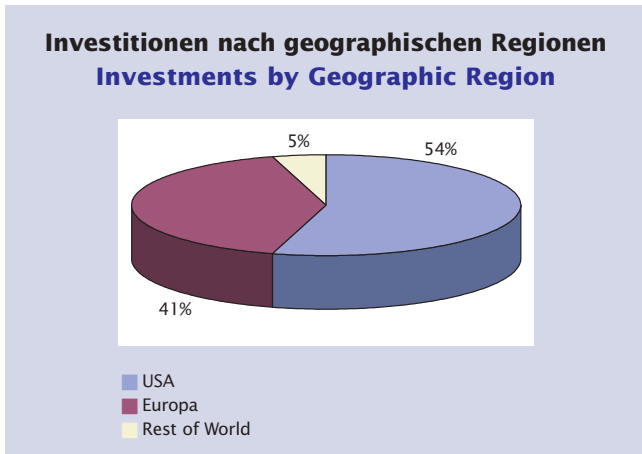
2001 hat der Investment Manager, Princess Management and Insurance Limited, Commitments an sieben neue Partnerships in der Höhe von USD 32.5 Millionen abgegeben. Damit stiegen die Commitments auf USD 1'090 Millionen per Ende 2001. Princess verfolgt eine sorgfältig geplante Overcommitment-Strategie mit dem Ziel, einen Private Equity-Investitionsgrad von ca. 100% in einem relativ kurzen Zeitraum zu erreichen und zu halten. Dies bedingt, dass in den ersten Jahren verstärkt Commitments gesprochen wurden, wohingegen beim derzeitigen Commitment-Grad von 154% zukünftig weniger Commitments abgegeben werden. Mit liquiden Mitteln von 28% des NAVs und unter Berücksichtigung der zunehmenden Investitionsaktivität im vierten Quartal 2001 wird ein Investitionsgrad von annähernd 100% über die nächsten 12 bis 18 Monate erwartet. Die Overcommitment-Strategie wird durch ein sophistiziertes Cash-Flow-Monitoring-Modell des Investment Managers sorgfältig überwacht und bei wirtschaftlichen Veränderungen entsprechend angepasst.

In den ersten drei Quartalen 2001 hatten die Portfolio-Partnerships einen langsameren Investitionsrhythmus als im Vorjahr. Die Gesamtinvestitionen der Princess Partnerships stiegen um 26% auf eine Höhe von USD 562 Millionen per Ende 2001. Ende 2000 betragen diese nur USD 418 Millionen. Seit der Lancierung hat Princess Rückflüsse in Höhe von USD 80 Millionen erhalten – dies entspricht ca. 12% des NAVs. Ein Grossteil der Rückflüsse stammt von den Sekundär-Investitionen, an denen Princess sich im Jahre 2000 beteiligt hat.

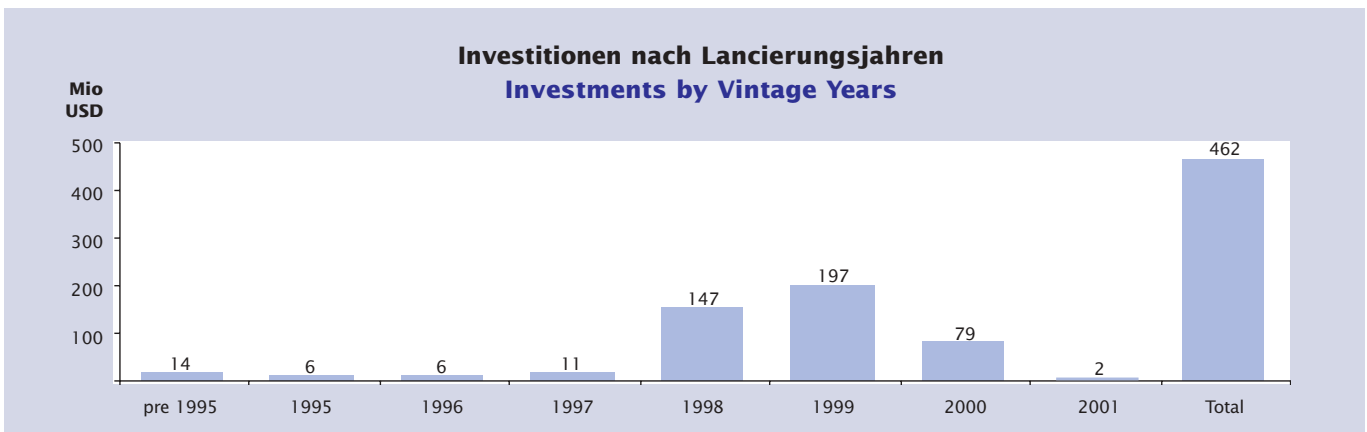
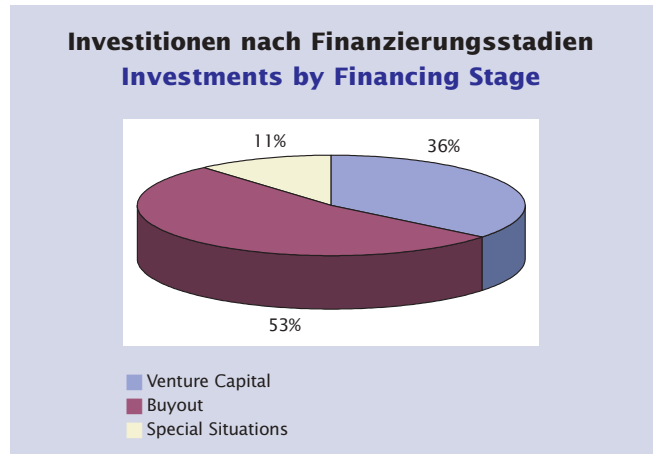
The Investment Manager, Princess Management and Insurance Limited, made commitments to seven new partnerships in 2001, increasing total commitments by USD 32.5 million to USD 1'090 million in December 2001. Princess diligently follows an overcommitment strategy with the goal of achieving a 100% Private Equity investment level in a shorter time. With a commitment level of 154%, the commitment pace is now slowing. A current cash level of 28% of NAV and in view of the progress made in investment activities in the final quarter of 2001, a 100% investment rate can be expected over the next 12 to 18 months. The overcommitment strategy is closely monitored by the Investment Manager by means of a sophisticated cash flow model and can be adjusted in the event of unforeseen circumstances or major economic changes.

In the first three quarters of 2001, the portfolio partnerships continued their investments activities, albeit at a somewhat slower pace compared to previous years. Investments made by the partnerships increased by 26% to USD 562 million at the end of 2001 compared to USD 418 million the year before. Since inception, Princess has received over USD 80 million in proceeds from investments – this is equivalent to approximately 12% of NAV, which is quite high for a Private Equity product that was only launched in 1999. The proceeds stem primarily from the Secondary investments that Princess participated in 2000.

Portfolio Allokation



Portfolio Allokation



Investitionsfokus "Top Quartile" Partnerships

Princess Private Equity Holding strebt eine diversifizierte Portfoliostruktur in bezug auf Regionen, Finanzierungsstadien, Industriesektoren und Lancierungsjahren an. Investmentphilosophie von Princess ist es, ein Spiegelbild der weltweiten Private Equity- und Venture Capital-Industrie aufzubauen. Oberster Grundsatz ist dabei, stets in Private Equity-Partnerships des obersten Viertels im jeweiligen Segment zu investieren. Dies ist bei Investitionen in Private Equity, von entscheidender Bedeutung, da sehr grosse Renditeunterschiede zwischen den sogenannten "Top Quartile"- und "Lower Quartile"-Partnerships bestehen. Dies erfordert eine sehr sorgfältige Auswahl der Partnerships durch den Investment Manager. Dem Entscheidungsprozess liegt ein "Top Down/Bottom Up"-Ansatz zugrunde: "Top Down" bedeutet, dass die Allokation hinsichtlich Regionen, Industrien, Finanzierungsstadien und Lancierungsjahren anfangs in Bandbreiten festgelegt wird. Da Private Equity-Manager jeweils neue Partnerships auflegen sobald der Investitionszyklus nach durchschnittlich drei bis vier Jahren

Targeting the "top-quartile" partnerships

Princess Private Equity Holding aims to create a mirror-image of the global Private Equity and Venture Capital industry with a diversified portfolio optimally allocated over the various geographical regions, investment styles, industry sectors and vintage years. A very well diversified Private Equity portfolio can minimize the risks associated with this asset class. The guiding principle of this investment philosophy is always to invest in the top-quartile Private Equity and Venture Capital partnerships in each segment. This is of critical importance when investing in Private Equity because there are major differences between the returns generated by top-quartile partnerships and average partnerships. This requires thorough due diligence and a careful selection process by the investment manager. Investment decisions are based on a "top-down/bottom-up" approach: "top-down" means that the allocation across the various geographical regions, investment styles, industry sectors and vintage years is predefined within certain given ranges and is adjusted if deemed necessary. Since Private Equity and Venture Capital partnerships launch a new partnership only every few

abgeschlossen ist, besteht nur zum Zeitpunkt der Kapitalaufnahme, des sogenannten "Fund raisings", eine Investitionsmöglichkeit. "Bottom Up" heisst daher, dass aus den Partnerships, die gerade Geld aufnehmen, diejenigen ausgewählt werden, die den strengen Auswahlkriterien ("Top 25%") gerecht werden und in die Portfoliostruktur passen.

Da der Investitionsgrad von Princess im Vergleich zum Vorjahr deutlich angestiegen und entsprechend aussagekräftig geworden ist, wird die Portfolio Allokation in diesem Jahresbericht zum erstenmal auf Basis von Investments und nicht wie bisher auf Basis von Commitments gezeigt. Diese Darstellung zeigt ein akkurateres Bild des derzeitigen Portfolios.

Princess hat ein ausgewogenes Portfolio bezüglich der "Buyout" und "Venture" Diversifikation. Die vergangenen Jahre haben gezeigt, dass Buyout- und Special Situations-Investitionen stabilere Renditen, vor allem durch Investitionen in sogenannte "old economy" Unternehmen, realisieren konnten. Seed- und Early Stage Venture-Investitionen sind per Definition volatiler. Investitionen in neugegründete Unternehmen in innovativen Wachstumssektoren beinhalten generell ein höheres Risiko von möglichen Abschreibungen; im Falle von Erfolg generieren sie dafür ausserordentlich hohe Renditen. Princess hat 53% seines Portfolios in den Buyout-, 11% in den Special Situations- und 36% in den Venture-Sektor investiert. In den Sektoren die im Jahre 2001 am meisten von Bewertungsanpassungen be-

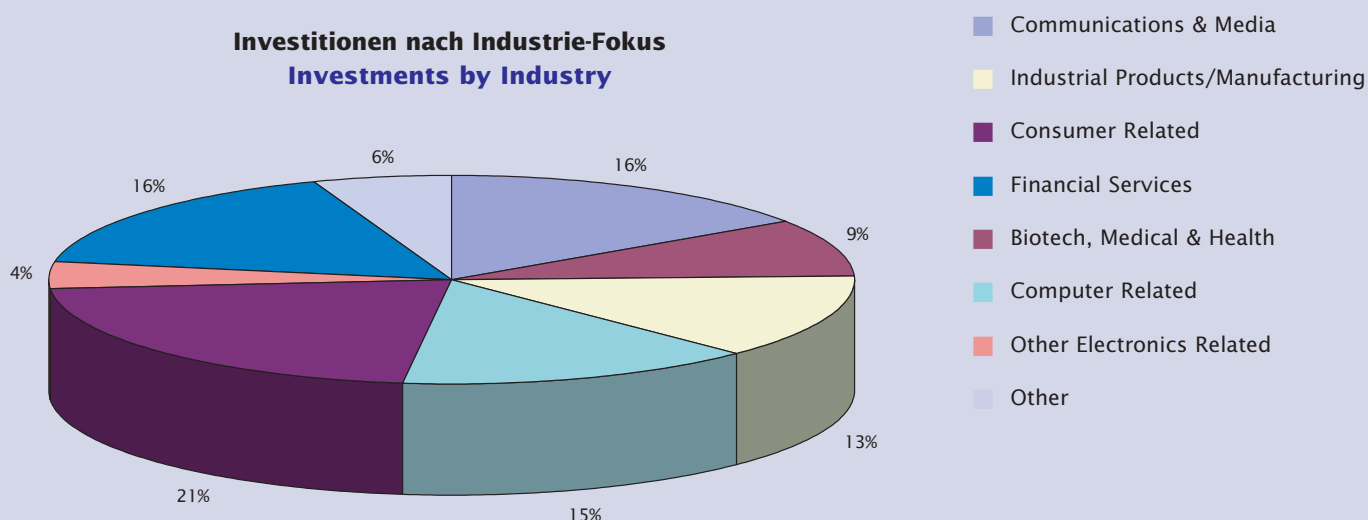
years, there is just a small "window of opportunity" for making investments. "Bottom-up", therefore, means out of the partnerships available at any particular point in time, selecting those that meet the strict criteria (i. e., "top 25%") and fit into the predefined portfolio structure.

With the Princess portfolio maturing, the portfolio allocation is shown in this annual report for the first time based on investments rather than in past based on commitments. This gives a more accurate reflection of where the portfolio stands today.

With regard to financing stages, the Princess portfolio has a good ratio between "Buyout" and "Venture" partnerships. Recent years have shown that the Buyout and the Special Situations sector tend to have more stable developments with investments mostly in "old-economy" companies. Seed and Early Stage Venture naturally tend to be more volatile. Investments in newly created companies in innovative sectors tend to have a higher risk of being written down, but if successful they generate exceptionally high returns. Princess has allocated 53% of its portfolio to the Buyout, 11% to the Special Situations and 36% to the Venture sector. In the sector mostly affected by valuation adjustments over the past year – Early and Later Stage Ventures made in 1999 and 2000 – Princess only had an exposure of less than 10% of NAV per 31 December 2001.

The geographic allocation of the portfolio has changed slightly compared to the previous year with the US part decreasing slightly and the European part increasing. 54%

Investitionen nach Industrie-Fokus
Investments by Industry



troffen waren – Early- und Later Stage-Investitionen die 1999 und in der ersten Hälfte 2000 getätigt wurden – hatte Princess per 31. Dezember 2001 ein Anteil von weniger als 10% des Inneren Wertes.

Bezüglich der geographischen Allokation hat sich das Portfolio leicht verändert. Im Vergleich zum Vorjahr ging der nordamerikanische zu Gunsten des europäischen Anteils leicht zurück. 54% aller Investitionen wurden in Nordamerika, 41% in Europa und 5% im Rest der Welt getätigt.

Bedingt durch die Beteiligung an drei Sekundär-Portfolios im Jahre 2000 konnte Princess eine gute Diversifikation hinsichtlich derjenigen Lancierungsjahre erreichen, die weit vor die Emission von Princess im Jahre 1999 zurückgehen. 2001 erhielt Princess Rückflüsse in Höhe von mehr als USD 29 Millionen allein durch diese Sekundär-Portfolios. Dies unterstreicht die Wichtigkeit der Diversifikation nach Lancierungsjahren durch den Erwerb von reifen Sekundär-Portfolios.

Bezüglich der Diversifikation nach Industriesektoren, investiert Princess nach vordefinierten Bandbreiten für die jeweiligen Sektoren. Princess ist kein Trendfolger und übergewichtet nicht Investitionen in Industrien, die gerade in Mode sind. Durch diese breite Diversifikation ist das Princess Portfolio gut positioniert, um vereinzelt auftretende Industrieschwankungen abzufedern.

of investments made are in the USA, 41% in Europe and 5% in the Rest of World.

With the participation in three Secondary portfolios in 2000, Princess was able to achieve vintage year diversification well beyond its 1999 launch year. In 2001, Princess received more than USD 29 million in proceeds from the Secondary investments. This underlines the importance of vintage year diversification.

With respect to industry diversification, Princess makes investments based on clearly defined ranges for each industry sector. It is not a trend follower and does not overweigh sectors that are currently in vogue. On account of its broad diversification, the Princess portfolio is well positioned and able to compensate for isolated industry sector downturns.

Communication & Media

- Television Broadcasting
- Radio Broadcasting
- Multimedia
- Internet Communications and Infrastructure
- Satellite Services/Carriers/Operators

Biotech, Medical & Health

- Therapeutic Biotechnology Products
- Surgical Instrumentation and Equipment
- Pharmaceuticals
- Healthcare Facilities
- Medical Health Services

Industrial Products / Manufacturing

- Industrial Equipment and Machinery
- Robotics
- Industrial Chemicals
- Construction and Building Products
- Speciality/Performance Materials

Computer Related

- Computers and Hardware
- Database & File Management
- Computer Security Services
- Communications/Networking Software
- Site Development & Administration Software

Consumer Related

- Houseware
- Food and Beverages
- Furnishings and Furniture
- Travel Agencies and Services
- Hotels and Resorts

Other Electronics Related

- Semiconductors
- Optoelectronics
- Fiber Optics
- Laser Components
- Circuit Boards

Financial Services

- Real Estate
- Securities & Commodities Brokers and Services
- Investment Groups
- Financial Transactions Services
- Insurance

Other

- Energy Related
- Forestry
- Mining
- Construction
- Other Utilities

Portfolio-Details Investments to Partnerships

Manager	Fund name/Partnership Name	Total Size / USD Gesamtvolumen	Amount Committed / USD Beteiligung von Princess	Percent Owned/ Anteil der Beteiligung	Percentage Drawn Down/ Anteil abgerufen	Vintage Year/ Lancierungs-jahr	Financing Stage/ Finanzierungs-stadium
Europe - Buyout							
3i Plc	3i Eurofund III	891'221'500	17'914'000	2.01	59.39	1999	Large-cap Buyout
B & S Investments Limited	Italian Private Equity Fund III, L.P.	268'715'374	3'582'800	1.33	38.31	2000	Small/Mid-cap Buyout
Botts & Company Limited	Botts Capital Partners, L.P.	185'736'484	28'712'000	15.46	95.57	1998	Small/Mid-cap Buyout
Bridgepoint Capital Limited	European Private Equity Fund "D", L.P.	300'847'925	28'712'000	9.54	96.52	1998	Large-cap Buyout
Cinven	The Second Cinven Fund	1'299'218'000	7'357'450	0.57	98.27	1998	Large-cap Buyout
Coller Capital Limited	Coller International Partners III NW2, L.P.	165'179'852	22'251'800	13.47	73.22	1997	Large-cap Buyout
Coller Capital Limited	Coller International Partners III NW1, L.P.	163'140'945	18'662'800	11.44	79.22	1994	Large-cap Buyout
Doughty Hanson & Co	Doughty Hanson & Co. Fund III, L.P. No. 14	2'660'000'000	7'000'000	0.26	64.01	1997	Large-cap Buyout
Graphite Capital Managementf Limited	Graphite Capital Partners V "A"	55'988'400	7'895'800	14.10	46.21	1999	Small/Mid-cap Buyout
Graphite Capital Managementf Limited	Graphite Capital Partners V "F"	23'902'740	6'460'200	27.03	46.22	1999	Small/Mid-cap Buyout
Industri Kapital 2000 Limited	Industri Kapital 2000 Limited Partnership	1'880'970'000	8'957'000	0.48	67.77	1999	Large-cap Buyout
Mercapital Servicios Financieros	Mercapital Spanish Private Equity Fund II, L.P.	537'420'000	6'269'900	1.17	21.51	2000	Small/Mid-cap Buyout
Nordic Capital	Nordic Capital IV, L.P.	584'916'000	12'798'000	2.19	59.13	2000	Small/Mid-cap Buyout
Palamon Capital Partners	Palamon European Equity "C", L.P.	393'823'231	8'957'000	2.27	42.43	1999	Small/Mid-cap Buyout
Partners Private Equity Management Inc.	Partners Private Equity, L.P.	92'025'000	6'576'720	7.15	88.36	1998	Small/Mid-cap Buyout
Permira Ventures Europe	Permira Ventures European Fund II, L.P.	2'955'810'000	17'914'000	0.61	41.52	2000	Large-cap Buyout
Quadriga Capital Limited	Quadriga Capital Private Equity Fund II, L.P.	238'160'137	6'412'000	2.69	16.79	1999	Small/Mid-cap Buyout
Segulah Management II Limited	Segulah II, L.P.	80'580'000	8'058'000	10.00	16.16	1999	Small/Mid-cap Buyout
Suez Capital Partenaires SAS	FCPR Astorg II, L.P.	165'704'500	8'419'580	5.08	80.53	1998	Small/Mid-cap Buyout
Warburg Pincus International Partners	Warburg Pincus International Partners, L.P.	2'500'000'000	5'000'000	0.20	32.20	2000	Large-cap Buyout
Europe - Special Situations							
Coller Capital Limited	Coller International Partners III, L.P.	444'880'980	12'000'000	2.70	82.70	1999	Mezzanine
Doughty Hanson & Co	Doughty Hanson & Co. European Real Estate Fund	531'350'000	10'000'000	1.88	25.34	1999	Mezzanine
Intermediate Capital Group	ICG Mezzanine Fund 2000 Limited Partnership	425'457'500	8'957'000	2.11	41.84	2000	Mezzanine
Mezzanine Management Limited	Mezzanine Management Fund III, L.P.	528'800'000	15'000'000	2.84	30.80	1999	Mezzanine
Rutland Fund Management Limited	Rutland Fund, The	301'019'479	9'331'400	3.10	28.77	2000	Mezzanine
Europe - Venture							
Abingworth Management Limited	Abingworth Bioventures III, L.P.	165'200'000	2'500'000	1.51	29.43	2001	Early/Seed - VC
EFP Managers Limited	European Equity Partners (III), L.P.	24'676'535	2'687'100	10.89	37.55	1999	Later - VC
Elderstreet Investments Limited	Elderstreet Capital Partners, L.P.	67'990'016	10'049'200	14.78	67.65	1999	Early/Seed - VC
Galileo Partners	Galileo III, L.P.	222'805'375	8'957'000	4.02	24.42	2000	Early/Seed - VC
GMT Communications Partners Limited	GMT Communications Partners II, L.P.	323'935'906	12'539'800	3.87	18.73	1999	Later - VC
Index Ventures	Index Ventures I (Jersey), L.P.	101'414'141	10'000'000	9.86	87.12	1998	Later - VC
Merlin Capital Partners	Merlin Biosciences Fund, L.P.	221'192'219	4'478'500	2.02	42.75	2000	Later - VC
Permira Ventures Europe	Schroder Ventures Int'l Life Science Fund II	279'958'800	20'000'000	7.14	84.24	1998	Early/Seed - VC
Wellington Partners Verwaltungs GmbH	Wellington Partners II, L.P.	99'422'700	3'582'800	3.60	41.34	2000	Early/Seed - VC
Zouk Ventures Limited	European E-Commerce Fund	81'800'000	5'000'000	6.11	77.58	1999	Early/Seed - VC
Rest of World - Buyout							
Advent International Corporation	Advent Latin American Private Equity Fund II, L.P.	71'676'600	5'000'000	6.98	11.00	2001	Small/Mid-cap Buyout
Enterprise Investors	Polish Enterprise Fund IV, L.P.	216'666'666	5'000'000	2.31	24.24	2000	Small/Mid-cap Buyout
Exxel Group S.A., The	Exxel Capital Partners VI, L.P.	416'332'665	5'000'000	1.20	41.00	2000	Small/Mid-cap Buyout
Texas Pacific Group	Newbridge Asia III, L.P.	724'000'000	5'000'000	0.69	4.08	2000	Small/Mid-cap Buyout
Unison Capital, Inc.	Unison Capital Partners, L.P.	300'200'000	4'977'000	1.66	42.13	1999	Small/Mid-cap Buyout
Rest of World - Venture							
Carmel Ventures	Carmel Software Fund (Cayman), L.P.	171'100'000	10'000'000	5.84	25.00	2000	Later - VC
CIBC World Markets Corp	Genesis Partners II LDC	229'533'000	10'000'000	4.36	46.32	1999	Early/Seed - VC
Crimson Capital	Crimson @Velocity Fund, L.P.	334'050'000	5'000'000	1.50	34.01	2000	Early/Seed - VC
Jerusalem Venture Partners (Israel)	Jerusalem Venture Partners III, L.P.	146'400'000	5'000'000	3.42	90.00	1999	Early/Seed - VC
Pitango Venture Capital	Pitango Venture Capital Fund III	470'000'000	12'000'000	2.55	35.00	2000	Later - VC
US - Buyout							
Apollo Management, L.P.	Apollo Overseas Partners V, L.P.	2'000'000'000	10'000'000	0.50	11.31	2000	Large-cap Buyout
Carlyle Group	Carlyle Partners III, L.P.	3'800'000'000	10'000'000	0.26	26.24	1999	Large-cap Buyout
PGPEAL	Partners Group SPP1 Limited	1'000'000'000	40'000'000	4.00	82.93	1996	Large-cap Buyout
Silver Lake Partners	Silver Lake Partners, L.P.	2'247'940'000	30'000'000	1.33	53.79	1999	Large-cap Buyout
Texas Pacific Group	TPG Partners III, L.P.	3'413'684'209	4'000'000	0.12	42.52	1999	Large-cap Buyout
The Blackstone Group	Blackstone Communications Partners I, L.P.	2'018'600'000	10'000'000	0.50	13.72	2000	Large-cap Buyout

INVESTMENT

MANAGER'S

REPORT

Manager	Fund name/Partnership Name	Total Size / USD Gesamtvolumen	Amount Committed / USD Beteiligung von Princess	Percent Owned/ Anteil der Beteiligung	Percentage Drawn Down/ Anteil abgerufen	Vintage Year/ Lancierungs-jahr	Financing Stage/ Finanzierungs-stadium
Thomas H. Lee Company	Thomas H. Lee Equity Fund V, L.P.	1'207'817'197	10'000'000	0.83	13.66	2000	Large-cap Buyout
Vestar Capital Partners	Vestar Capital Partners IV, L.P.	2'480'350'000	5'000'000	0.20	24.40	1999	Large-cap Buyout
American Securities Associates	American Securities Partners III, L.P.	650'000'000	5'000'000	0.77	0.91	2001	Small/Mid-cap Buyout
Bruckmann, Rosser, Sherrill & Co., Inc.	Bruckmann, Rosser, Sherrill & Co. II, L.P.	767'200'000	15'000'000	1.96	36.15	1999	Small/Mid-cap Buyout
Fenway Partners, Inc.	Fenway Partners Capital Fund II, L.P.	909'090'909	30'500'000	3.36	50.51	1998	Small/Mid-cap Buyout
Heritage Partners, Inc.	Heritage Fund III, L.P.	843'434'343	10'000'000	1.19	30.54	1999	Small/Mid-cap Buyout
INVESCO Private Capital, Inc.	INVESCO U.S. Buyout Partnership Fund II, L.P.	87'897'373	30'000'000	n.m.	41.09	1999	Small/Mid-cap Buyout
Kohlberg & Company, L.L.C.	Kohlberg TE Investors IV, L.P.	576'044'250	10'000'000	1.74	22.64	2000	Small/Mid-cap Buyout
Texas Pacific Group	T3 Partners, L.P.	486'842'106	7'000'000	1.44	74.76	1999	Large-cap Buyout
William Blair & Company LLC	William Blair Capital Partners VI, L.P.	270'000'000	2'000'000	0.74	89.68	1998	Small/Mid-cap Buyout
US - Special Situations							
Canterbury Capital Partners	Canterbury Mezzanine Capital II, L.P.	243'181'818	10'000'000	4.11	52.71	1999	Mezzanine
Chase Capital Partners	Chase 1998 Pool Participation Fund, L.P.	350'000'000	20'000'000	5.71	113.17	1998	Mezzanine
Levine Liechtman Capital Partners, Inc.	Levine Leichtman Capital Partners II, L.P.	349'455'000	30'000'000	8.58	66.84	1998	Mezzanine
Oaktree Capital Management, LLC	OCM Opportunities Fund III, L.P.	2'076'910'000	4'000'000	0.19	100.00	1999	Mezzanine
Oaktree Capital Management, LLC	OCM/GFI Power Opportunities Fund, L.P.	453'839'000	4'000'000	0.88	34.14	1999	Mezzanine
Pegasus Capital Advisors	Pegasus Partners II, L.P.	561'050'000	4'000'000	0.71	56.13	1999	Mezzanine
Providence Equity Partners, Inc.	Providence Equity Partners IV, L.P.	2'750'000'000	10'000'000	0.36	11.66	2000	Mezzanine
TCW/Crescent Mezzanine, L.L.C.	TCW/Crescent Mezzanine Partners III, L.P.	850'000'000	10'000'000	1.18	5.56	2001	Mezzanine
The Blackstone Group	Blackstone Mezzanine Partners, L.P.	1'100'000'000	4'000'000	0.36	26.27	1999	Mezzanine
US - Venture							
Access Technology Partners	Access Technology Partners. L.P.	265'000'000	15'000'000	5.66	100.00	1999	Later - VC
Advanced Technology Partners	Advanced Technology Ventures VI, L.P.	400'000'000	5'000'000	1.25	62.50	1999	Early/Seed - VC
Apax Partners	APAX Excelsior VI, L.P.	926'868'686	5'000'000	0.54	29.71	2000	Later - VC
Austin Ventures	Austin Ventures VII, L.P.	825'000'000	5'000'000	0.61	47.27	1999	Early/Seed - VC
Battery Ventures	Battery Ventures VI, L.P.	1'010'101'010	5'000'000	0.50	31.50	2000	Later - VC
Cardinal Health Partners	Cardinal Health Partners II, L.P.	117'474'747	5'000'000	4.26	24.48	2000	Early/Seed - VC
Catterton Partners	Catterton Partners IV Offshore, L.P.	400'000'002	15'000'000	3.75	53.95	1999	Later - VC
Columbia Capital	Columbia Capital Equity Partners III (Cayman), L.P.	253'835'100	10'000'000	3.94	36.30	2000	Early/Seed - VC
Crescendo Ventures	Crescendo IV, L.P.	585'808'081	7'000'000	1.19	62.70	2000	Early/Seed - VC
Dolphin Communications	Dolphin Communications Fund, L.P.	125'606'061	10'000'000	7.96	86.03	1998	Later - VC
Draper Fisher Jurvetson	Draper Fisher Jurvetson Fund VII, L.P.	636'650'000	5'000'000	0.79	18.75	2000	Early/Seed - VC
EnerTech Capital Partners	EnerTech Capital Partners II, L.P.	236'000'000	5'000'000	2.12	30.67	2000	Later - VC
Infinity Capital Ventures	Infinity Capital Venture Fund 1999, L.P.	200'000'000	10'000'000	5.00	77.50	1999	Early/Seed - VC
INVESCO Private Capital, Inc.	INVESCO Venture Partnership Fund II, L.P.	341'877'575	60'000'000	17.55	62.35	1999	Later - VC
INVESCO Private Capital, Inc.	Chancellor V, L.P.	225'740'230	20'000'000	8.86	45.46	1999	Later - VC
INVESCO Private Capital, Inc.	INVESCO Venture Partnership Fund II-A, L.P.	40'404'040	40'000'000	n.m.	40.84	2000	Early/Seed - VC
Lightspeed Venture Partners	Weiss, Peck & Greer Venture Associates VI, L.P.	797'400'000	10'000'000	1.25	16.71	2000	Early/Seed - VC
Menlo Ventures	Menlo Ventures IX, L.P.	1'515'151'515	10'000'000	0.66	10.00	2000	Early/Seed - VC
Morgan Stanley Dean Witter & Co	Morgan Stanley Dean Witter Venture Partners IV, L.	487'000'000	5'000'000	1.03	76.20	1999	Later - VC
Morgenthaler Partners	Morgenthaler Partners VII, L.P.	868'917'526	3'000'000	0.35	5.00	2001	Early/Seed - VC
Prism Venture Partners	Prism Venture Partners IV, L.P.	284'696'970	2'000'000	0.70	15.00	2001	Early/Seed - VC
Sevin Rosen Funds	Sevin Rosen VIII, L.P.	875'225'000	5'000'000	0.57	16.00	2000	Early/Seed - VC
Sierra Ventures	Sierra Ventures VIII-A, L.P.	495'172'803	10'000'000	2.02	15.00	2000	Early/Seed - VC
Summit Partners	Summit Ventures VI-B, L.P.	590'161'626	5'000'000	0.85	5.00	2000	Later - VC
T A Associates	TA IX, L.P.	2'000'100'000	10'000'000	0.50	18.50	2000	Later - VC
TH Lee Internet Partners	TH Lee Putnam Ventures Parallel, L.P.	441'026'014	10'000'000	2.27	53.83	1999	Later - VC
Thomas Weisel Capital Partners	Thomas Weisel Capital Partners, L.P.	1'070'741'483	10'000'000	0.93	64.98	1999	Early/Seed - VC
TL Ventures	TL Ventures V, L.P.	685'506'000	10'000'000	1.46	18.00	2000	Early/Seed - VC
Vortex Partners	Vortex Corporate Development Fund, L.P.	48'613'540	4'000'000	8.23	48.00	2000	Later - VC
Worldview Technology Partners	Worldview Technology Partners IV, L.P.	848'686'869	5'000'000	0.59	15.00	2000	Early/Seed - VC
Worldview Technology Partners	Worldview Technology Partners III, L.P.	372'146'465	5'000'000	1.34	92.00	1999	Early/Seed - VC

Neue Partnership Commitments in 2001

New Partnership Commitments in 2001

Manager	Fund name/Partnership Name	Total Size / USD Gesamtvolumen	Amount Committed / USD Beteiligung von Princess	Percent Owned/ Anteil der Beteiligung	Percentage Drawn Down/ Anteil abgerufen	Vintage Year/ Lancierungs-jahr	Financing Stage/ Finanzierungs-stadium
Abingworth Management Limited	Abingworth Bioventures III, L.P.	165'200'000	2'500'000	1.51	29.43	2001	Early/Seed - VC
Advent International Corporation	Advent Latin American Private Equity Fund II, L.P.	71'676'600	5'000'000	6.98	11.00	2001	Small/Mid-cap Buyout
American Securities Associates	American Securities Partners III, L.P.	650'000'000	5'000'000	0.77	0.91	2001	Small/Mid-cap Buyout
Crimson Capital	Crimson @Velocity Fund, L.P.	334'050'000	5'000'000	1.50	34.01	2000	Early/Seed - VC
Morgenthaler Partners	Morgenthaler Partners VII, L.P.	868'917'526	3'000'000	0.35	5.00	2001	Early/Seed - VC
Prism Venture Partners	Prism Venture Partners IV, L.P.	284'696'970	2'000'000	0.70	15.00	2001	Early/Seed - VC
TCW/Crescent Mezzanine, L.L.C.	TCW/Crescent Mezzanine Partners III, L.P.	850'000'000	10'000'000	1.18	5.56	2001	Mezzanine

American Securities Partners III

Bereits seit 1947 investiert American Securities in öffentliche und private Unternehmen mit Fokus auf Gesellschaften, die sich in Schwierigkeiten befinden. Unter Anwendung eines wertorientierten Ansatzes, konzentriert sich der Komplementär auf Unternehmen im mittleren Marktsegment mit jährlichen Einkünften zwischen 50 und 500 Millionen USD. Diese Unternehmen können aus einer Vielzahl verschiedener Branchen stammen, müssen sich aber auch durch ein starkes Management, eine führende oder vertretbare Marktposition mit erheblich unterbewerteten Cash-Flow auszeichnen. Die Grösse der Partnership beträgt USD 650 Millionen.

Morgenthaler Partners VII

Der Private Equity-Manager Morgenthaler wurde 1968 gegründet und zählt damit zu den ältesten und erfahrensten Private Equity-Investoren in den USA. Seit seiner Gründung hat Morgenthaler in mehr als 175 Portfolio-Unternehmen investiert und genießt nicht zuletzt aufgrund der intensiven Betreuung seiner Portfolio-Unternehmen einen sehr guten Ruf in der Private Equity-Industrie. Der jüngste Fund, Morgenthaler VII, wird hauptsächlich in Early Stage Venture Unternehmen in den Bereichen Kommunikation, Software Infrastruktur sowie Life Science investieren. Rund 30% des Funds sind für Buyout-Investitionen in wachstumsstarken Industrieunternehmen vorgesehen. Das Kernteam besteht aus 12 General Partnern, welche sich durch ihre operative Erfahrung und ihr technisches Wissen gut ergänzen. Mit Niederlassungen in Menlo Park und Cleveland sowie kleineren Satelliten in Boston und Princeton ist Morgenthaler in attraktiven Private Equity-Märkten vertreten und bietet gute Voraussetzungen für eine erfolgreiche Fortführung seiner Investitionstätigkeit.

American Securities Partners III

Since 1947, American Securities has invested in public and private companies with a focus on distressed securities. Utilising a value-oriented approach, the General Partner will focus on middle companies with annual revenues between USD 50 million and USD 500 million in a variety of industries characterized by strong management teams and leading or defensible market positions with substantially undervalued cash flows. The size of the partnership is USD 650 million.

Morgenthaler Partners VII

The Private Equity management company Morgenthaler was founded in 1968, making it one of the oldest and most experienced Private Equity investors in the USA. Since its foundation, Morgenthaler has invested in more than 175 portfolio companies. It has an excellent reputation in the Private Equity industry, not least as a result of the intensive efforts spent on its portfolio companies. The latest fund, Morgenthaler VII, will invest primarily in Early Stage Ventures in the fields of communication, software infrastructure and life sciences. Some 30% of the fund is earmarked for Buyout investments in strongly growing industrial companies. The core team consists of twelve General Partners whose operative experience and technical expertise complement each other well. Based in Menlo Park and Cleveland, with smaller satellite offices in Boston and Princeton, Morgenthaler is present in markets offering attractive Private Equity investments, and is thus well placed to continue its investment activities successfully.

Latin American Private Equity Fund II

Die Partnership Latin Private Equity Partnership II, L.P. des Private Equity-Managers Advent International wird das Fund-Volumen von voraussichtlich USD 500 Millionen vor allem in die Finanzierungsstadien Later Stage Venture und Buyout investieren. Die 6 General Partner des Funds werden dabei von 9 Investment-Professionals unterstützt. Der geographische Fokus dieser Partnership liegt auf Lateinamerika, wobei insbesondere Brasilien, Mexiko und Argentinien im Vordergrund stehen. Das gesamte Team arbeitet aus lokalen Offices in Buenos Aires, Sao Paulo und Mexico City heraus. Speziell für diesen Fund wurde die Investment-Strategie von Advent angepasst, um den spezifischen Zyklen der lateinamerikanischen Wirtschaft entsprechend zu begegnen. Unverändert bleiben die Eckpfeiler der Advent-Strategie, wie z.B. die detaillierte Due Diligence, der Fokus auf der Verbesserung der operativen Abläufe der Portfolio-Unternehmen und ein Erhalt der Flexibilität durch das aktive Streuen der Investitionen. Die Latin American Private Equity Partnership II, L.P. stellt durch ihren spezifischen regionalen Fokus einen hohen Diversifikationsnutzen für das Portfolio dar.

Prism Venture Partners IV, L.P.

Prism Venture Partners IV, L.P. wird die zur Verfügung stehenden Mittel von bis zu USD 450 Millionen in amerikanische Early Stage Start-up-Unternehmen investieren. Die Partnership arbeitet von zwei Offices in Boston und Silicon Valley aus. Die sieben General Partner verfügen alle über ausgeprägte Kenntnisse im Aufbau von jungen Unternehmen und waren selbst Gründer oder Geschäftsführer solcher Gesellschaften. Diese spezifische Eigenschaft führt unter anderem zu einem hochwertigen Transaktionsfluss. Daneben wurden fünf der bisherigen Portfoliounternehmen sogar vom Prism Team selbst gegründet. Mit einer Strategie der sehr engen Zusammenarbeit mit den Portfoliounternehmen hat Prism bereits erfolgreich drei Partnerships investiert und dabei einen beeindruckenden Leistungsausweis erbracht.

Crimson @Velocity

Crimson @Velocity Fund, L.P., Cayman Island, ist ein Fund mit einem Volumen von USD 330 Millionen der in Unternehmen investiert, welche weltweit 1'000 Gesellschaften unterstützen, Kosten zu reduzieren und die Effizienz zu steigern. Im Vordergrund stehen Unternehmen, die massgeblich zur Steigerung der Produktions-, Service- oder Prozesseffizienz in Märkten von etablierten Massenprodukten bzw. Services beitragen können. Der angestrebte geographische Fokus liegt dabei mit rund 70% auf Asien. Die restlichen 30% sollen in den USA investiert werden. Crimson Ventures Ltd, der Investmentberater des Funds, operiert aus Standorten im Silicon Valley, Taipei, Hong Kong, Tokyo und Singapore heraus

Latin American Private Equity Fund II

The Latin American Private Equity Fund II, L.P. partnership was established by the management company Advent International and will invest the fund's assets primarily in expansion financing and Buyouts. The fund's six General Partners are supported by nine investment specialists. Geographically, the partnership focuses on Latin America, with particular emphasis on Brazil, Mexico and Argentina. The whole team works out of local offices in Buenos Aires, Sao Paulo and Mexico City. Advent has adapted its investment strategy for this fund specifically to take into account the Latin American business cycle, the cornerstones of Advent's strategy, however, such as detailed due diligence, concentration on improving the operative processes of the portfolio companies, and retaining flexibility through spreading its investments, remain unchanged. With its specific regional focus, the Latin American Private Equity Partnership II, L.P. brings a high degree of diversification to the portfolio.

Prism Venture Partners IV, L.P.

Prism Venture Partners IV, L.P. will invest up to USD 450 million of the funds available to it in US early stage start-up companies. The partnership operates from offices in Boston and Silicon Valley. All seven general partners have substantial know-how in building up young companies, being founders and managers of such companies themselves; and this is reflected in the high-quality deal flow. The Prism team actually established five of the existing portfolio companies themselves. Prism's strategy is to work very closely with the companies they have invested in. The team has already successfully invested in three partnerships and exhibited an impressive performance.

Crimson @Velocity

Crimson @Velocity Fund, L.P., Cayman Islands, is a USD 330 million Venture Fund that invests in companies that enable Global 1'000 corporations to reduce costs and improve efficiency. In particular, it focuses on companies that contribute significantly to improving production efficiency, business processes or the delivery of services. Geographically, the fund strives for a 70/30 investment split between Asia and the USA. Crimson Ventures Ltd, the investment advisor, operates from offices in Silicon Valley, Taipei, Hong Kong, Tokyo and Singapore. A broad team complements the experience of the five internationally trained General Partners. Together they combine significant operational and managerial experience as well as financial and scientific know-how. This enables the Crimson Ventures team to manage and coach its portfolio companies in a pro-active and comprehensive manner.

und besteht aus fünf General Partnern, die von einem umfangreichen Team unterstützt werden, das neben Finanzierungs- und Industrie-Know-How auch über wissenschaftliche Expertise und ausgeprägte Erfahrung auf der operativen Ebene verfügt. Zusammen mit der lokalen Verankerung ist das Crimson Ventures Team in die Lage seine Portfolio-Unternehmen umfassend und proaktiv zu unterstützen.

TCW / Crescent Mezzanine Partners III, L.P.

Über seine vorausgegangenen Partnerships hat das Management Team bisher über USD 1.1 Milliarden in 106 Portfolio-Gesellschaften investiert. Der General Partner hat ein Beteiligungsverhältnis zu TCW Leveraged Finance Group und hält eine enge Verbindung zu Hicks, Muse Tate & Furst Inc. (eine auf grosse Buyout-Transaktionen spezialisierte Private Equity-Gesellschaft). Diese wird das Management mit einer globalen Präsenz, Branchen Know-How und Deal Flow unterstützen. Die Partnership stellt nachrangige partizipative Darlehen (Mezzanine) für Management Buyouts, Refinanzierungen, Akquisitions- und Expansionsfinanzierungen zur Verfügung und investiert in erster Linie in reife Gesellschaften traditioneller Branchen.

Abingworth Bioventures III, L.P.

Abingworth Bioventures III LP ist die vierte Partnership seit die Management Gesellschaft 1987 gegründet wurde. Seither hat die Gruppe über 50 Venture Investitionen in den USA und Europa getätigt. Bezogen auf das Bio-Tech Venture Capital-Segment haben die letzten durch Abingworth gemanagten Partnerships überdurchschnittliche Renditen erzielt. Abingworth sollte dank seines guten Rufes (insbesondere des wissenschaftlichen Verständnisses) in dieser rapide wachsenden Branche gut positioniert sein.

TCW / Crescent Mezzanine Partners III, L.P.

Through their earlier funds, the General Partners have already invested over USD 1.1 billion in 106 portfolio companies. The partnership is affiliated with the TCW Leveraged Finance Group and maintains a close relationship with Hicks, Muse, Tate & Furst Inc., which will provide the funds with a global presence, industry expertise and deal flow. The USD 500 million fund provides mezzanine financing for management Buyouts, recapitalizations, acquisition and expansion financing. The fund invests in companies with strong fundamentals in mature industries.

Abingworth Bioventures III, L.P.

The General Partner was established in 1987. Abingworth Bioventures III L.P. (Abingworth), domiciled in London, will be the fourth fund managed by the original team. The fund intends to invest up to USD 250 million in Venture and publicly traded vehicles with a focus on the USA and Europe. With more than 50 Venture investments in the USA and Europe, recent funds managed by Abingworth have realized above-average returns in the bio-technology Venture sector. Thanks to its solid reputation, in particular for rigorous science, Abingworth seems well positioned in this fast growing industry.

Einige Beispiele von Portfoliorealisierungen

2001 erhielt Princess Rückflüsse in Höhe von USD 51 Millionen. Eine wichtige Quelle für Rückflüsse war das Sekundär-Vehikel SPP1 an dem Princess sich 2000 beteiligen konnte. SPP1 wiederum hat in 2001 Rückflüsse durch die Partnerships Morgan Stanley Leveraged Equity Fund II und Lexington Partners Hamilton Lane 2000 (ein Sekundär-Portfolio) erhalten. Prominente Realisierungsbeispiele dieser Partnerships sind unter anderem Alliant und Triton Energy, welche im Anschluss beschrieben werden.

Alliant

Eine grössere Rückzahlung wurde 2000 durch die Zwischengesellschaft SPP1 erhalten, welche wiederum Anteile an der amerikanischen Buyout-Partnership Clayton, Dubilier & Rice (CDR) Fund IV hält. Die Rückzahlung ist auf den Verkauf von Alliant, mit einem Umsatz von USD 6.7 Milliarden einer der grössten Lebensmittelhersteller in den USA, zurückzuführen. Der Käufer ist Ahold, eine europäische Lebensmittelkette. Das Transaktionsvolumen betrug über USD 2.2 Milliarden. CDR hatte Alliant, die ehemalige Kraft Lebensmittelkette, von Philip Morris Corporation 1995 für USD 690 Millionen gekauft.

Birmingham Airport Holdings Limited

Eine weitere Rückzahlung resultierte aus dem Verkauf von Bridgepoint's 24%-Anteil an der Birmingham Airport Holdings Limited für GBP 84 Millionen an Macquarie Airports Group Limited (MAG). MAG spezialisiert sich auf Private Equity-Investitionen in Flughäfen in Grossbritannien und Westeuropa. Bridgepoint hatte zusammen mit dem Flughafenbetreiber Air Rianta einen 40%-Anteil am Birmingham Airport im März 1997 erworben. Der Birmingham International Airport ist der fünftgrösste Flughafen in Grossbritannien und hat ein Passagieraufkommen von 7.6 Millionen Passagieren pro Jahr.

Pecto Animal Supplies, Inc.

Canterbury Mezzanine Capital II, L.P., hat Rückflüsse von ihrem Investment Pecto Animal Supplies, Inc., dem zweitgrössten Tierzubehör-Franchise in den USA mit 551 Franchise-Niederlassungen in 41 Bundesstaaten, erhalten. Canterbury investierte im Oktober 2000 in Petco. Petco verfolgt die Strategie der Konsolidierung von unabhängigen Tierhandlungen. Das Management Team hat sich zum Ziel gesetzt 35 neue Niederlassungen pro Jahr zu eröffnen. Zudem werden weitere Rückflüsse für Princess aus dieser Investition erwartet, da das Unternehmen im Februar 2002 einen Börsengang (IPO) durchführte.

Some Example Exits in 2001

During 2001 Princess has received distributions in the amount of USD 51 million. A primary source of distributions came from the Secondary vehicle SPP1 in which Princess was able to participate in 2000. SPP1 in return received distributions from the partnerships Morgan Stanley Leveraged Equity Fund II and Lexington Partners Hamilton Lane 2000 (a secondary fund). Prominent exits were for example from Alliant and Triton Energy which are described below.

Alliant

A major distribution was received from SPP1 through its participation in the US Buyout partnership Clayton, Dubilier & Rice (CDR) Fund IV. The fund sold Alliant, one of the largest foodservice providers in the USA with sales of around USD 6.7 billion, to Royal Ahold, a European food retail and foodservice company. The transaction was valued at over USD 2.2 billion. CDR had acquired Alliant, the former Kraft foodservice division, from Philip Morris Corporation in 1995 for USD 690 million.

Birmingham Airport Holdings Limited

Another major distribution resulted from the exclusively negotiated sale of Bridgepoint Capital Limited's 24% stake in Birmingham Airport Holdings Limited for GBP 84 million to Macquarie Airports Group Limited, a Private Equity airport investment fund. Bridgepoint together with airports operator Air Rianta had acquired an initial 40% stake in the airport for GBP 42 million in March 1997. Birmingham Airport is the UK's fifth-largest airport and handles 7.6 million passengers a year.

Pecto Animal Supplies, Inc.

Canterbury Mezzanine Capital II, L.P., received a distribution from its investment in Pecto Animal Supplies, Inc., the second largest specialty pet store franchise in the USA with 551 stores in 41 states. Canterbury invested in the Petco in October 2000. It still retains an equity stake. Petco is pursuing a strategy of consolidating the largely independently-owned pet store market. The management team is aiming to open 35 new stores a year. In addition, the recent IPO in February 2002 should generate further proceeds for the Princess portfolio.

Simula, Inc.

Im dritten Quartal 2001 konnte Levine Leichtman Capital Partners II, L.P. (LLCP) eine erfolgreiche Realisierung ihres Portfolio-Unternehmens Simula, Inc. durch eine Rekapitalisierung verbuchen. LLCP hatte ursprünglich USD 20 Millionen in Simula Inc. im Dezember 1999 investiert. Simula Inc., mit Geschäftssitz in Phoenix, Arizona, ist Weltmarktführer in der Entwicklung von Crash-resistenten und Energie-einsparenden Technologien zum Schutz menschlichen Lebens. Simula entwickelt und produziert führende Insassensitz- und Rückhaltesysteme für die Luft- und Seefahrt sowie für Transportvehikel im Militär- oder im Automobilbereich.

Triton Energy Limited

Weitere Rückflüsse an SPP1 wurde durch seine Beteiligung an Hicks, Muse, Tate & Furst Fund IV verbucht. Die Partnership konnte ihre Investition in Triton Energy Limited durch den Verkauf ihrer Aktienanteile an Amerada Hess Corporation realisieren. Das Transaktionsvolumen betrug ca. USD 3.2 Milliarden. Triton Energy mit Geschäftssitz in Dallas, Texas, ist ein international tätiges Unternehmen, welches sich auf die Förderung und Produktion von Öl- und Gasvorkommen spezialisiert hat. Das Unternehmen ist in Westafrika, Lateinamerika und Südost Asien tätig. Per Dezember 2000 verfügte Triton über nachweisliche 293.5 Millionen Barrels an Ölreserven. Diese Zahl berücksichtigt keine Bohrungen die seitdem erfolgten. Seit der Gründung von Hicks, Muse, Tate & Furst Inc. in 1989 hat dieser Manager 390 Transaktionen mit einem Gesamtvolumen von USD 50 Milliarden getätigt. Der Geschäftshauptsitz ist in Dallas mit Niederlassungen in New York, London und Buenos Aires.

Versicor Inc.

2001 konnte Schroder Ventures seine Investition in Versicor, Inc. durch ein IPO am NASDAQ im August 2000 voll realisieren. Versicor, Inc. ist ein biopharmazeutisches Unternehmen, welches sich auf die Erforschung, Entwicklung und Vermarktung von pharmazeutischen Produkten zur Behandlung von Bakterien- und Pilzinfektionen spezialisiert. Mit der auf Infektionskrankheiten ausgerichteten Produktpalette, die einen Markt mit einem Gesamtwert von USD 24 Milliarden ansprechen, konzentriert sich Versicor vornehmlich auf drei Forschungsbereiche: die Entwicklung einer eigenen therapeutischen Produktpalette, die Auftragsforschung, sowie die Entwicklung von neuen Grundlagen-Technologien.

Simula, Inc.

In the third quarter of 2001, Levine Leichtman Capital Partners II, L.P. (LLCP) managed a successful exit of its portfolio company Simula, Inc. as a result of the company's recapitalization. LLCP had invested to the tune of USD 20 million in Simula, Inc. in December 1999. Simula, Inc., based in Phoenix, Arizona, is a world leader in crash-resistant and energy-absorption technologies that safeguard human life. Simula designs and manufactures advanced occupant seating and restraint devices for air, ground and sea transportation vehicles for the military, commercial airline and automotive industries.

Triton Energy Limited

Another major distribution was received from SPP1 through its participation in Hicks, Muse, Tate & Furst Fund IV which realized its stake in Triton Energy Limited through the acquisition of Triton Energy Limited ordinary shares by Amerada Hess Corporation. The transaction was valued at approximately USD 3.2 billion. Triton Energy is a Dallas based international oil and gas exploration and production company with major oil and gas assets in West Africa, Latin America and Southeast Asia. At December 31, 2000, Triton's total proven reserves were 293.5 million barrels of oil equivalent. These reserves exclude successful drilling activities in 2001. Since its formation in 1989, Hicks, Muse, Tate & Furst Inc. has completed or currently has pending more than 390 transactions with a total capital value of more than USD 50 billion. The firm is headquartered in Dallas and has offices in New York, London and Buenos Aires.

Versicor, Inc.

In 2001, the investment manager Schroder Ventures was able to fully realize its investment in Versicor, Inc. through an IPO of 4.6 million common shares at the NASDAQ in August 2000. Versicor, Inc. is a biopharmaceutical company focusing on the discovery, development and marketing of pharmaceutical products for the treatment of bacterial and fungal infections. Targeting a global anti-infective products market worth more than USD 24 billion a year, Versicor's business is built on three areas of value generation, namely proprietary products, drug discovery programs and distinct platforms for product pipeline expansion.

Ausblick für 2002

Die Private Equity-Industrie war 2001 von substanziellen Bewertungsanpassungen gekennzeichnet. Die Auswirkung auf Princess war eine Abnahme des NAVs von –10.46% auf 92.13% Ende Dezember 2001. Der Investment Manager erwartet weitere Abschreibungen der Partnerships, glaubt aber, dass der Grossteil der notwendigen Abschreibungen bereits getätigt wurde.

Die derzeitigen tieferen Bewertungsniveaus können jedoch zukünftig auch positive Investmentmöglichkeiten für das Princess Portfolio beinhalten. Je nach Finanzierungsstadium sind die Bewertungen gewisser Segmente während der letzten 12 Monate bis zu 52% zurückgegangen und liegen nun auf dem Niveau von 1998. Mit einem Anteil der liquiden Mittel von 28% zum Jahresende 2001, sollte Princess mittel- bis langfristig von Neuinvestitionen zu attraktiven Bewertungen profitieren.

Die Beteiligung an drei Sekundär-Portfolios in 2000 bedeutete für das Princess Portfolio einen Mehrwert, da die Commitments auf ältere Lancierungsjahre ausgedehnt werden konnten. Die Sekundär-Portfolios haben den Investitionsgrad angehoben und das Portfolio reifer als das eigentliche chronologische Alter werden lassen. Wie in der Vergangenheit wird erwartet, dass die Sekundär-Portfolios weiterhin eine verlässliche Quelle für Rückflüsse für Princess Holding sein werden.

Bis zum heutigen Tag hat Princess Rückflüsse in Höhe von mehr als USD 80 Millionen erhalten, dies entspricht ca.12% des derzeitigen NAVs. Trotz des schwierigen Marktumfeldes in 2001 erhielt Princess allein in diesem Jahr Rückflüsse in Höhe von USD 51 Millionen von 40 Partnerships. Die Rückflüsse konnten primär von Buyout-Partnerships verbucht werden, was darauf hinweist, dass sich eine Verlagerung von IPO- zu Trade Sale-Exits vollzogen hat und dass sich dieser Trend in der nächsten Zeit voraussichtlich fortsetzen wird. Sollte sich die Wirtschaft in der zweiten Hälfte 2002 erholen, sollte ein voller Reifegrad des Princess Portfolios innerhalb der nächsten 12–18 Monaten erreicht werden. Damit würde sich das Portfolio im positiven Bereich der J-Curve bewegen und sollte somit in einem Wachstum des NAVs resultieren.

Outlook 2002

In 2001, the Private Equity industry was marked by considerable valuation adjustments. The effect on Princess was a –10.46% decrease in the NAV to 92.13% at the end of December 2001. The Investment Manager anticipates further write-downs by the partnerships but also believes that all necessary valuation adjustments have in large part already been made.

The recent adjustments to valuations may even hold some positive investment opportunities for the Princess portfolio in the future. Depending on the financing stage, the valuations of certain sectors have declined by up to 52% over the past 12 months and have returned to 1998 levels. With a cash level of 28% at the end of 2001 Princess should benefit in the medium to long term from new investments made at these lower valuation levels.

The participation in three Secondary portfolios in 2000 added significant value to the portfolio and broadened its diversification across older vintage years. The Secondary portfolios have boosted the investment level and made the portfolio more “mature” than its chronological age. As in the past it is expected that Secondary investments will continue to be a dependable source of distributions for Princess Holding.

To date, Princess has received more than USD 80 million in distributions, equivalent to around 12% of current NAV. Despite the difficult market environment in 2001, Princess received USD 51 million in distributions from 40 partnerships. The distributions stemmed primarily from Buyout partnerships, indicating a shift – which is likely continue in the coming year – on the exit front from IPOs to trade sales. If the economy recovers in the second half of 2002, the Princess portfolio should reach “maturity” within the next 12–18 months, and the positive part of the J-curve should start to be reflected in a rising NAV.

Private Equity – eine Anlageklasse mit attraktiven Eigenschaften

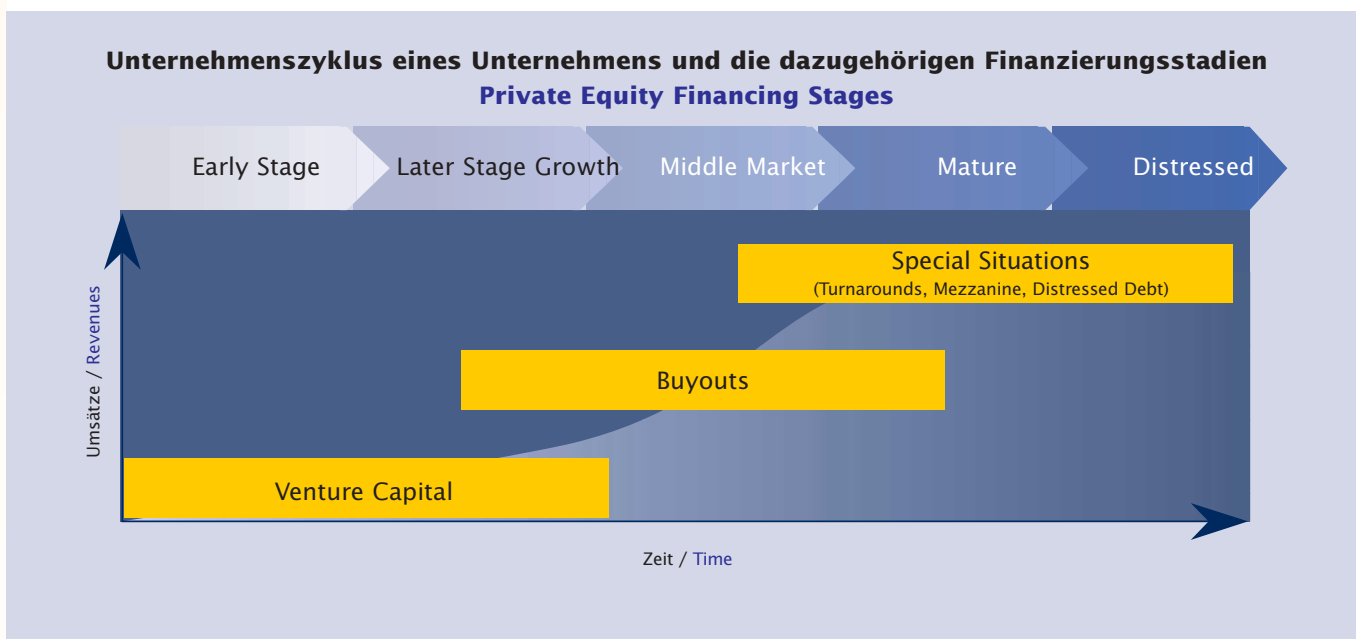
Was bedeutet Private Equity/Venture Capital?

Unter Private Equity/Venture Capital-Investitionen versteht man den Erwerb von Anteilen an privaten, in speziellen Fällen auch öffentlichen, Unternehmen mit dem Ziel, noch nicht realisiertes Wachstumspotenzial zu aktivieren und die erworbenen Anteile zu einem späteren Zeitpunkt nach einer substantiellen Wertsteigerung zu verkaufen. In diesem Bereich haben sich schon seit einiger Zeit professionelle Beteiligungsgesellschaften gebildet, sogenannte Partnerships, die oftmals über das finanzielle Engagement hinaus den Portfoliounternehmen, in die sie investiert haben, aktiv bei der Entfaltung der Geschäftstätigkeit mit ihrem Know-How und Netzwerk zur Seite stehen.

Private Equity – An Asset Class with attractive Opportunities

What is Private Equity/Venture Capital?

Private Equity/Venture Capital investments are defined as the purchase of holdings in private, or, in some special cases, also public, companies, with the aim of tapping the as yet unrealised growth potential and of later selling the acquired holdings after a substantial increase in value. For some time now, a number of professional investment companies, so-called partnerships, have established themselves in this Private Equity sector, often providing the portfolio companies not only with financial assistance, but also supporting them with their know how and their network.



Investitionen in Private Equity/Venture Capital werden herkömmlicherweise in die folgenden Segmente unterteilt, die sich an den Entwicklungsphasen der Unternehmen orientieren:
Early Stage Venture:

Umfasst Unternehmen in einer Entwicklungsphase, in der das zugeführte Eigenkapital mehrheitlich zur Finanzierung von Produktentwicklungen, Markteinführungskampagnen sowie Aufbau von Produktionskapazitäten und Vertriebsapparat verwendet wird. Während Finanzierungen in der Unterkategorie "Seed Stage" noch erhebliche Produktrisiken in sich bergen können, handelt es sich bei "Early Stage"-Investitionen bereits um den Auf- bzw. Ausbau von existierenden Fertigungskapazitäten, Vertriebskanälen und dem Halten eines Wettbewerbsvorsprungs.

Investments in Private Equity/Venture Capital are usually divided into the following segments, according to the companies' phases of development:

Early Stage Venture:

This segment includes companies at a stage of development in which the invested capital is mainly used for the financing of product development, marketing campaigns and the building up of production capacity and distribution infrastructure. Whereas the financing of the sub-category called the "Seed Stage" can contain considerable product risks, "Early Stage" investments imply the building or further development of existing production capacity, distribution channels and the preserving of a company's competitive advantage.

Later Stage Venture:

Umfasst Unternehmen, die sich in einer starken Expansionsphase befinden. Die Herausforderung in diesem Stadium liegt zumeist darin, dass es dem Unternehmen gelingen muss, nach erfolgtem Ausbau zusätzlicher Fertigungs- und Vertriebskapazitäten die angestrebten Marktanteile auch wirklich zu erreichen.

Small Mid Size Buyout:

Umfasst Investitionen, die den Erwerb von Anteilen am Kapital von Unternehmen mit einer Bilanzsumme von bis zu einer Milliarde USD zum Ziel haben. In der Regel werden im Rahmen von Buyout-Finanzierungen kontrollierende Mehrheiten angestrebt und unternehmerischen Einfluss ausgeübt.

Large Size Buyout:

Umfasst Investitionen, die den Erwerb von Anteilen am Kapital von Unternehmen mit einer Bilanzsumme von über einer Milliarde USD zum Ziel haben. Auch in diesem Segment werden kontrollierende Mehrheiten angestrebt und unternehmerische Gestaltungsprozesse ausgeübt.

Special Situations & Mezzanine:

Bei Anlagen in Spezial Situationen handelt es sich im Allgemeinen um Anlagen in bereits etablierte Unternehmen. Häufig sind dies Unternehmen, die sich in speziellen Finanzierungsumständen befinden, sei es, dass sie kürzlich an die Börse gegangen sind, sich in einer "Turn-around"-Situation oder einem Restrukturierungsprozess befinden.

Later Stage Venture:

This includes companies which find themselves in a phase of strong expansion. The main challenge at this stage is that, having developed the required additional production and distribution capacity, the company must actually succeed in achieving the market-share it is aiming for.

Small Mid Size Buyout:

This phase includes investments aimed at purchasing shares in the capital of companies with a capitalization of up to one billion USD. The aim is generally to obtain a controlling majority by means of "Buyout" financing structures, so that influence can be applied on business development.

Large Size Buyout:

This includes investments aimed at the acquiring of stakes in the equity of companies with a capitalization of more than one billion USD. Here too, controlling majorities are sought, in order to be able to influence the development of the company concerned.

Special Situations & Mezzanine:

Special Situation investments usually imply investments in companies which are already established. Frequently, these are companies which are in a special situation with regard to financing needs, whether this be shortly after an IPO, or because they are in a "turn-around" situation or are in the process of restructuring.

Typische Eigenschaften der Anlageklasse Private Equity

Eine der typischen Eigenschaften der Anlageklasse Private Equity ist ihre Ineffizienz, welche Potenzial für erhebliche Ertragsopportunitäten ermöglicht. Im Gegensatz zu den öffentlichen Märkten, wo Informationen frei verfügbar sind, können Private Equity-Partnerships substanziellen Mehrwert durch Informationsvorsprünge, Erfahrung und ein breites Netzwerk generieren. Die besten Partnerships können die Durchschnittsrendite nicht nur um einige Basispunkte, sondern um bis zu 10–15% übertreffen. Es ist deshalb von äußerster Wichtigkeit, in die zukünftigen "Top-Quartile"-Partnerships investiert zu sein.

Viele Schwierigkeiten sind mit der Auswahl der besten Private Equity-Partnerships verbunden, unter anderem die bloße Anzahl der Private Equity-Partnerships, der Mangel an öffentlich verfügbaren Ratings, hohe Kosten in Zusammenhang mit Recherchen um die besten Partnerships zu identifizieren und die Bestimmung als auch Bewertung von repräsentativen Leistungsausweisen. Princess Private Equity Holding genießt Zugang zu "Top-Quartile"-Partnerships dank ihrer Vereinbarungen mit erfahrenen Investment-Beratern.

Zu den charakteristischen Eigenschaften der Anlageklasse Private Equity/Venture Capital gehört neben den attraktiven Renditeerwartungen vor allem die niedrige Korrelation zu traditionellen Anlagen. Eine Analyse der historischen Daten hat nicht nur eine geringe Korrelation zu den Aktien-, sondern auch zu den Rentenmärkten ergeben. Zudem weisen Private Equity/Venture Capital-Anlagen im Vergleich zu den öffentlichen Märkten eine sehr geringe kurzfristige Volatilität auf.

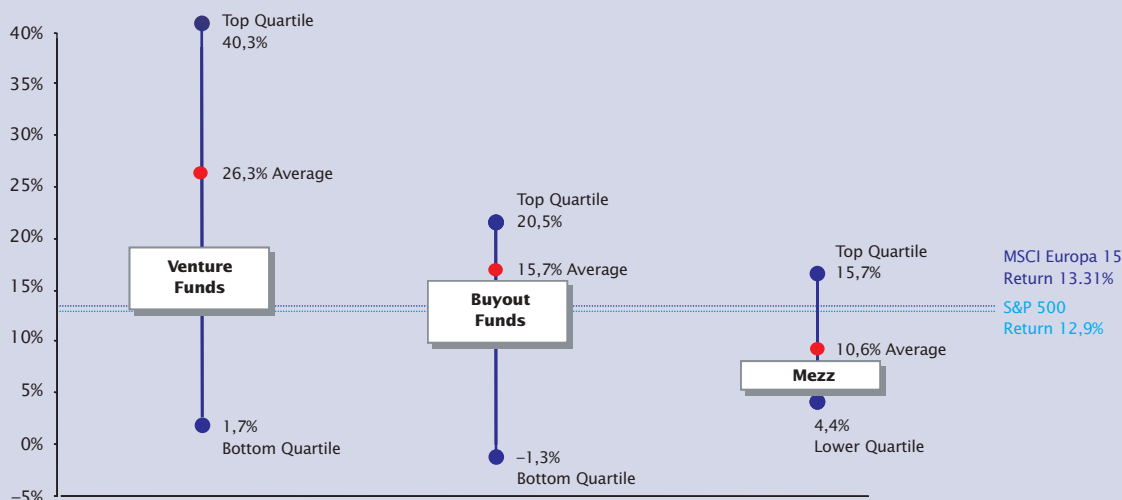
Typical Characteristics of the Private Equity Asset Class

One of the typical characteristics of the Private Equity asset class is its inherent inefficiency which gives rise to significant return opportunities. As opposed to public markets where information is available to everybody, Private Equity partnerships can generate added value through better information, experience and networking. The best partnerships can outperform the average not just by a couple of basis points but by up to 10–15%. It is, therefore, of the utmost importance to be invested with future "top-quartile" partnerships.

There are many challenges in identifying the best Private Equity manager, including, amongst others, the sheer number of Private Equity managers, the lack of publicly available ratings for Private Equity managers, the high research costs incurred in identifying quality Private Equity managers and the determination as well as the assessment of representative track records. Princess Private Equity Holding enjoys access to top-quartile Private Equity partnerships through its arrangements with its experienced advisors.

The other typical characteristic of the asset class is its low correlation with traditional investment forms. An analysis of the historical data shows a low correlation not only with the equity markets, but also with the bond markets. In addition, Private Equity/Venture Capital investments show very little short-term volatility compared with the public markets. These characteristics make investments in Private Equity/Venture Capital, with their unique diversification benefit, into the ideal complement for optimizing the traditional investment portfolio.

Unterschied zwischen 15 Jahre Top und Bottom Quartile-Performance Difference between 15 years Top and Bottom Quartile-Performance⁽¹⁾



⁽¹⁾ Source: Venture Economics U.S. Cumulative Vintage Year Composite Performance as of 12/31/00 for vintage years 1986–2000.
 Bloomberg: S&P 500 annual aggregated return 31.01.86–31.12.00, no reinvestment of dividend, in USD.
 Bloomberg: MSCI Europa 15 annual aggregated return 31.12.87–31.12.00, no reinvestment of dividend, in local currencies.

Diese Eigenschaften sorgen dafür, dass sich Private Equity/Venture Capital-Anlagen mit ihrem spezifischen Diversifikationsnutzen ideal als optimierende Beimischung zu einem traditionellen Anlegerportfolio eignen.

Investitionsstrategie und -prozess

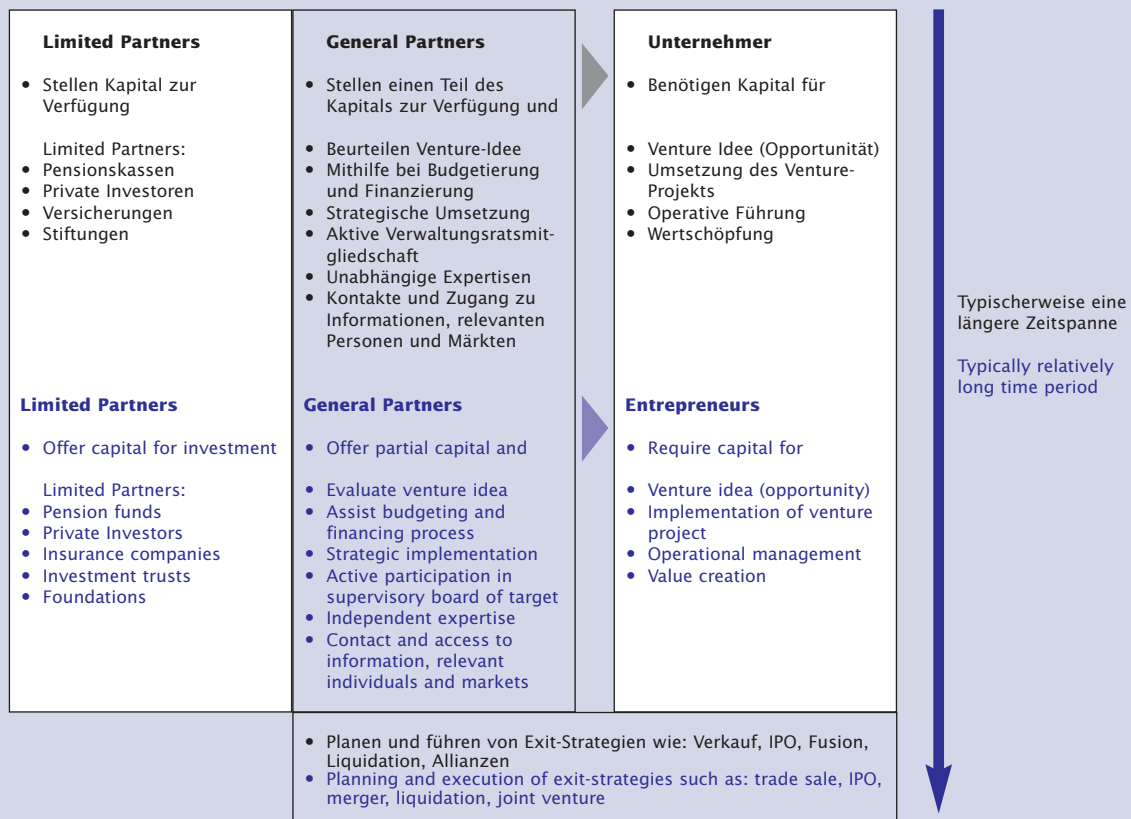
Durch Umsetzung zweier kombinierter Ansätze – “Top Down” und “Bottom Up” – strebt Princess ein optimiertes Portfolio an. Basierend auf definierten Allokationsrichtlinien, suchen die Princess Investment-Advisors (Partners Group, Hamilton Lane und Invesco) die bestmöglichen Private Equity-Partnerships aus.

Das Nominalkapital der Anleihe von USD 700 Millionen ist ausschliesslich für den Aufbau eines Portfolios bestimmt, welches aus Beteiligungen an Private Equity-Partnerships bestehen wird, die von Princess potentiell als “Top-Quartile”-Partnerships (Partnerships, die zu den besten 25 Prozent zählen) eingeschätzt werden. Über den “Top Down”-Ansatz bedient sich Princess eines von Partners Group und Swiss Re entwickelten Risiko/Rendite-Modells, um die optimale quantitative Vermögensverteilung zu bestimmen. Die zugrunde liegenden Informationen beruhen auf der Auswertung weltweiter statistischer Daten zur Private Equity-Industrie. In

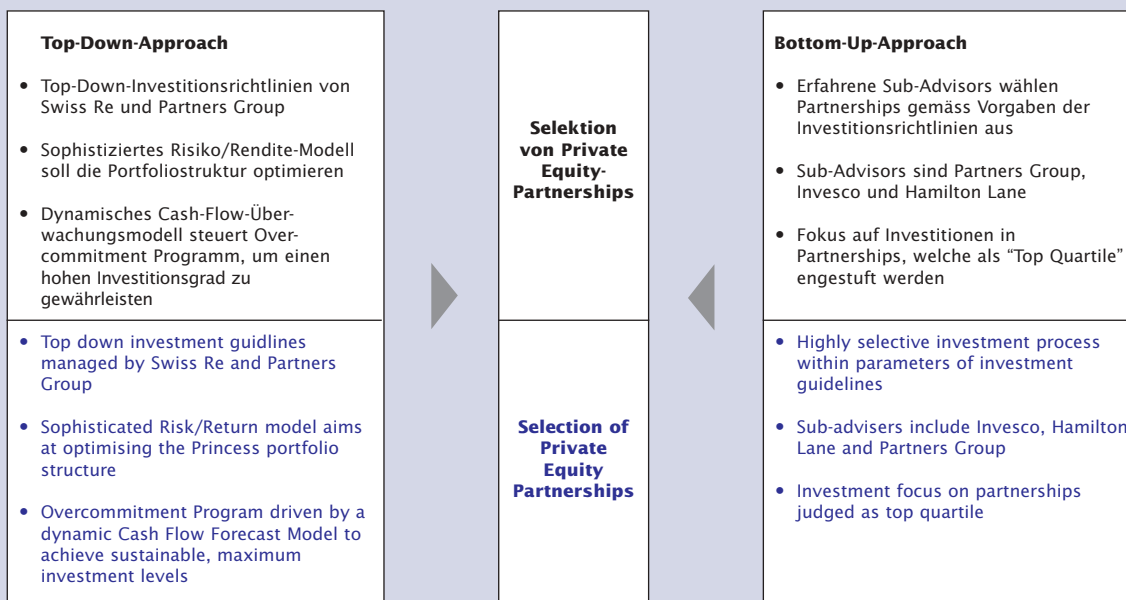
Investment Strategy and Process

Princess aims to achieve an optimization of the portfolio by combining two approaches – top down and bottom up. Based on clearly defined allocation guidelines, Princess’s investment advisors (Partners Group, Hamilton Lane and Invesco) search out the best available Private Equity partnerships. The nominal issuance amount of the bond, a total of USD 700 million, is targeted exclusively for the building of a portfolio of investments in Private Equity partnerships, considered by Princess to be potential “top quartile” partnerships (i.e. among the top 25 per cent). In the top down approach, Princess uses a risk/return model, developed by Partners Group and Swiss Re, to define the optimal quantitative portfolio structure. The information used as a basis for this model derives from the analysis of worldwide statistical data on the Private Equity industry. This is the process that a qualitatively defined bottom up selection of the partnerships is intended to lead to a top-quality portfolio of Private Equity investments. The selection process is performed in both the USA and in Europe by more than 50 Private Equity investment specialists. Using Partners Group, one of the leading Private Equity manager/advisors, Invesco Private Capital, one of the most experienced Venture Capital specialists, and Hamilton Lane, one of

**Typischer Aufbau eines Private Equity-Partnerships
Typical Structure of a Private Equity-Partnership**



Top Down und Bottom Up – der kombinierte Ansatz zur Qualitätssicherung Princess Holding – Investment Methodology



Verbindung mit einer qualitativ determinierten "Bottom Up"-Selektion der Partnerships, soll dieser Prozess zu einem qualitativ hochwertigen Portfolio aus Private Equity-Beteiligungen führen.

Der Selektionsprozess wird in den USA und Europa durch mehr als 50 Private Equity-Investitionsspezialisten durchgeführt. Über Partners Group, einem der führenden Private Equity-Manager/Advisor, Invesco Private Capital, einem der erfahrensten Venture Capital-Spezialisten und Hamilton Lane, einem der grössten Private Equity-Berater in den USA, kombiniert Princess die Investitionserfahrung und das Netzwerk dieser Teams auf globaler Ebene und erschliesst sich damit den Zugang zu den vielversprechendsten Private Equity-Investitionsobjekten.

Sekundärtransaktionen im Princess-Portfolio

Einen besonderen Investitionserfolg stellt der Erwerb von verschiedenen Beteiligungen an Sekundärtransaktionen dar. Ein sogenanntes Secondary-Portfolio besteht idealerweise aus Beteiligungen an Private Equity-Partnerships, die 4 bis 6 Jahre zuvor aufgelegt wurden. Der Vorteil solcher Sekundär-Portfolios liegt darin, dass die enthaltenen Partnerships ihre Investitionsphase oftmals abgeschlossen haben, sich in der Realisierungsphase befinden und somit bereits Erträge produzieren. Dies hat darüber hinaus den positiven Effekt, dass bereits bekannt ist, in welche einzelnen Unternehmen die Private Equity-Partnerships investiert haben. Hierdurch hat der Investor die Möglichkeit, eine umfassende Beurteilung des Portfolios und der entsprechenden Realisierungschancen vorzunehmen.

the leading Private Equity consultants in the USA, Princess combines the investment know how and the network of all of these teams on a global scale and thus gains access to the most promising Private Equity investment targets.

Secondary Transactions in the Princess Portfolio

The acquisition of different holdings in secondary transactions prove particularly successful investments. A so-called "Secondary"-Portfolio consists ideally of investments in Private Equity partnerships which were established 4 to 6 years beforehand. The advantage of such a secondary transaction is that the partnerships contained have often completed the investment phase, are in the realization phase and are therefore already producing returns. In addition, there is the positive effect that the individual companies in which the Private Equity partnerships have invested are already known. Thus, the investor has the opportunity to undertake an in-depth assessment of the portfolio and of the relevant realization potential.

J-Curve – die logische Konsequenz von Private Equity-Investitionen

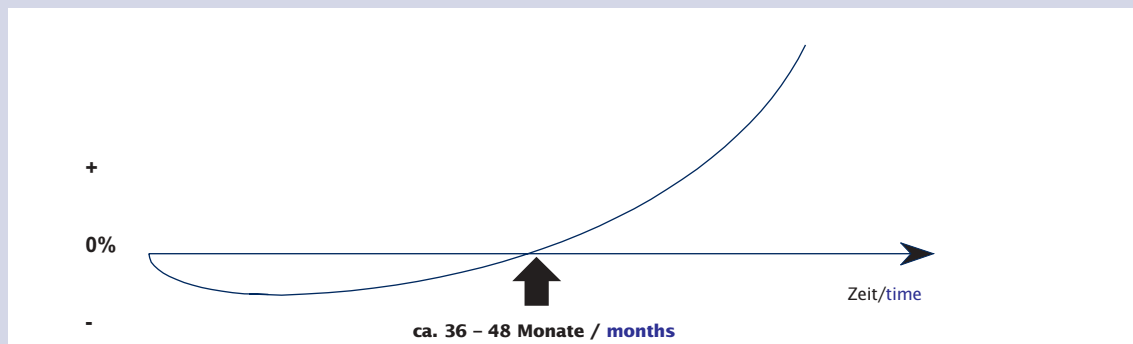
Die Entwicklung des Inneren Wertes wird stark vom Verlauf des Investitionsprozesses geprägt. Die Gelder der Holding werden von den Partnerships in Unternehmen investiert und erst nach einem durchschnittlichen Zeitraum von 3–5 Jahren realisiert. In der Aufbauphase des Portfolios wird der Wert der Investitionen der Princess Holding durch Emissionskosten und andere Kosten im Zusammenhang mit dem Aufbau des Portfolios sowie Managementgebühren und Versicherungsprämie belastet.

Im Verlauf des Reifeprozesses der den Partnerships zu Grunde liegenden Portfoliogesellschaften rapportieren diese unrealisierte Gewinne bzw. Verluste. Zum Zeitpunkt der Realisierung der Investition – bekannt als “Exit” im Rahmen eines Börsengangs oder Verkaufs der Firma an einen neuen Eigentümer - fließen Gelder zurück an die Princess Holding.

The J-Curve – The Logical Consequence of Investment in Private Equity

The development of the Net Asset Value depends to a large degree on the progress of the investments. The funds of Princess Holding are invested by the partnerships in underlying companies and the investments are only realized after an average period of 3–5 years. In the early stages of the development of the partnerships, the value of the Princess Holding investments is weighed down by issuance cost and other unavoidable costs caused by the building up of the portfolio, management and insurance fees. As the underlying companies begin to mature they report unrealized gains and losses which upon realization, which is known as the “exit” via an IPO or M&A, result in proceeds flowing back to Princess Holding.

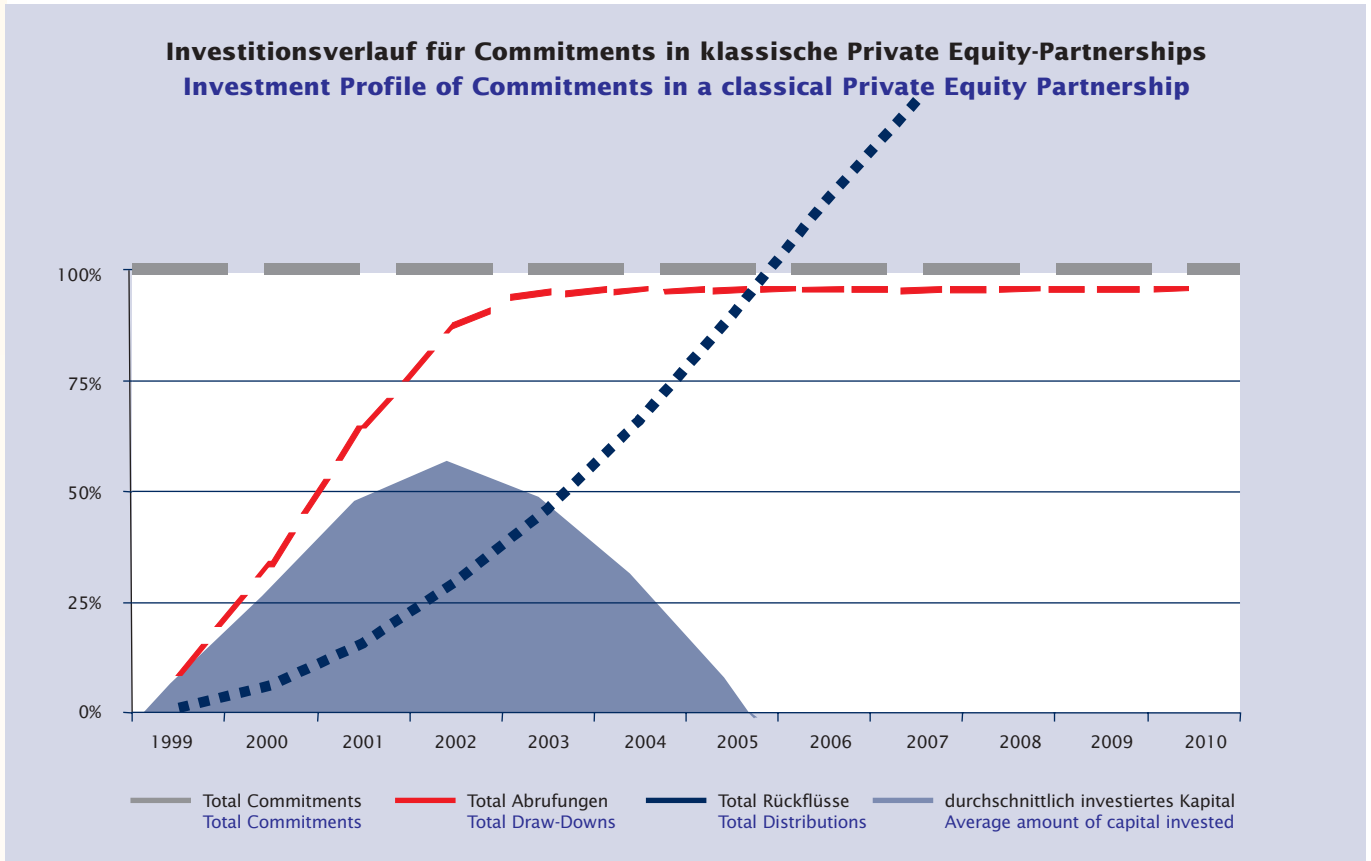
Die J-Curve – typische Entwicklung eines Private Equity-Portfolios Typical NAV Development of a Private Equity Partnership Portfolio



— Typische NAV-Entwicklung einer Partnership
Typical NAV development pattern of a partnership

Overcommitment-Strategie

Overcommitment Strategy



Princess Management & Insurance Limited setzt eine proprietäre Overcommitment-Strategie ein, um langfristig höhere Renditen zu erzielen. Mit ihrer Hilfe soll die Zeitspanne verkürzt werden, während der die liquiden Mittel in die Partnerships investiert werden, und anschliessend der angestrebte, volle Investitionsgrad dauerhaft sichergestellt werden. Statistische Auswertungen haben gezeigt, dass sich der Abruf der von den Investoren eingegangenen Investitionsverpflichtungen in der Regel über einen Zeitraum von 3–5 Jahren erstreckt. Die Ausschüttungen von Kapital und Erträgen beginnen jedoch nicht erst nach dieser Investitionsphase, sondern können unter Umständen relativ rasch einsetzen und stellen damit einen gegenläufigen Zahlungsstrom dar, der in der Regel verhindert, dass mehr als durchschnittlich 65 Prozent des bereitgestellten Kapitals investiert sind. Das daraus resultierende verhältnismässig tiefe Investitionsniveau beschränkt das mögliche Anlageergebnis und die Renditeerwartungen des Investors. Aus diesem Grund haben Partners Group und Swiss Re für Princess eine Overcommitment-Strategie entwickelt. Diese steuert Betrag und Zeitpunkt der gesprochenen Commitments basierend auf Daten, die von zwei integrierten Modellen geliefert werden:

Princess Management & Insurance Limited uses a proprietary overcommitment strategy in order to obtain higher returns over the longer-term. This strategy aims to shorten the period during which the liquid funds are invested in the partnerships and to ensure that the targeted full investment level is maintained.

Statistical analyses have shown that the drawing down of the investors' commitments generally stretches over a period of 3–5 years. The distribution of capital and returns do not necessarily start once this period is over, but can, under certain circumstances, begin to take place relatively rapidly, thus creating a contrary cash flow which generally prevents more than 65 per cent of the committed capital from being actually invested at any one time. The resulting relatively low investment level limits the performance potential and the investor's yield-expectations. It is for this reason that Partners Group and Swiss Re have developed an overcommitment strategy for Princess. The strategy controls the amount and timing of the commitments on the basis of data which are provided by two integrated models: the Cashflow Forecast model and the Cashflow Monitoring model. The Cashflow Forecast model predicts the cash flows according to historical

dem Cash-Flow-Forecast-Modell und dem Cash-Flow-Monitoring-Modell. Das Cash-Flow-Forecast-Modell liefert eine Vorhersage der anfallenden Zahlungsströme basierend auf Vergangenheitsdaten und ermöglicht so die Abgabe von Commitments in einem höheren Umfang, als dem des zu investierenden Kapitals. Durch das sogenannte Overcommitment kann nach einer entsprechenden Aufbauphase ein Investitionsgrad von annähernd 100 Prozent erreicht werden. Das Cash-Flow-Monitoring-Modell überwacht die tatsächlich anfallenden Zahlungsströme und ermöglicht eine dynamische Anpassung der Overcommitment-Strategie. Princess ist überzeugt, dass durch den Einsatz dieser Strategie ein voller Investitionsgrad schnell erreicht und effizient gehalten werden kann und damit die Renditeerwartungen nachhaltig optimiert werden.

data and thus makes it possible to undertake a greater amount of total commitments than the actual available capital. As a result of the said overcommitment, and after the necessary development phase, an investment level of almost 100 per cent can be achieved. The Cashflow Monitoring model monitors the actual cash flows as they occur and thus enables a dynamic adjustment of the overcommitment strategy.

Princess is convinced that, the application of this strategy will enable it to achieve an investment level of 100 per cent rapidly and to maintain this level efficiently and thus provide an optimal level of expected returns.

Vereinfachte Strukturdarstellung

Die Princess Holding gibt zunächst den Emissionserlös der Wandelanleihe in Form von Zahlungsverprechen an professionelle Private Equity-Partnerships weiter. Das Portfolio der Princess Holding umfasste Ende 2001 bereits 101 solcher

Simplified Structural Overview

Princess Holding passes on the capital, raised through the issuance of its convertible bond, in the form of commitments to professional Private Equity partnerships. The portfolio of Princess Holding contained 101 such partnerships by the end of 2001.



Partnerships. Diese bauen nun ein eigenes Portfolio aus direkten Beteiligungen an nichtbörsennotierten Unternehmen auf. Diese Portfolios wiederum können nach Abschluss der durchschnittlich 3 bis 5 Jahre dauernden Investitionsphase zwischen 20 und 30 Beteiligungen enthalten. Auf diese Weise ist schon jetzt ein Gesamtportfolio von über 1'700 Direktbeteiligungen entstanden, an dessen Potenzial die Investoren der Princess Holding partizipieren können. Die Auswahl derjenigen Partnerships, an die Zahlungsverprechen abgegeben werden, wird vom Investment-Manager, der Princess Management & Insurance Limited, getroffen. Diese Gesellschaft, die ihren Sitz ebenfalls in Guernsey hat, wurde als Joint Venture zwischen Swiss Re, der zweitgrößten Rückversicherung weltweit, und Partners Group, einem der weltweit größten, unabhängigen Private Equity-Manager/Advisor, gegründet. Princess Management & Insurance Limited tritt als Erstversicherer des im Rahmen der Emission einbezahlten

The latter then build up their own portfolio of direct investments in unlisted companies. Once the investment phase is completed, these portfolios can themselves contain between 20 and 30 holdings. Thus a total portfolio of more than 1'700 direct investments has already been created, in whose potential Princess Holding's investors will be able to participate. The selection of the partnerships, to which the commitments are made, is undertaken by the Investment Manager, Princess Management & Insurance Limited. This company, which is also registered in Guernsey, was set up as a joint venture between Swiss Re, the second largest re-insurance company in the world, and Partners Group, one of the world's largest independent Private Equity manager/advisors. Princess Management & Insurance Limited is the primary insurer of Princess Holding's paid-up nominal issuing amount. This primary insurance is re-insured at maturity in 2010 by means of a re-insurance policy with Swiss Re. Thus, for the first time ever, a convertible bond was created, which is eligi-

Nominal-Kapitals gegenüber den Investoren der Princess Holding auf. Diese Erstversicherung wird von einer Versicherungspolice der Swiss Re bis zur Wandlung im Jahr 2010 rückversichert. Auf diese Weise entstand erstmalig eine deckungsstockfähige, mit einem AAA-Rating von Standard & Poor's ausgestattete Wandelanleihe, die das Renditepotential eines breit gestreuten und professionell aufgebauten Private Equity-Portfolios mit dem Verlustrisiko einer normalen Zero Coupon-Anleihe verbindet.

Die Investitionsentscheidungen werden im Rahmen eines klar definierten und strukturierten Auswahlprozesses getroffen. Hierbei verfolgt Princess Management & Insurance Limited grundsätzlich zwei integrierte Ansätze. Im Rahmen der "Top Down"-Allokation wurden umfassende Diversifikationsrichtlinien festgelegt, die für eine optimale Streuung der Mittel und damit des Risikos sorgen. Im Verlaufe des Investitionsprozesses und des einsetzenden Re-Investitionsprozesses der zu einem späteren Zeitpunkt zurückfließenden Mittel, werden diese Richtlinien dauernd überwacht und dynamisch an die unterschiedlichen Cash-Flows angepasst.

Der "Bottom Up"-Ansatz ist ein strukturierter Auswahlprozess der Partnerships, wobei angestrebt wird, in diejenigen Partnerships zu investieren, die in der Vergangenheit überdurchschnittliche Ergebnisse für ihre Investoren ausweisen konnten. In mehreren Phasen werden im Rahmen eines aufwendigen Analyseprozesses Team, Struktur und Strategie der Partnerships an unterschiedlichen Kriterien gemessen. Durchgeführt wird die Auswahl von zusammen weit über 50 Private Equity-Professionals der Partners Group, Hamilton Lane und Invesco. Mit diesen Sub-Advisors hat Princess Holding Zugriff auf ein globales Team mit eindrucksvoller Private Equity-Expertise und einem breiten Netzwerk.

ble in Germany for the investment of prime stock reserves and is rated AAA by Standard & Poor's. This bond combines the potential returns of a broadly diversified, professionally developed Private Equity portfolio with the down side risk of a normal zero coupon bond.

The investment decisions are taken according to a clearly defined and structured selection process. As such, Princess Management & Insurance Limited follows two basically inter-related approaches.

Within the top down approach, comprehensive diversification guidelines have been set, which ensure the optimal spread of the funds and, therefore, of any risk. These guidelines are constantly monitored in the course of the investment of original funds and the re-investment process of partnership distributions as they later flow back, and are adapted dynamically to the differing cash flows.

The bottom up approach is a structured process by which the partnerships are selected, aiming to invest in those partnerships which have in the past shown their investors above-average performance. The team, structure and strategy of the partnerships are measured against different criteria in the course of a detailed analysis process, which is divided into several stages. The selection is carried out by a total of well over 50 Private Equity professionals from Partners Group, Hamilton Lane and Invesco. With these sub-advisors Princess Holding has access to a global team which brings together an impressive Private Equity expertise and a broad network.



Financial Figures

Independent Auditor's report to the members of Princess Private Equity Holding Limited

We have audited the financial statements which comprise Consolidated statement of income for the year ended 31 December 2001, Consolidated balance sheet as at 31 December 2001, Statement of consolidated changes in shareholders' equity for the year ended 31 December 2001, Consolidated cash flow statement for the year ended 31 December 2001 and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described in the Directors' report, this includes responsibility for preparing the financial statements in accordance with applicable International Accounting Standards. Our responsibilities, as independent auditors, are established in Guernsey by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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 financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

PricewaterhouseCoopers
Chartered Accountants
Guernsey CI

2002

Consolidated statement of income

for the year ended 31 December 2001

	Notes	31.12.01 USD	31.12.00 USD
Income	1		
Bank deposit interest		830'016	1'204'173
Income from limited partnerships		2'336'068	2'065'015
Movement on revaluation of limited partnerships		–	30'378'162
Income from short-term investments		9'649'538	27'327'191
Net surplus on short-term investments		325'000	–
		13'140'622	60'974'541
Expenditure			
Investment management fee	2	15'825'395	12'432'906
Insurance fee	2	10'581'659	10'495'957
Administration fee	2	352'722	350'452
Personnel costs		110'010	65'823
Other operating expenses		469'041	899'355
Finance cost on convertible bond	10	29'203'191	27'582'258
Amortisation of transaction costs	10	1'567'071	1'567'071
Movement on revaluation of limited partnerships		57'941'985	–
Net foreign exchange loss	1	3'333'724	9'772'951
Net loss on short-term investments		–	275'000
Tax exemption fee	3	1'589	1'905
		119'386'387	63'443'678
(Loss) for the financial year		(106'245'765)	(2'469'137)
The disclosures relating to the calculation of the loss per share are included in note 15			
Basic surplus/(loss) per share	USD	(10'624.5765)	(246.9137)
Diluted surplus/(loss) per share	USD	(15.1563)	(0.3522)

Consolidated balance sheet
at 31 December 2001

	Notes	USD	31.12.01 USD	USD	31.12.00 USD
Assets					
Non-current assets					
Investments in limited partnerships	1&4		461'574'349		415'975'657
Current assets					
Short-term investments	1&5	129'674'211		269'411'000	
Other short-term receivables	6	188'881		5'302'181	
Hedging asset	12	659'959		–	
Cash at banks	7	53'785'261		31'025'818	
			184'308'312		305'738'999
Total assets			645'882'661		721'714'656
Equity and Liabilities					
Capital and reserves					
Issued capital	9	100		100	
Reserves		127'544'277		233'790'042	
			127'544'377		233'790'142
Liabilities falling due after more than one year					
Bond	10		518'297'701		487'527'439
Liabilities falling due within one year					
Creditors	11	37'684		153'961	
Hedging liability	12	–		147'071	
Other short-term payables		2'899		96'043	
			40'583		397'075
Total liabilities			645'882'661		721'714'656
The financial statements were approved by the board of directors on 28 February 2002 and are signed on its behalf by:					
P. Guyer Director		G. Hall Director			

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2001

	Share capital USD	Share premium USD	Movement on revaluation of investments in underlying partnerships USD	Surplus/ (loss) on underlying partnerships USD	Accumulated reserves USD	Total USD
Balance at beginning of period	100	241'028'914	–	–	(7'238'872)	233'790'042
Gains reclassified to income statement	–	–	–	–	–	–
Adjusted equity at beginning of reporting period	100	241'028'914	–	–	(7'238'872)	233'790'042
Loss for the financial period	–	–	–	–	(106'245'765)	(106'245'765)
Equity at end of reporting period	100	241'028'914	–	–	(113'484'637)	127'544'277

Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2000

	Share capital USD	Share premium USD	Movement on revaluation of investments in underlying partnerships USD	Surplus/ (loss) on underlying partnerships USD	Accumulated reserves USD	Total USD
Balance at beginning of period	100	241'028'914	8'586'4241	430'434	(13'786'590)	236'259'179
Issue of share capital	-	-	-	-	-	-
Gains reclassified to income statement	-	-	(8'586'421)	(430'434)	9'016'855	-
Adjusted equity at beginning of reporting period	100	241'028'914	-	-	(4'769'735)	236'259'179
Surplus for the financial period	-	-	-	-	(2'469'137)	(2'469'137)
Equity at end of reporting period	100	241'028'914	-	-	(7'238'872)	233'790'042

Consolidated cash flow statement

for the year ended 31 December 2001

	Notes	USD	31.12.01 USD	USD	31.12.00 USD
Cash flow from operating activities					
Cash paid to suppliers and employees		(27'558'476)		(24'108'750)	
Net cash from operating activities			(27'558'476)		(24'108'750)
Cash flow from investing activities					
Interest received		13'378'259		31'533'399	
Investment in limited partnerships	4	(151'547'123)		(297'705'995)	
Sale of investments in limited partnerships		47'396'774		26'817'617	
Income received from limited partnerships		2'336'068		2'065'015	
Purchases of short-term investments		(346'037'683)		(240'139'187)	
Repayments of short-term investments		457'091'782		479'234'369	
Settlement of hedging contracts		(1'946'859)		2'907'575	
Net cash from investing activities			(20'671'218)		(1'102'357)
Effect of exchange rate changes on cash and cash equivalents			(3'183)		(1'890)
Net (decrease)/increase in cash and cash equivalents			(6'890'441)		(25'212'997)
Cash and cash equivalents at beginning of period			60'675'702		85'888'699
Cash and cash equivalents at end of period	8		53'785'261		60'675'702

Notes to the Consolidated financial statements

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards. The financial statements are prepared under the historical cost convention as modified by the fair valuation of available for sale securities.

The Group adopted International Accounting Standard 39 (IAS 39), Financial Instruments: Recognition and Measurement, on 14 December 2000, with effect from 1 January 2000. It is the policy of the Group to disclose its financial assets at fair value. With the adoption of IAS 39 and the classification of the Group's investments as "available for sale", the Group has decided that all realised and unrealised surpluses and losses should be recognised in the statement of income. The Group intends to hold its investments for an indefinite period of time.

During the period from the date of incorporation up to 30 September 2000, the Group had disclosed all realised and unrealised surpluses and losses in accordance with IAS 25.

In accordance with the transition rules as detailed in IAS 39 the realised surpluses and losses and any unrealised surpluses for the period from 1 January 2000 to 30 September 2000 have been disclosed as "Surpluses reclassified to the income statement".

Income

Income from bank deposits is included on an accruals basis.

Income from short-term investments also includes the increase in value of bonds purchased at a discount.

Expenditure

The expenditure is included in the accounts on an accruals basis.

Reporting currency

As US dollars reflects the economic substance of the underlying events and circumstances relevant to the Group and US dollars are used to a significant extent in, or has a significant impact on, the Group, US dollars are the appropriate currency to be used as the measurement currency and accordingly the reporting currency in these financial statements. All transactions in currencies other than the measurement currency are treated as transactions in foreign currencies.

Investment in limited partnerships

IAS 39 requires investments to be held at fair value, or at cost less provision for diminution in value, where no reasonable range of fair values can be determined. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction.

Notes to the Consolidated financial statements (continued)

1 Principal accounting policies (continued)

Investment in limited partnerships (continued)

Investments in limited partnerships are valued initially at cost and thereafter at the most recent net asset value as reported by the underlying partnership, which the Directors believe to be the most appropriate estimate of fair value. Note 4 shows further information about the values at which investments are carried.

Owing to the diversified nature of the limited partnership investments, underlying partnerships adopt a variety of accounting and valuation bases. In selecting investments the Directors have taken into consideration the accounting and valuation basis of the underlying partnership and select only those investments which adopt an internationally recognised 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 means there are inherent difficulties in determining the fair value of these investments.

Amounts realised on the sale of investments will differ from the values reflected in these financial statements and the difference may be significant.

Any changes in fair value are shown within "Movement on revaluation of limited partnerships". Any realised surpluses or losses, being the difference between the proceeds and the carrying amount of the investment are shown within "Movement on revaluation of limited partnerships".

The Group recognises the funding of the limited partnerships on the date funds are transferred to the Partnership. Any distributions, including return of principal of investment, received from the underlying limited partnerships are recognised on the distribution date.

Long-term investments

The investments are included in the balance sheet at market values ruling at the balance sheet date. The changes in fair value are shown as "Income from short-term investments".

All transactions relating to long-term investments are recognised on the settlement date.

Short-term investments

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 surplus / loss on short-term investments".

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 "Income from short-term investments".

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 "Income from short-term investments".

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

Notes to the Consolidated financial statements (continued)

1 Principal accounting policies (continued)

Foreign exchange

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 surpluses and losses are included in the statement of income.

Accounting for 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. As a result the unrealised changes in the fair value of these derivatives are recognised in the statement of income under the heading of "Net foreign exchange surplus / loss". The realised net surplus / loss on the derivatives that matured during the year is disclosed under "Net foreign exchange surplus / loss".

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 unrealised surplus and deficits on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in Note 19.

2 Expenses

Investment management fee

The investment management fee is paid quarterly in advance pursuant to the Investment Management Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited.

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between Princess Private Equity Holding Limited and Partners Group Private Equity Administration Limited.

Insurance fee

The insurance fee is paid quarterly in advance pursuant to the Insurance Trust Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited.

3 Taxation status

The companies 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.

Notes to the Consolidated financial statements (continued)

4 Investments in limited partnerships	31.12.01 USD	31.12.00 USD
Balance at beginning of reporting period	415'975'657	123'142'462
Capital activity recorded at the transaction rate	149'830'213	297'170'466
Out of commitment expenses	1'716'910	535'529
Capital repayments at cost	(38'315'707)	(19'494'272)
Revaluation of investments in limited partnerships	(65'306'122)	21'337'887
Foreign exchange loss	(2'326'602)	(6'716'415)
Balance at end of reporting period	461'574'349	415'975'657

The balance on the investments in limited partnerships at the end of the reporting period can be split as follows:

United States	256'799'915	253'113'850
Europe	184'853'665	147'434'946
Rest of the World	19'920'769	15'426'861

The basis on which the Directors determine the carrying value of investments is explained in Note 1.

The balance of investments may also be split as follows:

	USD
Partnerships reported at an NAV above cost	
Partnerships adopting IAS compliant fair value principles	257'352K
Others	73'132K
Partnerships reported at a NAV below cost	131'090K
	461'574K

Notes to the Consolidated financial statements (continued)

5 Short-term investments	Bonds issued at par USD	Bonds issued at a discount USD	Cash equivalents USD	Total USD
Cost				
At beginning of reporting period	240'000'000	–	29'649'884	269'649'884
Additions	–	346'037'683	302'497'605	648'535'288
Interest received on redemption	–	2'908'218	2'852'511	5'760'729
Redemptions	(240'000'000)	(220'000'000)	(335'000'000)	(795'000'000)
At end of reporting period	–	128'945'901	–	128'945'901
Valuation				
At end of reporting period	–	129'674'211	–	129'674'211
At beginning of reporting period	239'675'000	–	29'736'000	269'411'000

Market investments with maturity of up to three months from date of acquisition have been classified as cash equivalents for the purposes of the cash flow statement.

Notes to the Consolidated financial statements (continued)

6 Other short-term receivables	31.12.01 USD	31.12.00 USD
Funds received from broker		
Capital repayment at cost	–	102'330
Net surplus on limited partnership	–	1'614'600
	–	1'716'930
Income receivable from short-term investments	–	3'506'973
Bank deposit interest payable	16'049	49'975
Partners Group Private Equity Administration Limited	–	11'711
Hedging contract gain	135'890	–
Sundry prepayments	36'942	16'592
	188'881	5'302'181

7 Cash at Banks	31.12.01 USD	31.12.00 USD
Cash at banks	53'785'261	31'025'818

8 Cash and cash equivalents	31.12.01 USD	31.12.00 USD
Cash and cash equivalents consist of cash at banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash at banks	53'785'261	31'025'818
Cash equivalents	–	29'649'884
Cash and cash equivalents at cost	53'785'261	60'675'702
Cash and cash equivalents at market value	53'785'261	60'761'818

For the purpose of the cash flow statement these investments have been included at cost.

Notes to the Consolidated financial statements (continued)

9 Share capital

Authorised

20'000'000 Class A shares of USD 0.01 each

10'000 Class B shares of USD 0.01 each

Issued

10'000 Class B shares of USD 0.01 each

31.12.01
USD

31.12.00
USD

200'000

200'000

100

100

200'100

200'100

100

100

GE & W AG, a company organised under Swiss Law, holds 8'010 Class B Shares. Partners Group owns 19.9% of the share capital of GE & W AG and Urs Wietlisbach, a Director of the Princess Private Equity Holding Limited and a Partner of Partners Group, controls 26.7%. The holders of the Class B shares have the right to attend and vote at general meetings.

10 Bond

Balance at beginning of reporting period

Amortisation of transaction costs

Finance cost on convertible bond

Balance at end of reporting period

31.12.01
USD

31.12.00
USD

487'527'439

458'378'110

1'567'071

1'567'071

29'203'191

27'582'258

518'279'701

487'527'439

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

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond have been split between the liability and equity option components. The fair value of the equity component has been calculated as USD 242'200'000 using an accepted option valuation model. This amount is classified as share premium and will remain part of the permanent equity of the Company. The remaining net proceeds, after the allocation of the liability related transaction costs, of USD 446'135'767 are allocated to the liability component. The liability, including transaction costs, is therefore stated at a discount of 1.4379% per quarter to the maturity value.

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

Notes to the Consolidated financial statements (continued)

11 Creditors	31.12.01 USD	31.12.00 USD
Investment management fee	–	66'502
Insurance premium	–	49'201
Administration fee	–	1'640
Bank custody fee	–	36'618
Directors fees	1'794	–
Audit fees	35'890	–
	37'684	153'961

12 Hedging

At the balance sheet date, Princess Private Equity Holding Limited 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 Princess Private Equity Subholding Limited. The unrealised surplus/(loss) at the end of the reporting period is detailed below:

	USD	Rate	Value date	31.12.01	31.12.00
Buy USD against GBP	40'000'000	1.4114	19. Mar 01	–	(1'419'867)
Buy USD against GBP	25'000'000	1.4722	27. Mar 01	–	181'701
Buy USD against Euro	30'000'000	0.9180	27. Mar 01	–	993'464
Buy USD against CHF	5'000'000	1.7085	27. Mar 01	–	97'631
Buy USD against GBP	80'000'000	1.4389	27. Mar 02	561'540	–
Buy USD against Euro	45'000'000	0.8946	27. Mar 02	90'543	–
Buy USD against CHF	5'000'000	1.6336	27. Mar 02	(11'683)	–
Buy USD against SEK	9'000'000	10.5710	27. Mar 02	19'559	–
				659'959	(147'071)

Notes to the Consolidated financial statements (continued)

13 Commitments

Total committed translated at the rate prevailing at the balance sheet date

31.12.01 USD	31.12.00 USD
1'090'470'850	1'061'478'051

Actual funded at the transaction rate
Unutilised commitment translated at the rate prevailing at the balance sheet date
Differences due to foreign exchange movements

561'904'920	412'074'707
536'611'271	656'387'599
(8'045'341)	(6'984'255)

14 Diluted net assets per ordinary share

The Net Assets are calculated by deducting the Current Liabilities from the Gross 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.

Net assets of the Company
Outstanding shares at the balance sheet date
Additional shares due to conversion
Net assets per share after conversion

31.12.01 USD	31.12.00 USD
645'842'078	721'317'581
10'000	10'000
7'000'000	7'000'000
92.1315	102.8984

15 Basic and diluted surplus/(loss) per share

In relation to the calculation of the diluted value per share 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.

Basic surplus/(loss) per share

Surplus/(Loss) for the financial period
Outstanding shares at the balance sheet date
Net surplus/(loss) per share

31.12.01 USD	31.12.00 USD
(106'245'765)	(2'469'137)
10'000	10'000
(106'245.765)	(246.9137)

Diluted surplus/(loss) per share

Surplus/(Loss) for the financial period
Outstanding shares at the balance sheet date
Additional shares due upon conversion
Net surplus/(loss) per share after dilution

(106'245'765)	(2'469'137)
10'000	10'000
7'000'000	7'000'000
(15.1563)	(0.3522)

Notes to the Consolidated financial statements (continued)

16 Contingent Assets

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

17 Number of employees

There were no person employed by the Group at the balance sheet date.

18 Related party transactions

Investment in underlying partnership

On 30 December 1999, Princess Private Equity Subholding Limited committed CHF 10'720'000 to Partners Private Equity L.P., a partnership administered by Partners Private Equity Management Inc., a subsidiary of Partners Group Holding who owns 19.9% of the share capital of GE & W AG who in turn holds 80.1% of the Class B shares of Princess Private Equity Holding Limited.

On 15 December 2000, Princess Private Equity Subholding Limited committed USD 40'000'000 to Partners Group SPP1 Limited, a special purpose vehicle established to facility the participation by various Partners Group mandates in Lexington Hamilton Lane 2000 LLC that purchased 65 limited partnership interests from JP Morgan Partners (formerly Chase Capital Partners).

Affiliated Companies and Controlling Parties

The following directors are affiliated to companies that are disclosed as related parties within these financial statements

M Giannini	Hamilton Lane
P Gujer	Swiss Reinsurance Company
S Scherling	Swiss Reinsurance Company
U Wietlisbach	Partners Group

GE & W AG, a majority of whose shares are held by the founding partners of Partners Group, and Swiss Reinsurance Company hold 8'010 and 1'090 Class B Shares respectively. Mr Wietlisbach, a Director of Princess Private Equity Holding Limited and a Partner of Partners Group, controls 26.7% of the issued share capital of GE & W AG whereas Partners Group owns 19.9%

19 Subsidiary

<i>Name</i>	<i>Country of incorporation</i>
Princess Private Equity Subholding Limited	Guernsey, Channel Islands

The subsidiary is wholly owned

*Notes to the Consolidated financial statements (continued)***20 Risks**

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 objectives.

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

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.

Investors should be aware that there may be situations in which the Group, the investment manager and Partners Group, their associated companies and their respective officers and employees could have a conflict of interest.

The Group expects that a portion of the private equity investments to be made by the Group will be in a number of different countries and denominated in a number of different currencies. Any returns on, and value of, such portion of the private equity investments made by the Group 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.

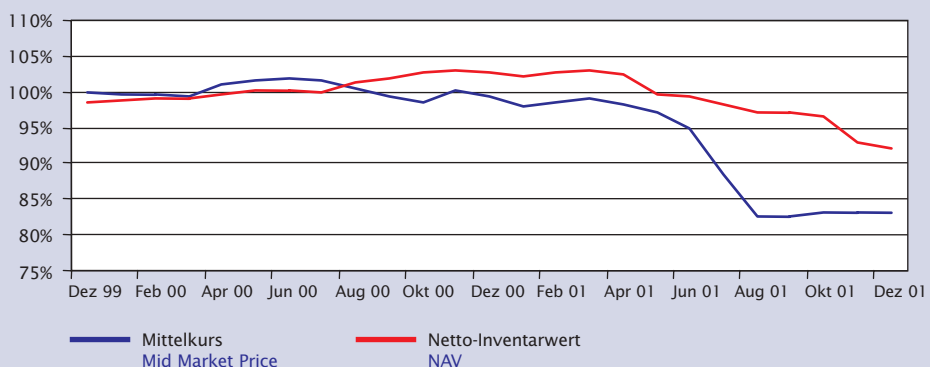
21 Parent company and ultimate controlling party

GE & W AG, a company organised by Swiss law holds the majority of the Class B shares. Partners Group Holding holds 19.9% of the share capital of GE & W AG.

Kurs- und Performance-Information

Price and Performance Information

Mittelkurs und Netto-Inventarwert seit 31.12.99 bis 31.12.01
Mid Market Price and NAV since 31.12.99 until 31.12.01



	Wert per Ausgabe Juni 1999 Value as of Issuance June 1999	Wert per 31. Dez. 1999 Value as of Dec. 31. 1999	Wert per 31. Dez. 2000 Value as of Dec. 31. 2000	Wert per 31. Dez. 2001 Value as of Dec. 31. 2001	Performance seit Ausgabe bis 31. Dez. 2001 Since Issuance until Dec. 31. 2001
NAV	100%	98.62%	102.89%	92.13%	-7.87%
Mittelkurs Mid Market Price	100%	102.75%	100.25%	83.00%	-17.00%

Adressen -

List of Addresses

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Guernsey, Channel Islands

Investor Relations
Dr. Claudia Petersen
princess@partnersgroup.net

Auditors - Revisionsstelle
PricewaterhouseCoopers

Handelsinformation -

Trading Information

Price Information - Preisinformation

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

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