

absolute

private equity



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semi-annual  
report  
of the board  
of directors

# 1. Semi-Annual Report of the Board of Directors

## 1.1 Absolute Private Equity Ltd.

### Performance of Absolute Private Equity Ltd.

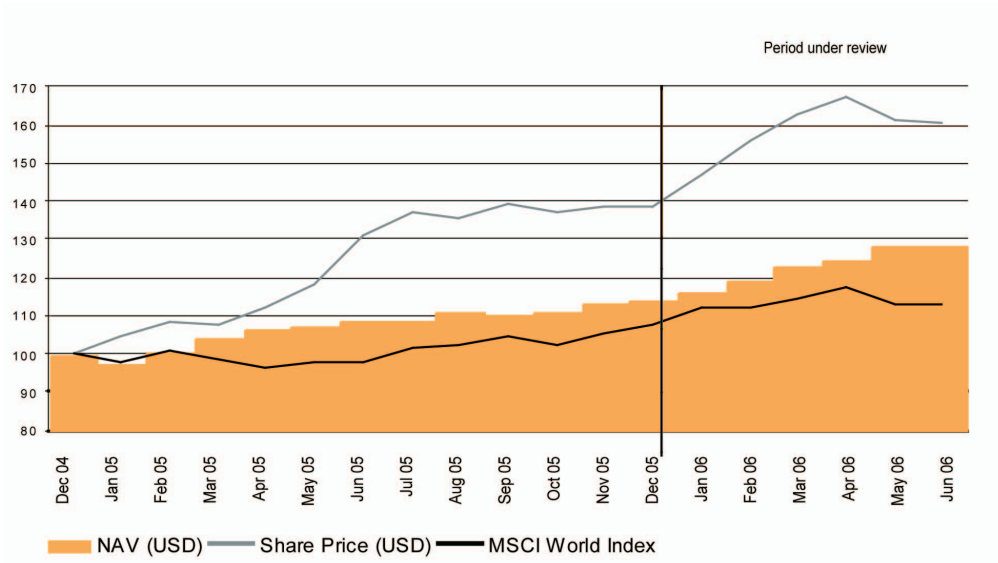
Absolute Private Equity Ltd. as of June 30, 2006		USD
<b>Absolute Terms</b>		
Share Price		68.90
Net Asset Value per Share		76.23
Discount		9.62%
<b>Performance since Inception</b>		
Share Price		21.90%
Net Asset Value per Share		43.29%
<b>Performance 31.12.2005 – 30.06.2006</b>		
Share Price		15.51%
Net Asset Value per Share		12.04%
Capitalisation (Free Float)		739'441'759

### Performance Review of the Portfolio

Absolute Private Equity's net asset value increased by 12.04% whilst the share price gained 15.51% during the period under review. In comparison the MSCI World Index showed a performance of 4.94% for the first six months of 2006.

From the time of the Company's launch in September 2000, the net asset value of Absolute Private Equity rose by 43.29% and the share price 21.90%. During the same period the MSCI World Index increased by 1.13%.

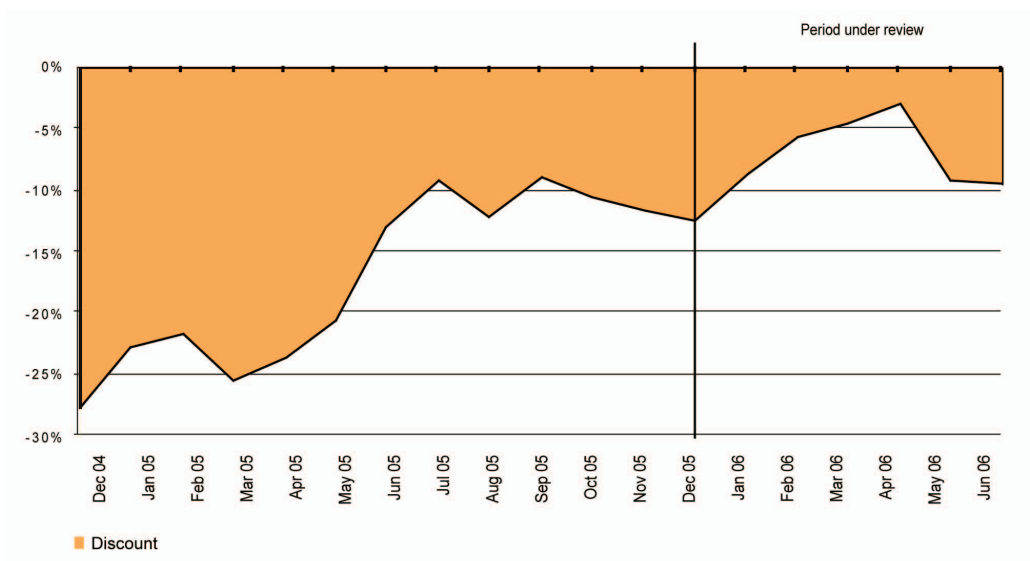
Performance of Absolute Private Equity Ltd. share price and net asset value (NAV) compared to the MSCI World Index (in USD) for the period January 1, 2005 to June 30, 2006.



### Premium / Discount discussion

The net asset value represents the overall value of the underlying investments of Absolute Private Equity valued at current prices while the share price is determined by supply and demand conditions in the market. Supply and demand are often influenced by short-term trends and investors individual perceptions, which can cause the share price to deviate from the net asset value, thereby creating either a premium or a discount.

Premium / discount comparison for the period January 1, 2005 to June 30, 2006.



## 1.2 Financial Markets Review

In the first six months of 2006, financial markets have played out in two distinct parts. From January 1 until early May, markets saw a continuation of global growth trends, higher commodity prices, tame inflation, low interest rates, booming M&A activity and frothy capital markets. Some markets and sectors saw choppy price action, but many others experienced a straight line up to new highs and 20% YTD returns. Then, after commentary by the US Federal Reserve spooked markets about the threat of inflation, rising interest rates and slowing growth, global capital markets went into tailspin with few bright spots in a 6+ week downward spiral through mid June.

The sell-off was primarily driven by macro factors and a general reduction in risk across the board. Investors delevered their balance sheets and aggressively sold the most speculative and/or successful investments over the previous four months (or 40 months, depending on when you want to officially start counting). The resulting drawdown felt worse than any since 2002, with losses across all sectors and geographies and no place to hide as an investor.

As alluded to above, the global macroeconomic outlook is not very clear at this point. Central banks are engaged in monetary tightening activities in Asia, Europe and North America. Global growth signals are mixed, though there is a distinct impression that the US housing bubble has passed its prime and the consumer is slowing down. Inflation has picked up as a result of higher energy and commodity prices flowing through to end users, which has led to higher interest rates. On top of this, there is tremendous unrest in the Middle East, two rogue nations threatening the enrichment of Uranium, an anti-West Socialist movement in South America, and oil prices hovering near USD 70/bbl.

The US has been quite tumultuous over the first six months of the year. Equity markets moved up steadily led by the riskiest segments (energy, commodities, homebuilders, small caps, etc), then was dragged down by those very same groups. The macroeconomic picture is very cloudy at this point with the housing boom coming to an end, inflation and interest rates rising, and growth slowing. The S&P 500 Index posted a return of 1.77% up to June 30. The frequent chatter from Federal Reserve governors has only compounded the volatility as investors game the number of interest rate hikes left in the tightening cycle.

In Europe, equity markets moved up in an orderly fashion until the first week in May. As in the US, the most speculative areas of the market advanced the furthest (mining, energy, industrials, small caps, etc). Following the Federal Reserve's inflation comments, European markets fell like a stone across all geographies and sectors. At present, the macro picture is more favorable than in the US. Strong pockets of growth remain (Germany, Italy, Eastern Europe), the UK economy appears to have bottomed, inflation is tame, interest rates may rise but from a low base, business is solid at the company level, valuations are reasonable and M&A activity is rampant. The most significant threat to the market right now is a dramatically weaker US Dollar. Through June 30, the MSCI All Country Europe Index (in Euros) was up 2.96%.

Equity markets in Asia performed similarly to the US and European markets with extreme volatility in May and June although there were more dispersions of performance in the first six months. After having a strong year in 2005, both Japanese and Korean markets suffered from profit taking early in the year. The Bank of Japan started draining liquidity and hinted at the possibility of raising rates this year. As a result, the Yen strengthened and caused unwind of carry trades. China is one of the standouts in the global markets with the domestic markets soaring over 60% in the first six months as a result of the government's new measures to reinforce investors' confidence in the stock markets. Despite the volatility in the markets, economic growth in the region remains solid and Japan continues to show signs of recovery.

Looking ahead, we are optimistic from a company fundamentals standpoint and cautious from a macroeconomic standpoint. The sell-off in May and June was not a surprise given the incredible gains in many sectors through April. And while serious questions remain regarding inflation and growth (particularly in the US), the global marketplace remains strong.

Source: ABS Investment Management, LLC

## Private Equity Market Review

### Buyout

Fundraising activity slowed down in Q1 2006 (60 buyout funds raised USD 28.9 billion) compared to Q4 2005 (70 buyout funds raised USD 46.2 billion). However, there was a 63.1% increase in capital raised in Q1 2006 compared to the corresponding quarter in 2005. The spurt was fueled by mega-sized funds raising capital in the first quarter. Blackstone Group and Texas Pacific Group illustrated the trend by engaging in a race to see who could raise the largest fund, with both settling over the USD 14 billion mark. In addition, Bain Capital raised its ninth fund with a target of USD 8.0 billion. Meanwhile, Thomas H. Lee Equity Partners closed on a USD 4.0 billion fund that it hopes will draw at least USD 8.0 billion.

Such mega firms invested in a number of mega-sized buyout deals in the first half of 2006. One notable investment was the USD 26.5 billion buyout of Kinder Morgan announced in May 2006, by private equity firms, Carlyle Group and Riverstone Holdings, along with Goldman Sachs Capital Partners and American International Group. Generally, investment activity in Q1 2006 increased 17.5% compared to Q1 2005's level. However, the amount invested in Q1 2006 fell short by 15.3% compared to Q4 2005 level.

H1 2006 saw a spurt in buyout M&A activity as well. In Q1 2006 alone, the number of deals increased to 33 (sum deal values of USD 1.2 billion) from seven (sum deal values of USD 1.7 billion) in the corresponding quarter in 2005. Average deal value more than doubled in the first quarter of 2006 (USD 867.7 million) compared to the first quarter of 2005 (USD 426.3 million). One of the largest buyout-backed deals of the year so far was the USD 8.6 billion acquisition of Texas Genco by NRG Energy. Texas Genco was acquired from a consortium of private equity firms that included Blackstone Group, Hellman and Friedman, KKR and Texas Pacific Group.

Buyout-backed initial public offerings (IPOs) gained momentum in the first half of 2006 after slowing in Q4 2005. Q1 2006 witnessed 17 buyout-backed IPOs with a total offer size of USD 4.4 billion, compared to 91 IPOs in Q1 2005 with total offering of USD 1.3 billion. One of the largest offers in H1 2006 came from Dallas-based oil and gas company EXCO Resources (USD 650.0 million), which was backed by Ares Management, Cerberus Capital Management, Oaktree Capital Management and Greenhill Capital Partners.

### Venture Capital

In H1 2006, venture capital fundraising remained robust. While venture capital fundraising in Q1 2006 (66 venture capital funds raised USD 6.8 billion) declined 15.2% compared to Q4 2005 (69 venture capital funds raised USD 8.1 billion), it increased by 23.6% over the first quarter of 2005, when 58 funds raised USD 5.2 billion. Oak Investment Partners' twelfth fund, targeting USD 2.6 billion, was one of the largest funds raised in H1 2006. The fund is expected to invest in technology companies, with a focus on enterprise software, storage infrastructure, communications, semiconductors and the internet.

Other notable fundraisings include Polaris Venture Partners' fifth fund, with a target size of USD 1.0 billion, and New Enterprise Associate's twelfth fund, with a target of USD 2.5 billion.

Venture capital investments maintained a steady pace in H1 2006. In Q1 2006, venture capital firms invested USD 7.9 billion in 1,041 deals. The first quarter's investment level matched that of Q4 2005 and represented a 16.9% increase over the same period last year. Computer related industries received the bulk of venture capital in H1 2006. One of the largest deals in H1 2006 was the USD 407.7 million investment in Asurion by TA IX. Other notable venture capital investments in 2006 include the USD 130.0 million investment in Current Communications by a group of investors comprised of Earthlink Network and GE Equity. Another group of venture capital firms, including Generation Capital Partners, Oak Investment Partners' and Spectrum Equity Investors, invested USD 120.0 million in Los Angeles-based Demand Media.

2006 began with a rapid pace of venture-backed activity both on the investment and exit level. Q1 2006 recorded 101 venture capital backed M&A deals worth USD 5.4 billion, versus 82 deals worth USD 4.4 billion in Q1 2005. In Q1 2006, venture-backed M&A activity remained primarily technology-focused. The largest deal of the quarter was Qualcomm's acquisition of Flarion Technologies for USD 600.0 million. Matria Healthcare's acquisition of CorSolution Medical for USD 445.0 million was another notable deal in H1 2006.

Venture-backed IPO's have been slowly declining in numbers for the last three consecutive quarters ending Q1 2006. Only 10 venture-backed companies raised USD 540.8 million through IPO's in the first quarter of 2006. Q1 2006 witnessed a significant decline of 55.8% in offer amount compared to Q4 2005 (12 offers with offer amounts of USD 1.2 billion). The life sciences sector drove the IPO activity in the first quarter of 2006, accounting for seven of the 10 IPO's. One of the largest IPO's in 2006 was that of Vonage Holdings with an offer amount of USD 531.3 million.

### **International Private Equity**

The first half of 2006 witnessed the largest European private equity fund ever to be raised. U.K.-based Permira's fourth buyout fund raised over EUR 10.0 billion on its first closing in June 2006. The fund is expected to invest in Europe, the U.S., as well as Japan. Overall, however, the pace of European fundraising slowed in Q1 2006, with total capital raised (EUR 470.7 million) for approximately half the amount raised in Q1 2005. While venture capital fundraising declined, the amount raised by private equity and buyout funds increased in the first quarter of 2006.

The European private equity market continued its robust performance in Q1 2006, with the total value of private equity backed deals in Europe exceeding the EUR 30.0 billion mark for the fourth quarter in succession. The total deal value of EUR 34.2 billion (297 deals) in Q1 2006 was 4.0% above Q4 2005 and 53.0% more than the corresponding quarter of 2005. The EUR 10.0 billion buyout of Denmark's TDC, by a five-strong syndicate of large U.S. and European buyout houses including KKR, Permira, Providence Equity Partners, Blackstone Capital Partners and Apax Partners, was one of the largest deals in 2006. Other notable deals included the EUR 2.1 billion investment in Germany-based Kabel Deutschland by Providence Equity Partners and the EUR 1.9 billion investment in France-based Cadbury Schweppes by Lion Capital and Blackstone Capital Partners.

Activity in the European growth capital segment recovered strongly in the first quarter of 2006 from poor performance in the last quarter of 2005. The 112 expansion deals that were recorded represented the highest figure achieved since the third quarter of 2004. One of the largest deals of the year in this segment was the acquisition of a minority stake in the Belgian postal service, De Post/La Poste, for EUR 300.0 million by a CVC Capital Partners-backed vehicle.

Activity in the early stage sector increased in the first quarter of 2006, following a generally downward path over the last 18 months. The number of transactions recorded doubled in the first quarter of 2006. One of the largest venture deals in 2006 was the EUR 42.0 million investment in biotech firm, Nabriva, by a Global Life Science Ventures backed syndicate.

In H1 2006, the IPO market failed to continue the momentum gained in 2005. EUR 180.3 million raised through IPOs in Q1 2006 represented a 35.0% decline over the amount raised in Q1 2005. One of the largest IPO deals in H1 2006 was the offer by Italian oil refiner, SARAS, which raised EUR 2.1 billion. Another significant offering in 2006 was the listing of U.K.-based Debenhams, which raised EUR 1.5 billion.

Interest in Asia's fast moving private equity markets continues to grow. This interest is largely driven by a combination of potentially attractive returns as well as regulatory liberalization. Buyouts in Asia reached USD 13.1 billion in H1 2006, which is more than USD 12.6 billion for all of 2005. China is expected to attract at least USD 6.0 billion in private-equity investments in 2006, as buyout firms believe that economic growth and a rebound in stocks will allow companies to realize profits. Investors boosted Q1 2006 buyouts, equity purchases and venture capital almost eightfold to USD 3.9 billion compared to Q1 2005. In the first half of 2006, private equity firms made investments worth USD 146.0 billion. Private equity investors are increasing their exposure to Indian companies. Large U.S. firms such as Blackstone Group, The Carlyle Group and General Atlantic Partners and Britain's Actis Partners have shown interest in the Indian private equity market. So far in 2006, India witnessed 32 deals worth USD 420.0 million and produced USD 1.2 billion in exits.

Source: Credit Suisse Alternative Capital, Inc.

### 1.3 Absolute Private Equity Ltd. Portfolio

#### Commitments Review (in USD):

Total committed Capital	876'747'489
Total ABSP Capital	818'130'475
Over committed Capital	58'617'014
Commitment level in %	107.16%

As of June 30, 2006, Absolute Private Equity had capital commitments totaling USD 876.7 million, of which USD 622.8 million or 71% had been called. Based on the portfolio adjusted reported value (reported value plus cumulative distributions), the portfolio's return is above cost, with a 1.41x net multiple, a 10.3% increase from the fourth quarter of 2005. This increase is attributed to a number of realizations and distributions from the portfolio's investments summarized below.

## Private Equity Portfolio Highlights

### PRIVATE SEVEN LTD

#### CSFB Fund Investment VII Holdings, L.P.

As of March 31, 2006, CSFB Fund Investment VII Holdings, L.P. (the "Fund") had invested USD 123.8 million, or 87.7% of aggregate capital commitments of USD 141.1 million. The estimated net multiple increased significantly from 1.59x cost to 1.72x cost from the fourth quarter of 2005, an increase of approximately 8.0%. The positive performance is mainly attributed to four of the nine underlying funds. T3 Partners II, L.P. continues to be the best performer among the four funds, with its portfolio valued at approximately 2.65x cost at March 31, 2006. Fund distributions total approximately USD 96.9 million or 78.3% of contributed capital and result mostly from Apax Europe V-A, L.P., Blackstone Capital Partners IV, L.P., DLJ Merchant Banking Partners III, L.P. and T3 Partners II, L.P.

#### Highlights

##### Blackstone Capital Partners IV, L.P. ("BCP IV")

On June 12, 2006, BCP IV called approximately USD 19.4 million in capital commitments for an investment in Cumulus Media Partners, LLC ("CMP"). In May 2005, BCP IV along with Blackstone Communications Partners I, L.P., Cumulus Media, Inc. ("Cumulus") and other financial sponsors via CMP completed the acquisition of the radio broadcasting assets of Susquehanna Radio Corp. ("Susquehanna") for approximately USD 1.2 billion, or 12.7x and 13.6x 2005 pro forma EBITDA and EBITDA – Capex. BCP IV and its affiliates contributed USD 81.3 million for a 25.0% ownership stake in CMP, a private partnership formed for the acquisition. In conjunction with the transaction, Cumulus contributed four stations to CMP in exchange for a 25% equity stake in CMP with performance incentives that can increase its stake upon the achievement of certain multiples of money for the financial sponsors. As a result, CMP is now the largest privately owned radio-broadcasting company in the United States with thirty one revenue generating radio stations clustered in eight major metropolitan markets.

##### Austin Ventures VIII, L.P. ("AV VIII")

On June 29, 2006, AV VIII distributed approximately USD 21.7 million in proceeds from the sale of two portfolio companies, BuildForge, a developer and marketer of management software solutions and SyChip, a designer, developer, and marketer of radio frequency integrated circuits and chip scale modules. AV VIII received USD 11.9 million and USD 10.7 million, respectively, from the sale of BuildForge and SyChip, representing a 2.1x return on its investment in BuildForge and a 1.7x return on its investment in SyChip.

##### Apax Europe V- A, L.P. ("Apax V")

In June 2006, Apax V received EUR 95.6 million of its original investment in Molnlycke Health Care AB ("Molnlycke") as a result of a loan repayment. Headquartered in Goteborg, Sweden, Molnlycke is a manufacturer of single use surgical and wound care products to the health care industry. Molnlycke products include drapes, packs and staff clothing, customized procedure trays, surgical powder free gloves, skin antiseptics, and wound healing products.

Additionally in June, Apax V received EUR 98.4 million in proceeds from the partial realization of its investment in New Look Group plc (“NLG”). NLG engages in the retailing of women’s wear and related merchandise under the brand name, New Look. NLG’s retail fashion brand is sold only in the company’s stores whose offering includes clothing, accessories, and footwear.

## **PRIVATISSIMO LTD**

### **CSFB MMV Investor, L.P.**

As of March 31, 2006, CSFB MMV Investor, L.P. (the “Fund”) had invested USD 62.2 million, or 82.9% of aggregate capital commitments of USD 75.0 million. Distributions total approximately USD 30.8 million or 49.5% of contributed capital. The estimated net multiple increased from 1.32x cost to 1.46x cost from the fourth quarter of 2005, an increase of approximately 10.6%. Successful realizations from four of the five underlying funds attributed to the positive performance of the portfolio.

## **Highlights**

### **Apollo Investment Fund V, L.P. (“Apollo V”)**

In November 2005, Apollo V acquired Metals USA in a public to private transaction for approximately USD 627 million, including approximately USD 137 million of equity from Apollo. As a result of its investment in Metals USA, Apollo V distributed USD 24.2 million in dividend proceeds in June 2006 to its investors. Metals USA is a leading metal service center in the United States and a processor of carbon steel, stainless steel, aluminum, red metals and manufactured red metals components.

### **CapStreet II, L.P. (“CapStreet II”)**

In April 2005, CapStreet, together with other financial investors (collectively, the “Investors”) committed to invest up to USD 43.4 million in Davidson Media Group, LLC (“DMG”), a company formed to purchase and grow Hispanic and multi-cultural media assets. In conjunction with the transaction, the Investors received 8.0% of DMG’s redeemable preferred units and common units, representing an 85.0% ownership stake in the company. CapStreet II invested approximately USD 17.7 million in the transaction. In February 2006, DMG approved an additional equity investment of USD 2.5 million on the same terms and conditions as the original commitment. As a result, in June 2006, CapStreet II called capital to fund the additional equity commitment. DMG intends to use the additional capital to acquire stations in Louisville, Kentucky and Little Rock, Arkansas. To date, DMG has acquired a total of thirty nine stations, which include the twenty five stations acquired in 2005 and seven acquired in 2006.

### **Charlesbank Equity Fund V, L.P. (“Charlesbank V”)**

In June 2006, Charlesbank V sold its remaining interest in Universal Technical Institute Inc. (“UTI”) in the public market for USD 10 million. To date, Charlesbank V has received total proceeds of USD 135.4 million on its original investment of USD 24.0 million, representing a 5.6x return. UTI is a provider of post-secondary technical education and training programs for students, which offers undergraduate degree, diploma, and certificate programs at ten campuses in the United States, as well as manufacturer-specific advanced training programs at 20 training centers.

Additionally in June, Charlesbank V received USD 17.6 million in proceeds from Technisource (formerly known as IntelliMark) as a result of a debt refinancing. Technisource is a provider of executive staffing services focusing on the information technology sector. Technisource offers executive recruiting, staff augmentation, project management, quality assurance and testing, and engineering staffing services.

Charlesbank V also called an additional \$4.9 million to its existing \$50.0 million commitment in CIFIC of New York, a successor company to Structured Capital Partners and a wholesale financial company that targets the middle market.

#### **DLJ Venture Partners II, L.P.**

As of March 31, 2006, DLJ Venture Partners II, L.P. had invested USD 5.5 million, representing 85.9% of aggregate capital commitments of USD 6.4 million. Distributions total approximately USD 2.7 million or 49.1% of contributed capital. The estimated net multiple increased significantly from 1.41x cost to 1.47x cost from the fourth quarter of 2005, an increase of approximately 4.4%.

#### **Highlights**

##### **Blackstone Communications Partners I, L.P.**

Please see write-up on Blackstone Communications Partners I, L.P.'s activity under Private Seven – Blackstone Capital Partners IV, L.P. (page 9).

##### **Providence Equity Partners IV, L.P. (“PEP IV”)**

In June 2006, PEP IV received approximately USD 8.4 million in dividend proceeds from PanAmSat (“PAS”). PEP IV collected a dividend payment of approximately USD 0.43 per share on its 19.7 million shares of PAS. To date, PEP IV has distributed USD 153.1 million or 102%, of its original investment in PAS to investors. As of June 28, 2006, PEP IV's interest in PAS was valued at USD 491.0 million. PEP IV expects to complete the sale of PAS in the third quarter of 2006 and as a result, Intelsat will acquire 100% of the outstanding shares of PAS for USD 25.00 per share plus accrued dividends of approximately USD 0.43 per share. Upon completion of the transaction, PEP IV will realize USD 653.9 million, or 4.4x its USD 149.5 million original investment, generating an IRR of approximately 214%. PanAmSat is a provider of video, corporate, Internet, voice, and government communications services with in-orbit satellites, operating in two segments, Fixed Satellite Services and Government Services.

Additionally in June, PEP IV received approximately USD 1.7 million in dividend proceeds from Warner Music Group, Inc. (“WMG”), representing a dividend of USD 0.13 per share. To date, PEP IV has returned USD 165.4 million or 110%, of its original investment in the company. WMG offers recorded music and music publishing services worldwide. WMG's recorded music operations consist of the discovery and development of artists and related marketing and distribution of recorded music produced by such artists.

PEP IV also received a USD 1.4 million dividend from Consolidated Communications Inc. (“CNSL”). PEP IV was paid approximately USD 0.39 per share on its 3.8 million shares of CNSL. This dividend payment represents a quarterly dividend, which equates to an annual dividend of USD 1.55 per share. To date, PEP IV has returned USD 68.4 million, or 104%, of its original investment in CNSL.

As of June 28, 2006, PEP IV's stake in CNSL was valued at approximately USD 61.8 million. CNSL is a provider of communications services to residential and business customers in Illinois and Texas. CNSL offers a range of telecommunications services, including local dial tone, custom calling features, private line services, long distance, dial-up and high-speed Internet access, inside wiring service and maintenance, carrier access, telephone directory publishing, and billing and collection services.

## **PRIVATE INVEST LTD.**

As of March 31, 2006, Private Invest Ltd had invested USD 294.4 million, or 83.2% of aggregate capital commitments of USD 354.0 million. Distributions total approximately USD 92.4 million or 31.4% of contributed capital. The estimated net multiple increased from 1.13x cost to 1.30x cost from the fourth quarter of 2005, an increase of approximately 15.4%. In 2006, Private Invest LTD committed USD 10.0 million to DLJ Offshore Capital Partners IV, L.P

## **BLUEBEECH SPC.**

### **2005 Series**

#### **Apollo Investment Fund VI, L.P. ("Apollo VI")**

In May 2006, Apollo VI, together with its parallel investment funds, announced the acquisition of Rexnord Corporation ("Rexnord") in a private transaction valued at approximately USD 1.8 billion plus fee and expenses. Apollo VI will invest approximately USD 390 million in equity in the transaction. The USD 1.8 billion purchase price represents 8.6x LTM EBITDA and 10.2x LTM EBITDA-Capex and forward FY 2007 multiples of 8.0x and 9.6x, respectively. Headquartered in Milwaukee, Wisconsin, Rexnord is the leading manufacturer of precision motion technology products, which primarily focuses on power transmission products for the industrial and aerospace markets. For the year ended March 31, 2006, Rexnord had pro-forma revenues and adjusted EBITDA of approximately USD 1.1 billion and USD 211.6 million, respectively.

#### **Blackstone Capital Partners V, L.P. ("BCP V")**

On June 29, 2006, BCP V called approximately USD 715.9 million of capital commitments for a follow-on investment in VNU N.V. ("VNU"), a global information and media company. On May 24, 2006, BCP V, along with other financial sponsors (collectively, the "Investors"), through Valcon Acquisition BV ("Valcon"), a company formed for the acquisition of VNU, acquired 78.7% of VNU at EUR 29.50 per share. In conjunction with the acquisition, the Investors also participated in a tender offer that increased their ownership stake to approximately 99.0%. The entire VNU transaction was valued at EUR 9.9 billion, of which BCP V invested EUR 695 million, representing 20.7% of the equity contribution. Valcon will acquire the remaining 1% of VNU via open market purchases of common stock and a squeeze out process expected to close by the end of 2006 or early 2007.

Additionally in June, BCP V also announced an investment of USD 191.6 million in Center Parcs, a leading provider of short-break holidays in the United Kingdom and Sun CP NewportCo Limited, a Center Parcs property company.

### **The Lightyear Fund, L.P. (“Lightyear I”)**

In April 2006, Lightyear I sold Telmar Network Technology, Inc. (“Telmar”) to Warburg Pincus for USD 112.5 million. In June 2006, Lightyear I distributed USD 55.0 million in proceeds from the sale of its investment, representing a 2.5x return on cost and a gross IRR of approximately 70%. Telmar is a reseller of telecommunications equipment, primarily plug-in circuit packs and wireless equipment and provides solutions for network maintenance, expansion, and asset management.

Additionally in June, Lightyear I made a USD 3.2 million follow-on investment in MedPointe, Inc. (“MedPointe”) as part of a USD 50 million financing by certain shareholders. As a result of its investment, Lightyear I will receive preferred stock, which will be senior to all existing equity and will have a 2x liquidation preference in the event of a sale or liquidation of the company. MedPointe intends to use the proceeds to meet near-term liquidity needs and finance ongoing strategic business planning. MedPointe is a specialty pharmaceutical company that engages in the development, marketing, and sale of prescription therapeutics.

### **Veronis Suhler Stevenson Partners IV, L.P. (“VSS IV”)**

On June 5, 2006, VSS IV, along with management, announced the acquisition of 100% of the stock of Market Strategies, Inc. (“MSI”), a strategic market research company that offers primary market, customer and policy intelligence to help clients make effective decisions, via VSS-MSI Holdings, LLC (“MSI Holdings”). VSS IV and its affiliates invested approximately USD 15.2 million for an approximate 67% ownership stake in MSI. MSI’s founders and key managers will retain the remaining stake and a few are rolling over their sale proceeds into MSI Holdings.

### **2006 Series**

The following are fund strategies and some highlights for funds in 2006 Series that Bluebeech SPC committed to recently.

#### **Bain Capital IX Co-Investment Fund, L.P. (“Bain IX”)**

Commitment: USD15.0 million

Established in 1984, Bain Capital, LLC (“Bain”) is one of the world’s leading private equity firms, with more than 200 investment professionals in its range of affiliate businesses and USD 27 billion in assets under management. Over the past 20 years, Bain has invested in over 230 transactions through eight private equity funds and three co-investment funds, with total commitments of approximately USD 11.6 billion. BCP IX-C plans to invest in companies in the following industries: industrial and manufacturing, information technology, consumer products, healthcare, retail, business services, software, media, communications and new economy (content, portals), but will not limit its investments in the industries mentioned above. BCP IXC expects to be the lead investor in the origination, negotiation, structuring and monitoring of investments and will co-invest alongside Bain Capital Fund IX, L.P. in large transactions (greater than USD 350 million in total equity participation).

### **Blue Point Capital Partners II, L.P. (“BPCP II”)**

Commitment: USD 5.0 million

BPCP II is a middle market buyout fund with offices in Cleveland, Seattle and Charlotte. BPCP II invests in manufacturing, value-added distribution and business service companies that supply the industrial and consumer markets in the Midwest, Northwest and Southeast regions of the United States. BPCP II focuses on leveraged buyout transactions in the small cap and mid cap range, defined as those having revenues between USD 25 million and USD 250 million and requiring equity investments of between USD 10 million and USD 40 million. Blue Point established a liaison office in Shanghai, China in August 2004 to assist current and future portfolio companies in executing their Asian strategies and to provide the firm with an additional tool to assist portfolio companies in sourcing resources and expanding sales in the Asian markets. Blue Point does not have intentions of investing in Asian companies at this time.

### **Centerbridge Capital Partners, L.P. (“Centerbridge”)**

Commitment: USD 5.0 million

Centerbridge Partners was founded in October 2005 by Jeffrey H. Aronson and Mark T. Gallogly, who together bring over 30 years of experience in distressed and private equity investing. Centerbridge I is a multi-strategy private investment fund being formed by the firm to focus on private equity and distressed securities investments. Centerbridge seeks to invest between USD 50 to USD 300 million per transaction and plans to employ an activist strategy investing for control or influence in various distressed securities, including bank debt, high yield debt, direct capital investments or other privately held instruments.

### **Madison Dearborn Capital Partners V, L.P. (“MDCP V”)**

Commitment: USD 15.0 million

Based in Chicago, Madison Dearborn Partners (“MDP”) was founded in 1992 and is one of the largest, most experienced private equity firms in the United States. MDP is comprised of 24 Principals who will be actively involved in the business and affairs of the Partnership. The Principals, with an average tenure of 12 years, have worked together for a combined total of over 270 years and many have worked together since the early 1980s. Prior to forming MDP in 1992, the founders built and managed a USD 2.6 billion private equity portfolio at First Chicago Venture. MDP V seeks to establish significant or control ownership positions in its portfolio companies by investing between USD 100 million and USD 600 million of equity per transaction usually in conjunction with a prudent financially leveraged capital structure. MDP V invests opportunistically and focuses its investments in MDP’s historic industry sectors - basic industries, communications, consumer, financial services, and health care. The fund avoids high technology industries (semiconductors, computer hardware and software, biotechnology, etc.).

#### **Permira Europe IV, L.P. (“Permira IV”)**

Commitment: USD 10.0 million

Permira’s history in European private equity investing dates back to 1985, when it formed a series of country-specific private equity funds in partnership with Schroders plc, under the name Schroder Ventures. As the European economic landscape began to transition to a single, transparent and better-integrated economy in the mid 1990s, Permira shifted its focus from smaller transactions in domestically focused business to larger deals in multi-national companies. Permira integrated its country-specific teams in France, Germany, Italy and the UK in 1996 to form a single independent European business, known as Schroder Ventures Europe which changed its strategy to a pan-European investment approach. In 2001 the partnership with Schroders plc was terminated by mutual agreement and Permira became wholly owned by its partners. As a result, Schroder Ventures Europe officially changed its name to Permira. Permira now operates out of eight offices in Frankfurt, London, Madrid, Milan, New York, Paris, Stockholm and Tokyo. All these offices function collectively as a single advisory team with an integrated structure. Permira IV will primarily seek investment opportunities in companies whose enterprise value is greater than 500 million. It plans to invest approximately 10% of the fund in small/mid cap buyouts which have enterprise values of between EUR 100 and EUR 500 million. The fund will target the consumer, TMT (technology, media & telecoms), chemicals and industrial products & services sectors. The fund may not invest more than 30% of aggregate commitments in businesses which do not have or intend to have significant activities in Europe.

#### **The Fourth Cinven Fund (“Cinven IV”)**

Commitment: USD 15.0 million

Cinven (the “Firm”) was established as the ‘in-house’ private equity manager for the British Coal Pension Funds, one of Europe’s largest pension funds and the first to initiate a private equity program. The Firm began focusing on large European buyouts in 1988. Cinven is now an independently owned and managed by a team of 19 Partners, representing one of the largest groups of senior investment professionals in the European buyout market. Cinven Limited is forming the fourth Cinven fund to continue its proven and successful strategy of executing lead control investments in large buyouts across Europe. Cinven is a pioneer and leader in the European large buyout market, having executed 82 buyout transactions since 1988, of which 17 have been in excess of EUR 1 billion. With established offices in London, Paris and Frankfurt, Cinven is positioned at the center of pan-European large buyout deal flow. The Firm combines local knowledge with its long established sector-focused investment model to best address the whole of Europe. Cinven believes the consistency of the Firm’s strategy combined with the expertise, continuity and resources of its investment team ensure that it is well-positioned to continue to deliver superior returns to investors.

## TPG Partners V, L.P. ("TPG V")

Commitment: USD15.0 million

Founded in 1992 by David Bonderman, James G. Coulter and William S. Price, the Texas Pacific Group ("TPG") team has grown to 70 professionals with a collective 700 years of investment experience. TPG V is being formed primarily to make significant investments in operating companies through acquisitions and restructurings, and represents a continuation of the investment activities carried out by TPG and its Principals since 1985. TPG V will target equity investments of between USD 100 million and USD 500 million per transaction in companies with valuations greater than USD 300 million in North America, Europe and Asia. TPG has established 14 global industry groups designed to exploit opportunities that often remain hidden to other investors. TPG generally focuses on industries undergoing change due to secular or cyclical forces, or which offer relative value due to capital dislocations.

On June 26, 2006, TPG, along with other financial sponsors (collectively, the "Sponsors"), announced the proposed acquisition of Univision Communication, Inc. ("Univision") for approximately USD 13.7 billion. The Sponsors have committed to invest USD 4 billion in equity and finance the remainder of the transaction with debt. The Sponsors will pay the shareholders USD 36.25 per share. In connection with the transaction, TPG will invest approximately USD 900 million of equity. The transaction is subject to FCC and other customary conditions and is expected to close in early 2007. Univision is the leading Spanish-language media company in the United States which reported 2002-2005 revenue and EBITDA compound annual growth rates of 12% and 18%, respectively. TPG believes Univision is poised for growth as the Hispanic population and Hispanic advertiser penetration continues to increase.

Source: Credit Suisse Alternative Capital, Inc.

## US Venture 05

In the period from January 1, 2006 to June 30, 2006, US Venture 05 made five investments in existing portfolio companies in the amount of USD 5'500'000; one in the biotech, four in the technology sector. The cash amount at the end of the period was USD 4'836'673.

The net asset value as of June 30, 2006 is USD 45'974'319 which represents a net asset value per share of USD 6.57, an increase of 10.6% compared to December 31, 2005.

The portfolio companies of US Venture 05 showed good progress during the reporting period. Iperia, mPortal and Systemsfusion are all in or ahead of their revenue plan for the first half of 2006. All of them budgeted over 100 percent year by year revenue growth. As of June 30, 2006 US Venture 05 had seven investments, four of them are valued above cost and three of them are held at cost.

Source: Friedli Corporate Finance

## **New Venturetec**

New Venturetec closed the first six months for fiscal year 05/06, ended March 31, 2006, with a profit of USD 16'636'644.00, against USD 4'432'803.00 in the same period of the fiscal year 04/05 (not comparable figure due to change in accounting policy, comparable figure USD 7'780'967.00). The net asset value per share increased from USD 21.95 to USD 25.28 which equals 15.2% during the reporting six month period; in CHF respectively from 28.26 to 32.97 or 16.6%. The share price in the same period increased from CHF 24.00 to CHF 36.00, or 50.0%. The share price on March 31, 2006 traded at a 9.2 % premium to the net asset value.

The net gain on investments of the reporting period is USD 20'108'493.00 compared to USD 13'437'408.00 in the same period 2005. The main reasons for the increase are Basilea Pharmaceutica with USD 12'131'890.00 or 27.9% and Osiris Therapeutics with USD 7'105'000.00 or 20.3%.

The operational progress of the portfolio companies is evident. As of March 31, 2006, New Venturetec had ten investments with four investments valued higher than the investment costs, five at cost and one below investment costs. The total amount of investment is USD 124'821'476.00 which results in an unrealized gain of USD 60'141'194.00 or 48.2% compared to the net asset value of USD 184'962'670.00. There was no management fee or board remuneration paid in the reporting period but rather accrued.

Source: Friedli Corporate Finance

## **Swiss Oil & Gas Investment Corporation**

Absolute Private Equity Ltd. is the sole owner of Swiss Oil & Gas Investment Corporation, a Delaware corporation which invests in Lucas Energy Ventures Fund I, L.P., a private equity fund organized as a Delaware limited partnership ("LEV1"). LEV1 invests, directly and indirectly, in North American oil and gas assets, such as ownership interests in oil and gas wells, oil and gas production facilities, exploratory oil and gas prospects and similar assets relating to the oil and gas industry. LEV1 closed in April 2006 with a total commitment of USD 52.5 million. Swiss Oil & Gas Investment Corporation's commitment of USD 20 million represents 38% of LEV1.

### **Lucas Energy Ventures Fund I, L.P.**

Exco Resources: In October 2005, LEV1 participated in a private offering of stock in Exco Holdings which, at the time, was a significant owner of Exco Resources, Inc. The investment provided a solid investment base in a diversified portfolio of producing properties and development potential in Colorado, Ohio, Oklahoma, Pennsylvania and West Virginia, managed by a strong management team with a great track record. Exco Resources, Inc. went public earlier this year. LEV1's investment of USD 7.50 per share closed trading July 31, 2006 at USD 12.92, representing an unrealized gain of over 72% in less than a year.

Stealth Ventures: Stealth is a small Canadian company with over 200,000 acres of leases in Nova Scotia and additional leases in Alberta and Saskatchewan. The Nova Scotia leases cover coal basins known to contain world-class natural gas deposits and the other leases have potential for shale gas; however, the investment involves risk in that it is not known whether either resource will produce natural gas in commercial quantities. Testing is ongoing. LEV1's average investment of USD 1.09 per share closed trading July 31, 2006 at USD 1.41, representing a 29% gain.

Ward Petroleum & Marathon Oil: LEV1 is partnering with two of the mid-continent's most successful operators in a niche natural gas play in Southwestern Oklahoma. LEV1 has a partial ownership interest in leases multiple prospects which will be drilled by Ward, Marathon or other operators in the area. The group is targeting geologic features with potential reserves of 10-50 billion cubic feet of natural gas. The venture has led to two wells to date. Both are currently producing. LEV1 anticipates continued drilling in Q4 2006 and through 2007.

EnCana Farmout: LEV negotiated a Farmout from EnCana Oil & Gas on 15,000 acres with coalbed methane potential in Colorado. LEV1 is participating with a partial interest in the opportunity alongside LEV2, Manti Resources and Highline Exploration. The first well began drilling on July 22, 2006. With success, LEV1 will have the opportunity to participate in over 300 wells on the acreage.

LEV Canada: LEV1 created a Canadian subsidiary allowing it to invest in Canadian drilling opportunities. To date, LEV Canada has participated in nine wells. Five of the wells are successful, and are either producing or are being completed and connected to infrastructure. Four of the wells were unsuccessful and have been abandoned. LEV1 believes the venture will be an economic success.

Gulf of Mexico: LEV1 is partnering with Resource Solutions LLC, geotechnical consulting company with a tremendous track record in the Gulf of Mexico – over the past nine years they have discovered over 750 billion cubic feet of natural gas with a 69% success rate. The partnership will provide LEV1 an opportunity to invest in fractional working interests in wells planned in the Gulf of Mexico.

Highline Montana: LEV1 has entered into an exploration agreement with Highline Exploration Inc., a very successful operating team, allowing it access to more than 60,000 acres of leases in Montana. The prospect is a shallow, low-pressure natural gas play. If the first few wells are successful LEV1 will have 60,000 acres to explore and develop in a manufacturing-style operation. Initial drilling is scheduled to begin September 2006.

Gulf Coast Prospects: LEV1 has entered into an agreement with a very successful independent which has focused on developing prospects in the Gulf of Mexico and Gulf coast. LEV1 has agreed to invest in a fractional working interest in two prospects which the independent will operate along the Gulf coast.

Trident Resources: Trident owns over 900,000 acres in Alberta with coalbed methane potential, with solid production, an active drilling program and a world-class technical team. LEV1 invested in the entity through a private offering, and it anticipates Trident will go public during 2006.

Source: Lucas Capital Management

## **Jade Invest SA**

During the first 6 months of 2006, 32 new deals have been recorded for evaluation.

During this period, Jade has invested CHF 7.0 million, has committed CHF 2.8 million and divested CHF 1.6 million, as follow:

### **Investment activities & portfolio Highlights (January-June 2006)**

Investments in new companies (CHF 3.1 million):

- Avalon Photonics Ltd (CHF 1.6 million)
- Novasys SA (CHF 1.5 million)

Investments in Portfolio companies (CHF 3.9 million):

- Adamant Technologies SA (CHF 2.0 million)
- Xemtec AG (CHF 1.0 million)
- Colibrys SA (CHF 0.5 million)
- Silsens SA (CHF 0.4 million)
- Heptagon OY (CHF 0.02 million)

Conditional commitments (CHF 2.8 million):

- Arrayon biotechnologies SA (CHF 1.5 million)
- Colibrys SA (CHF 0.3 million)
- Silsens SA (CHF 0.3 million)
- Acceltec SA (CHF 0.7 million)

Divestments (CHF 1.6 million):

- Avalon Photonics Ltd (CHF 1.6 million) – Paper transaction – Buyer: Bookham Inc.
- Micro-Cameras & Space Expl.SA (CHF 27'500.--) – cash transaction – Buyer: Management

### **Other Portfolio changes:**

The company Microsens Products SA changed its name to Silsens SA.

### **Outlook Q3-Q4 2006**

Based on the current deal flow and commitments, we expect JADE to invest approx. CHF 3 millions before the end of 2006. To generate the cash necessary to make new investment opportunities, JADE will sell participations which ensure high returns, like Heptagon Oy, the transaction of which shall be completed by beginning August 2006.

As an option, JADE's capital could be increased earlier than forecasted by exercising totally or partially the commitment by Absolute Private Equity Ltd. In addition, we expect CSEM to be in a position to transfer new participations to JADE.

Source: Innobridge SA

## 1.4 Private Equity Outlook

The first half of 2006 was steady for private equity in terms of fundraising, high profile investments and profitable exits. Several aspects drove this increased pace of activity both in the U.S. and European markets. The relative non-performance of the stock market and increasing tendency among funds to participate in consortium investments were some of the contributing factors.

Exit markets continued to rely on the acquisitions market as an easier, safer exit strategy, simultaneously searching for more innovative opportunities. In addition, the U.S. IPO market has not rebounded considerably thus far, which has several major implications. Expect more companies to consider going public on foreign exchanges or soliciting offers from private equity firms. Venture firms will find themselves in the position of having to support their portfolio companies longer until a proper strategy is selected.

The advent of mega funds targeting equally mega deals has increased concerns regarding competition, resulting in inflated company valuations. Another critical issue facing the private equity market at present is growing competition from hedge funds. Increasing participation of hedge funds in more illiquid investments and buyout transactions is likely to trigger strong competition. There is a growing unease about an excess of liquidity in the buyout and hedge fund spaces.

### **U.S. Buyout**

The U.S. buyout market has experienced a flurry of fundraising activity with buyout firms raising mega funds and showing an increasing interest in mega deals. The continued availability of cheap financing, as well as the latest trend towards consortium deals, has led to a robust buyout market.

Buyout firms continued to raise funds at a remarkable pace compared to venture capital firms. In H1 2006, buyout funds raised almost four times more capital than venture capital funds. The buoyancy in buyout fundraising is expected to continue into the latter half of 2006 as well. Buyouts have mainly benefited from easy credit with low interest rates and lesser covenants on loans. However, this environment is not expected to persist long-term. There are concerns that some of the companies in cyclical industries are likely to experience some earnings volatility. If these companies were overleveraged, the investors would find it difficult to honor their debt obligations. Private equity firms have benefited from the available credit market conditions, but this trend may not continue over a longer period and the situation may be more challenging for private equity investors in the future.

### **U.S. Venture Capital**

In H1 2006, venture capital activity was concentrated primarily in the information technology and healthcare sectors. Other sectors such as restaurants, retail and internet have recently attracted the attention of venture capital investors as well. Alternative energy is another emerging sector of particular interest, encouraged by rising oil prices and U.S. Federal government energy initiatives. Since there is no easy or short-term solution for rising fossil fuel costs, alternative energy will probably continue to be an appreciating asset class going forward. Some other sectors likely to continue to be popular among venture capitalists include energy, bioinformatics, and mobile computing.

## International Private Equity

The European venture capital market is much more diversified than in the U.S., with more participation by buyout and other private equity firms in the investments. This renewed interest in the buyout sector is leading to a slowdown in venture capital fundraising in Europe for the moment. According to Almeida Capital Research, EUR 56.0 billion of capital is expected to be raised for Europe in 2006, down 6.0% from the record EUR 60.0 billion raised in 2005. This is due to the fundraising cycles of large European funds, rather than any significant change in fundraising activity. Buyout funds should account for roughly 71.0% of the total funds raised in Europe, amounting to approximately EUR 40.0 billion. This is down 17.0% from the EUR 48.0 billion buyout capital raised in 2005. The main reason for the decrease is that there are fewer mega funds (size greater than EUR 1.0 billion) being raised in 2006 as compared to the previous year. Additionally, the total funds raised by European venture firms are expected to decline to EUR 2.0 billion from a total of EUR 3.0 billion in 2005.

European IPO activity in Q1 2006 increased 46.0% as compared to Q4 2005 in terms of number of deals. Moreover, 23 European company IPOs are in the pipeline and expected to be realized in Q2 2006, of which eight are venture-backed and two are buyout-backed. The European market is expected to witness more IPO activity throughout the year, particularly via the small exchanges such as AIM in London, which has provided new exit opportunities for venture capital-financed startups.

Recently, India has emerged as an attractive investment destination in Asia for U.S. private equity investors. Factors such as economic growth, democratic government, a strong education system, widespread knowledge of English and a deep pool of expatriates experienced in western businesses, make India one of the attractive destinations for private equity investments in Asia. In India, the focus is almost entirely on technology and services. Large private equity firms such as the Blackstone Group, Carlyle Group, General Atlantic Partners and Britain's Actis Partners are showing an increasing amount of interest in the Indian markets. Over the last year, several private equity have revealed plans to raise India-related funds or to invest in the region. Local firms such as ICICI Venture Funds Management and Kotak are also stepping up investments in Indian companies. China has also provided spectacular private-equity returns in recent years. In China, private equity investment has been widespread across multiple industries such as auto dealer consolidation, cell phone gaming companies and medical leasing. However, the weaknesses in China's legal system and the possibility of political instability remain as concerns for investors.

Source: Credit Suisse Alternative Capital, Inc.



## 2. Semi-Annual Financial Statements

### 2.1 Consolidated Financial Statements for Absolute Private Equity Ltd.

#### Consolidated statements of assets and liabilities as of

		June 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Assets</b>			
	<b>Note</b>	<b>USD</b>	<b>USD</b>
Cash and cash equivalents	4	116'140'088	75'773'597
Tax receivables		479'480	117'271
Investments at fair value	5	743'033'032	659'965'254
Investment in associate			
Absolute Investment Services Ltd.	6	149'725	88'928
Prepaid expenses and accrued income		60'477	101'575
<b>Total assets</b>		<b>859'862'802</b>	<b>736'046'625</b>
<b>Liabilities</b>			
Accrued management fees due to related party	10	2'968'898	3'320'724
Loan Credit Suisse	7	29'415'017	0
Accrued other expenses		1'132'940	637'211
Other payables		195'878	1'761'733
Capital tax liability		35'172	66'230
<b>Total liabilities</b>		<b>33'747'905</b>	<b>5'785'898</b>
Minority interests		7'984'422	0
<b>Net assets</b>		<b>818'130'475</b>	<b>730'260'727</b>
<b>Analysis of net assets</b>			
Share capital	8	324'398'523	324'398'523
Treasury shares	8	-40'933'694	-40'933'694
Additional paid-in capital		305'057'781	305'057'781
Accumulated increase in net assets		226'053'969	137'390'111
Accumulated other comprehensive income		3'553'896	4'348'006
<b>Net assets</b>	<b>8</b>	<b>818'130'475</b>	<b>730'260'727</b>
<b>Net asset value per share based on</b>			
<b>10'732'101 bearer shares outstanding</b>	<b>8</b>	<b>76.23</b>	<b>68.04</b>

See accompanying notes to consolidated financial statements.

Consolidated statements of operations  
for the periods

January 1, 2006  
to June 30, 2006  
(unaudited)

January 1, 2005  
to June 30, 2005  
(unaudited)

Investment income

	Note	USD	USD
Interest income		1'797'467	1'975'160
Income from contractual rights and performance fees		331'606	0
Share of profit from associate	6	18'146	0
Other income		21'901	6'898
Extraordinary income from purchase Absolute Managers Ltd.		19'260'872	
<b>Total income</b>		<b>21'429'992</b>	<b>1'982'058</b>

Expenses

Management fees to related party	10	-6'994'798	-6'088'921
Administration, custody fees, service fees	11	-460'487	-447'473
Directors' fees	14	-94'114	-49'495
Bank and broker expenses		-747'228	-67'765
Professional fees		-620'894	-318'956
Interest expenses		-1'223'337	-10'394
Capital taxes		-50'482	-38'603
Expenses related to the acquisition of Absolute Managers Ltd.		-765'506	-
Miscellaneous expenses		-2'026'368	-92'213
<b>Total expenses</b>		<b>-12'983'214</b>	<b>-7'113'820</b>
<b>Net investment gains / (losses)</b>		<b>8'446'778</b>	<b>-5'131'762</b>

Realized and unrealized gains / (losses) from investments and foreign currency

Realized gains on investments	5	56'686'716	34'769'758
Realized losses on investments	5	-1'738'655	-2'224'783
<b>Net realized gains from investments</b>		<b>54'948'061</b>	<b>32'544'975</b>
<b>Net realized and unrealized foreign exchange losses / (gains)</b>		<b>-1'132'463</b>	<b>1'443'136</b>
Unrealized gains on investments	5	60'405'749	36'073'275
Unrealized losses on investments	5	-33'390'134	-8'140'544
<b>Net unrealized gains on investments</b>		<b>27'015'615</b>	<b>27'932'731</b>
<b>Net realized and unrealized gains from investments and foreign currency</b>		<b>80'831'213</b>	<b>61'920'842</b>
Minority interests		-614'133	-
<b>Net increase in net assets from operations</b>		<b>88'663'858</b>	<b>56'789'080</b>

See accompanying notes to consolidated financial statements.

**Consolidated statements of changes in  
net assets for the periods**

	<b>January 1, 2006 to June 30, 2006 (unaudited)</b>	<b>January 1, 2005 to June 30, 2005 (unaudited)</b>
	<b>USD</b>	<b>USD</b>
<b>Increase in net assets from operations</b>		
Net investment gains / (losses)	8'446'778	-5'131'762
Net realized gains from investments	54'948'061	32'544'975
Net realized and unrealized foreign exchange losses / (gains)	-1'132'463	1'443'136
Net unrealized gains on investments	27'015'615	27'932'731
<b>Net increase in net assets from operations</b> (aus der ER / Einfluss auf net asset)	<b>89'277'991</b>	<b>56'789'080</b>
Translation adjustment	-794'110	-1'464'850
Minority interests	-614'133	0
<b>Total increase in net assets</b>	<b>87'869'748</b>	<b>55'324'230</b>
<b>Net assets</b>		
Beginning of period	730'260'727	679'967'759
<b>End of period</b>	<b>818'130'475</b>	<b>735'291'989</b>

**Consolidated statements of cash flows  
for the periods**

		January 1, 2006 to June 30, 2006 (unaudited)	January 1, 2005 to June 30, 2005 (unaudited)
	Note	USD	USD
<b>Cash flows from operating activities:</b>			
Net increase in net assets from operations		88'663'858	56'789'080
Minority interests		614'133	0
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>			
Proceeds on disposals of investments	5	258'007'613	72'005'995
Return of capital from investments	5	25'427'007	14'618'422
Purchase of investments	5	-74'458'464	-130'629'828
Realized gains on investment	5	-56'686'716	-34'769'758
Realized losses on investment	5	1'738'655	2'224'783
Unrealized gains on investment	5	-60'405'749	-36'073'275
Unrealized losses on investment	5	33'390'134	8'140'544
Share of profit from associate	6	-18'146	0
Net realized and unrealized foreign exchange (gains)/losses		1'132'463	-1'443'136
<b>Changes in operating assets and liabilities:</b>			
Change in accounts receivables and other assets		15'807'726	48'725'261
Change in accounts payable and other liabilities		-589'646	21'440
Net cash flows used in operating activities		232'622'868	-390'472
<b>Cash flows from financing activities:</b>			
Purchase shares Absolute Managers Ltd.	13	-221'250'012	0
Gain purchase shares Absolute Managers Ltd.	13	-19'059'395	0
Repayment share capital			
Absolute Managers Ltd. to minorities	13	-6'010'150	0
Disposal part associate			
Absolute Investment Services Ltd.	6	18'403	0
Investment in associate Jade Invest		0	-68'848
Net cash flows used in investing activities		-246'301'154	-68'848
Exchange effect on cash and cash equivalents		-2'237'582	-21'715
Net decrease in cash and cash equivalents		-15'915'868	-481'035
Cash and cash equivalents at the beginning of the period *		132'055'956	168'770'478
<b>Cash and cash equivalents at the end of the period</b>		<b>116'140'088</b>	<b>168'289'443</b>

\* Cash and cash equivalents of Absolute Managers at the beginning of the period are included in this amount

See accompanying notes to consolidated financial statements.

**Consolidated financial highlights  
for the periods**

**January 1, 2006  
to June 30, 2006  
(unaudited)**

**January 1, 2005  
to June 30, 2005  
(unaudited)**

	USD	USD
<b>Per share operating performance: *</b>		
Number of shares at the beginning of the period	10'732'101	11'432'101
Number of shares at the end of the period	10'732'101	11'432'101
Weighted average number of shares end of period	10'732'101	11'432'101
<b>Net asset value, beginning of period</b>	<b>68.04</b>	<b>59.48</b>
Income from investment operations:		
Net investment gain/loss	0.79	-0.45
Net realized and unrealized gains on investment transactions and foreign currency	7.53	5.42
<b>Total from investment operations</b>	<b>8.32</b>	<b>4.97</b>
Change in accumulated other comprehensive income	-0.07	-0.13
<b>Total distributions</b>	<b>-0.07</b>	<b>-0.13</b>
Effect of minority interest	-0.06	-
<b>Total effect of minority interest</b>	<b>-0.06</b>	<b>-</b>
<b>Net asset value, end of period</b>	<b>76.23</b>	<b>64.32</b>
Total investment return from investment operations on a net asset value basis	12.23%	8.35%
<b>Supplemental data:</b>		
Net assets, end of period	818'130'475	735'291'989
Ratio of expenses to average net assets **	-1.67%	-1.04%
Ratio of net investment loss to average net assets **	1.09%	-0.75%

\* The Company has only one class of shares (bearer shares).

\*\*\* These ratios do not reflect the Company's proportionate share of income and expenses of the underlying investee funds.

See accompanying notes to consolidated financial statements.

## Notes to the consolidated financial statements

### (1) Organization and business activity

Absolute Private Equity Ltd. (the "Company") was incorporated on July 19, 2000 and is duly organized and existing under the laws of Switzerland. The Company is an investment company listed on the SWX Swiss Exchange, which primarily conducts its business through its wholly owned investment company Subsidiaries, Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd., Barry Ltd., Bluebeech SPC, Swiss Oil & Gas Investment Corp. and Absolute Managers Ltd. (together the "Subsidiaries"). The Company and the Subsidiaries have no employees. As of June 30, 2006, Credit Suisse Group held between 10 and 20% of the outstanding voting shares of the Company (previous year: 18.1%).

The Company seeks to earn above average returns for its investors, through investments purchased by its Subsidiaries. The Company will, with the advice of the Investment Manager under the investment management agreements, invest the assets of the Subsidiaries with underlying private equity funds, and, in some circumstances directly in private equity investments on a side-by-side basis with such funds ("direct co-investments") as well as other non-traditional investment funds.

The Company may invest through its Subsidiaries in listed securities such as bonds and stocks until the commitments to the various underlying private equity funds are called by those funds. The Board of Directors of the Company may hedge such investments at its discretion.

The Company's Investment Guidelines were amended as of June 30, 2003 in order to enlarge the investment opportunities to be able to flexibly adapt it to prevailing market conditions. As a result of these amendments, the Company now has the ability to invest in additional alternative investments such as managed futures and default swaps.

A listing of the Company's Subsidiaries is as follows:

Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd. are duly organized and existing under the laws of the Cayman Islands. These entities invest in private equity investment vehicles and were incorporated on July 31, 2000 with a share capital of USD 50'000 each.

Barry Ltd. is duly organized and existing under the laws of the Cayman Islands and primarily invests in a portfolio of securities, financial instruments and partnership interests. The company was incorporated on July 31, 2001 with a share capital of USD 50'000.

Bluebeech SPC is duly organized and existing under the laws of the Cayman Islands and invests in private equity investment vehicles. The company was incorporated on August 10, 2005 with a share capital of USD 50'000.

Swiss Oil & Gas Investment Corporation is duly organized and existing under the laws of the state of Delaware and invests primarily in partnership interests. The company was incorporated on May 5, 2005 with a share capital of USD 15.

Absolute Managers Ltd. is duly organized and existing under the laws of Switzerland. The investment strategy involves providing initial capital to early-stage hedge funds that are managed by experienced hedge fund managers. The overall strategies employed by these hedge funds are diverse, in respect to focus, style and asset class targeted, in order to put together a diversified portfolio. Absolute Managers Ltd. is an investment company listed on the SWX Swiss Exchange, which primarily conducts its business through its wholly owned investment company Subsidiaries, Technissimo Ltd., Cayman Islands and Carry Ltd., Cayman Islands.

On November 28, 2005, Absolute Private Equity Ltd. initiated a public takeover offer for Absolute Managers Ltd., a related party, for USD 47.50 per share. By January 19, 2006, the end of the additional acceptance period, Absolute Private Equity Ltd. purchased a total of 3'575'959 bearer shares. Combined with the 1'081'936 bearer shares owned at December 31, 2005, the Company's ownership equaled 94.64% of all outstanding voting rights.

The following entities are considered related parties whose results are not consolidated into the Company's financial statements:

Pearl Investment Management Ltd., a related party, is a company duly organized and existing under the laws of the Bahamas and is a wholly owned Subsidiary of Credit Suisse Group, Zurich, a related party. It acts as investment manager (the "Investment Manager") and is responsible for investing the assets of the Subsidiaries of the Company in accordance with the investment objectives and policies.

Absolute Investment Services Ltd., Zurich, a related party, provides all Absolute Companies with management, marketing and administrative services. The company was incorporated on November 19, 2004 with a share capital of CHF 250'000. Absolute Private Equity holds 32% (CHF 80'000) of the share capital of CHF 250'000. Absolute Managers Ltd. holds 9%, Absolute Europe holds 18% and Absolute US Ltd. holds the remaining 41%. All these companies are related party investment companies.

Effective April 1, 2005, Credit Suisse First Boston LLC, a related party, a U.S. limited liability company organized under the laws of the state of Delaware (the "Administrator"), began providing financial, accounting and administrative services to Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd. and Bluebeech SPC under the administrative services agreements. Until March 31, 2005, the New Jersey Corporation Northport Partnership Management, Inc. was the Administrator.

The following entities provide services to the Company:

Merchant Capital, Inc., is a U.S. corporation organized under the laws of the state of Delaware and an indirect Subsidiary of Credit Suisse First Boston LLC, a Swiss bank, and acts as investment advisor (the "Investment Advisor") and supports the Investment Manager in selecting and monitoring private equity investments made through Privatissimo Ltd., Private Seven Ltd. and Bluebeech SPC. The Investment Advisor receives no direct compensation from the Company or its Subsidiaries.

Citco Fund Services (Curaçao) NV, a Netherland Antilles corporation (the "Administrator"), provides financial, accounting and administrative services to Barry Ltd., Technissimo Ltd. and Carry Ltd. under the administrative service agreements.

Citco Global Custody (N.A.) N.V., a Netherlands Antilles corporation (the "Custodian"), acts as custodian for the Subsidiaries.

## (2) Basis of presentation

The consolidated financial statements include Absolute Private Equity Ltd., Zug and its Subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") from the financial records of the Company. They also comply with the provisions of the Swiss Law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by the SWX Swiss Exchange.

Although the Company is domiciled in Switzerland, the consolidated financial statements are presented in US Dollars ("USD") as the Company holds the vast majority of its assets (investments) and liabilities in USD. Furthermore, the shares of the Company are quoted on the SWX Swiss Exchange in USD and the net asset value per share is disclosed in USD. Summary of significant accounting policies

## (3) Summary of significant accounting policies

### (3.1) Foreign currency translation

The assets and liabilities of Subsidiaries whose functional currency is other than the USD are translated at the exchange rates applicable at each balance sheet date. The statements of operations and cash flows of such consolidated entities are translated at the average exchange rates during the year. Resulting translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

Transactions in currencies other than each consolidated entity's functional currency are recorded at the rate of exchange at the transaction date. Monetary assets and liabilities are translated to their functional currency at the rate of exchange existing at the balance sheet date. Resulting exchange differences are recognized in the statement of operations.

The following exchange rates were applied during consolidation:

	Period	Asset and liability items (June 30)	For profit and loss and cash flow items (average rate for the half year ended June 30)
1 USD to CHF 1	01.01. – 30.06.2005	1.2818	1.2041
<b>1 USD to CHF</b>	<b>01.01. – 30.06.2006</b>	<b>1.2226</b>	<b>1.2702</b>
or			
1 CHF to USD	01.01. – 30.06.2005	0.7802	0.8305
<b>1 CHF to USD</b>	<b>01.01. – 30.06.2006</b>	<b>0.8179</b>	<b>0.7873</b>

1 CHF = Swiss Franc

### **(3.2) Valuation of investments**

Securities for which quotations are not readily available are valued at fair values as determined by the Investment Manager of the underlying investee funds, in conformity with the fund's prospectus, which the Company believes to be an appropriate estimate of fair value. The Board of Directors takes into consideration the fair value as established by the Investment Manager supported by financial information and approves the values. These investments are initially valued at cost, with subsequent adjustments to the fair values determined in this manner.

Due to the inherent uncertainty of the valuation of these assets, the estimated values may differ significantly from the values that would have been recorded had a ready market for these investments existed. These differences could be material.

Changes in the fair value of investments are recognized in the consolidated statements of operations for the period as unrealized gains or losses. Any additional gain or loss on sale arising from the difference between the sales price and the carrying amount of the investment is recognized in the consolidated statement of operations as a realized gain or loss.

### **(3.3) Valuation of investments in associate**

The Company records investments in associates in which it is able to exercise significant influence using the equity method of accounting.

### **(3.4) Cash and cash equivalents**

Cash and cash equivalents include all demand deposits held in banks and certain highly liquid investments with maturities of 90 days or less.

### **(3.5) Treasury shares**

The consideration paid for treasury shares including transaction costs, are deducted from shareholders' equity.

### **(3.6) Recognition of income**

Interest income is recognized in the consolidated statement of operations as it accrues, taking into account the effective yield on the asset.

### **(3.7) Income taxes**

The Company has the status of a holding company for Swiss income tax purposes and, as such, it benefits from the participation exemption at the cantonal and communal level. Further, the dividends received deduction is granted on qualifying dividend income and capital gains on Subsidiaries for Swiss federal income tax purposes. The applicable federal income tax rate is 7.83%. The Subsidiaries in the Cayman Islands are not subject to any income taxes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. A valuation allowance is recorded to reduce deferred tax assets to amounts expected to be realized. The consolidated financial statements do not take into consideration the deferred taxes, if any, arising on the undistributed earnings of the Subsidiaries as management does not currently intend to repatriate any foreign earnings.

The tax effects of temporary differences and operating loss carryforwards that give rise to significant components of deferred tax assets and liabilities are as follows:

	June 30, 2006 USD (in thousands)	Dec 31, 2005 USD (in thousands)
<b>Deferred tax assets:</b>		
Operating loss carryforwards	25'794	27'129
Less: valuation allowance	-16'682	-22'208
<b>Deferred tax liabilities:</b>		
Investments in consolidated Subsidiaries	-9'112	-4'921
<b>Net deferred tax assets</b>	<b>0</b>	<b>0</b>

Reconciliation from the expected tax expense using the applicable federal income tax rate of 7.83% to the effective income tax expense is as follows:

	June 30, 2006 USD (in thousands)	Dec 31, 2005 USD (in thousands)
Profit before tax	89'277'991	93'938
Tax at the federal rate	6'990	7'355
Effect of different tax rates	2	6
Effect of non taxable income	-6'241	-19'098
Effect of non taxable deductible losses	5	11'768
Other	-756	-31
<b>Income tax expense</b>	<b>0</b>	<b>0</b>

For the years ended December 31, 2005 and 2004, no current income taxes or provisions were recognized. As of June 30, 2006, the Company had federal operating loss carryforwards of approximately USD 329 million (CHF 402 million). These operating loss carryforwards generally begin expiring as follows:

	CHF	Expiry date
Loss from financial year 2000/2001	-118'840'749	31.12.2008
Loss from financial year 2002	-202'222'515	31.12.2009
Loss from financial year 2003	-38'790'727	31.12.2010
Loss from financial year 2004	-11'962'629	31.12.2011
Loss from financial year 2005	-83'294'527	31.12.2012
<b>Total loss carryforwards of Absolute Private Equity Ltd., Zug</b>	<b>-455'111'147</b>	

As the Company's Subsidiaries in the Cayman Islands are not subject to income taxes, the Company has no operating loss carryforwards other than those in Switzerland.

Due to its history of operating losses, management has determined it is more likely than not, that the tax loss carryforwards will not be fully realized since the utilization of deferred tax assets depends on future profits, which are not assured. Therefore, the Company has provided a valuation allowance on the net deferred tax assets.

### **(3.8) Use of estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

## Notes to the consolidated statements of assets and liabilities and statements of operations

### (4) Cash and cash equivalents

	June 30, 2006	December 31, 2005
	USD	USD
Cash at banks (current accounts)	17'342'920	12'231'545
Cash at banks (Credit Suisse, a related party)	15'298'168	552'052
Time deposits (Credit Suisse, a related party)	1) 83'499'000	2) 62'990'000
<b>Cash and cash equivalents</b>	<b>116'140'088</b>	<b>75'773'597</b>

Cash at banks are denominated principally in USD, CHF and EUR. The applicable interest rate is 0.125% for 2006 and for 2005.

1) Description	Interest rate	Original currency	Presentation
Time deposit on call	4.875%	USD 58'639'000	USD 58'639'000
Time deposit on call	4.5%	USD 24'860'000	USD 24'860'000
2) Description	Interest rate	Original currency	Presentation
Time deposit on call	3.750%	USD 2'550'000	USD 2'550'000
Time deposit on call	4.000%	USD 11'670'000	USD 11'670'000
Time deposit on call	4.125%	USD 48'770'000	USD 48'770'000

## (5) Investments

The Company has investments in several funds. A significant portion of the Company's investments are denominated in USD and held with Citco Global Custody (N.A.) N.V. The following table is an analysis of the investment portfolio, sorted by managed segments, which provides the details of realized and unrealized gains and losses for the period January 1 – June 30, 2006.

Investments	Historical cost of investments Jan 1, 2006		Market value of investments Jan 1, 2006		Purchase of investments		Return of Capital		Sale of investments		Change in unrealized gains/losses		Market value of investments June 30, 2006		% of NAV June 30, 2006		Historical cost of investments June 30, 2006		
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	
Absolute Fiduciary Global																			
Opportunities Partners, LP	23'842'243	30'292'917	40'000	-40'000	-1'024'168	0	-269'937	-2'327'876	26'940'873	3.29%	22'818'075								
AC Private Equity Invest, LP	9'076'088	9'510'127	0	-513'780	0	0	910'227	9'906'574	1.21%	8'562'309									
ADM Maculus Fund, LP	13'703'902	16'121'118	63'875	-2'952'818	-1'029'760	473'872	0	12'202'415	1.49%	9'785'198									
Bay Partners X, LP	4'654'053	3'730'544	600'000	0	-582'011	549'931	0	4'435'494	0.54%	5'254'053									
Clarity Partners, LP	5'452'485	5'111'869	565'872	-71'660	-459'354	806'073	-503'100	4'520'970	0.55%	5'364'686									
CSFB MMV Investor, LP	46'945'941	54'346'469	7'503'822	-4'894'640	-9'285'308	13'468'742	5'209'715	61'706'012	7.54%	49'095'769									
CSFB Fund VII Investor, LP	82'456'019	100'358'544	12'270'428	-3'591'464	-1'201'569	388'251	6'131'194	105'883'394	12.94%	81'849'675									
DLJ Merchant Banking Partners III, LP	7'747'182	9'037'562	186'062	-274'342	-79'251	160'232	857'793	8'605'507	1.05%	6'457'334									
DLJ Venture Partners II, LP	5'969'001	6'373'452	0	0	0	0	882'772	7'176'973	0.88%	5'889'751									
DLJ Offshore Partners IV, L.P.			2'000'000	0	0	0	1'436'943	2'000'000	0.24%	2'000'000									
GRP II, LP	8'171'186	9'802'684	900'000	-629'977	-529'238	0	-4'198'971	12'139'627	1.48%	9'071'186									
Jade Invest SA	12'041'422	11'419'001	633'229	-624'301	-524'470	0	82'748	7'220'030	0.88%	12'041'422									
PAI Europe III-B	7'286'198	9'979'395	627'524	-624'301	-524'470	0	82'026	9'536'156	1.17%	6'760'212									
PAI Europe III-B3	7'246'703	9'890'618	21'096	-184'965	-302'447	1'721'050	-898'366	9'451'397	1.16%	6'725'455									
Warburg Pincus International Partners, LP-Adjustments rever to consolidation	125'673'920	168'714'048	5'000'000	-1'000'000	-9'076'301	0	-779'941	13'856'101	21.70%	120'597'619									
Warburg Pincus Private Equity VIII, LP	16'936'930	22'300'759	1'550'000	-50'000	-1'217'270	325'000	3'166'970	25'750'459	3.15%	17'219'660									
Terra Firma Capital Partners II, L.P.-C	47'150'697	51'969'751	3'632'534	-9'283'159	-446'870	2'637'982	0	13'279'217	7.23%	41'053'199									
Lightyear Fund I, L.P. (2005 Series)	4'350'623	4'350'623	21'096	-184'965	-302'447	1'721'050	-898'366	2'985'941	0.36%	3'884'307									
Blackstone Capital Partners V.I.P. (2005 Series)			1'724'997	-95'649	-95'649	-95'649	0	1'629'348	0.20%	1'629'348									
Lightyear Fund II, L.P. (2005 Series)			184'100	-66'050	-66'050	-12'265	-9'361	108'689	0.01%	118'049									

Investments	Historical	Market	Purchase of	Return of	Sale of investments		Change in	Market	%	Historical
	cost of investments Jan 1, 2006 USD	value of investments Jan 1, 2006 USD	investments USD	Capital USD	Historical cost of inv. sold USD	Realized gains USD	Realized losses USD	value of investments June 30, 2006 USD	of NAV June 30, 2006	cost of investments June 30, 2006 USD
VSS Communications Partners IV, LP (2005 Series)			2'476'297	-614'389			-327'272	1'861'908	0.23%	1'861'908
Nordic Capital Fund VI, LP (2005 Series)			111'920	-111'920			-111'920		0.00%	0
Appolloo Investment VI, LP (2005 Series)			62'457	-62'457			-62'457		0.00%	0
Arch Capital Group Ltd.			1'143'571		-1'143'571	7'358'417			0.00%	
Wayzata Opportunities Fund, LLC (2006) Series	3'500'000	3'500'000	3'150'000	-800'000		26'656	10'018	5'860'018	0.72%	5'850'000
Centerbridge Capital Partners, L.P. (2006 Series)			17'466	-17'466			-17'466		0.00%	0
Credit Suisse CFGI BCIX SPV, LLC (2006 Series)			375'000				27	375'027	0.05%	375'000
(vehicle for investment in "Bain Capital IX, Co-Investment Fund, LP")										
Credit Suisse CFGI TV SPV,LP (2006 Series)			131'488	-545			-545	131'488	0.02%	130'943
(vehicle for investment in "TPG Partners V, LP")							0			0
CSFB FCFIG SPV Investor II, LLC (2006 Series)			323'592	-61'203			-61'203	323'699	0.04%	262'388
(vehicle for investment in "TPG Biotechnology Partners II,LP")							61'311			0
<b>Private equity Total</b>	<b>432'204'593</b>	<b>526'809'480</b>	<b>45'295'329</b>	<b>-25'427'007</b>	<b>-27'415'367</b>	<b>27'916'206</b>	<b>-1'738'655</b>	<b>557'397'316</b>	<b>68.13%</b>	<b>424'657'546</b>

Investments	Historical	Market	Purchase of	Return of	Sale of investments		Change in	Market	%	Historical
	cost of investments Jan 1, 2006 USD	value of investments Jan 1, 2006 USD	investments USD	Capital USD	Historical cost of inv. sold USD	Realized gains USD	Realized losses USD	value of investments June 30, 2006 USD	of NAV investments June 30, 2006	cost of investments June 30, 2006 USD
Absolute Managers Ltd. Ordinary (Swiss exchange)	25'551'867	50'905'089			-25'551'867	25'840'093	-25'353'222	0	0.00%	0
Castle Private Equity Ltd.	5'840'227	6'600'528					1'155'092	7'755'620	0.95%	5'840'227
Cheyne Discovery Fund II Inc. Class A	30'000'000	30'098'354			-30'000'000	98'354	-98'354	0	0.00%	0
China HealthCare Holdings Ltd. Ordinary	992'169	543'148					-885	542'263	0.07%	992'169
European Capital Ltd. Shares	2'940'962	2'569'822	3'470'400				1'991'270	8'031'492	0.98%	6'411'362
Lucas Energy Ventures Fund I, L.P.	16'750'000	16'754'378					2'439'878	19'194'256	2.35%	16'750'000
New Venturetec. Ltd. Ordinary	2'378'482	2'719'321					351'839	3'071'160	0.38%	2'378'482
Osiris Therapeutics Inc. Class E	3'000'032	3'600'000					0	3'600'000	0.44%	3'000'032
Private Equity Holding AG, Zug										
Namen-Aktien	4'734'521	5'108'404	584'508				4'781	5'697'693	0.70%	5'319'029
US Venutre 05 Inc.	12'000'004	14'256'730	535'000				1'673'644	16'465'374	2.01%	12'535'004
<b>Absolute return Total</b>	<b>104'188'264</b>	<b>133'155'774</b>	<b>4'589'908</b>	<b>-</b>	<b>-55'551'867</b>	<b>25'938'447</b>	<b>0</b>	<b>64'357'858</b>	<b>7.87%</b>	<b>53'226'305</b>
Platypus Long/Short Fund Class U	25'622'775	25'622'775	0		0	0	0	27'301'475	3.34%	25'622'775
<b>Australian Long/Short Equities</b>	<b>25'622'775</b>	<b>25'622'775</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>27'301'475</b>	<b>3.34%</b>	<b>25'622'775</b>
Mesirow Absolute Return FD Ltd Class J	5'318'994	5'318'994			-5'318'994	0	0	0	0.00%	0
<b>Broad Hedge Fund of Funds</b>	<b>5'318'994</b>	<b>5'318'994</b>	<b>0</b>		<b>-5'318'994</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
Trilogy Real Estate Offsh Fund Class A										
Initial Series	32'814'837	32'814'837	0		-32'814'837	0	0	0	0.00%	0
<b>Equity US Real Estate Long/Short</b>	<b>32'814'837</b>	<b>32'814'837</b>	<b>0</b>		<b>-32'814'837</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
Ilex Credit Fund	39'140'943	39'140'943	73'938		-13'071'397	431'755	0	26'952'309	3.29%	26'143'484
<b>Fixed Income Europe Long/Short</b>	<b>39'140'943</b>	<b>39'140'943</b>	<b>0</b>		<b>-13'071'397</b>	<b>431'755</b>	<b>0</b>	<b>26'952'309</b>	<b>3.29%</b>	<b>26'143'484</b>
Eastern Eagle Fund Ltd. Participating										
Shares	15'317'141	15'317'141			0	0	0	17'175'635	2.10%	15'317'141
<b>South Eastern European Equities</b>	<b>15'317'141</b>	<b>15'317'141</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>17'175'635</b>	<b>2.10%</b>	<b>15'317'141</b>
Absolute US Ltd., a related party	0	0	1'548'728				0	1'597'500	0.20%	1'548'728
<b>Shares</b>	<b>0</b>	<b>0</b>	<b>1'548'728</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>1'597'500</b>	<b>0.20%</b>	<b>1'548'728</b>

Investments	Historical	Market	Purchase of	Return of	Sale of investments		Change in	Market	%	Historical
	cost of investments Jan 1, 2006 USD	value of investments Jan 1, 2006 USD	investments USD	Capital USD	Historical cost of inv. sold USD	Realized gains USD	Realized losses USD	value of investments June 30, 2006 USD	of NAV investments June 30, 2006	cost of investments June 30, 2006 USD
OMG Opportunities Fund	45'982'548	45'982'548	0	0	-45'982'548	0	0	0	0.00%	0
<b>Long/Short Equity</b>	<b>45'982'548</b>	<b>45'982'548</b>	<b>0</b>	<b>0</b>	<b>-45'982'548</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
Thomas Lloyd-Butler Long/Short Class C01	45'809'083	45'809'083	0	0	-22'904'542	2'400'308	0	23'553'989	2.88%	22'904'541
<b>Long/Short Equity US</b>	<b>45'809'083</b>	<b>45'809'083</b>	<b>0</b>	<b>0</b>	<b>-22'904'542</b>	<b>2'400'308</b>	<b>0</b>	<b>23'553'989</b>	<b>2.88%</b>	<b>22'904'541</b>
PMA Koryo Fund Series 1			5'000'000				163'625	5'163'625	0.63%	5'000'000
<b>PMA Koryo Fund Series 1</b>			<b>5'000'000</b>				<b>163'625</b>	<b>5'163'625</b>	<b>0.63%</b>	<b>5'000'000</b>
Trio Finance Ltd.			6'012'000				198'000	6'210'000	0.76%	6'012'000
<b>Trio Finance Ltd., Shares</b>			<b>6'012'000</b>				<b>198'000</b>	<b>6'210'000</b>	<b>0.76%</b>	<b>6'012'000</b>
ZA International Fund Ltd.	0	0	12'012'500		0	0	1'310'824	13'323'324	1.63%	12'012'500
<b>ZA International Fund Ltd.</b>	<b>0</b>	<b>0</b>	<b>12'012'500</b>		<b>0</b>	<b>0</b>	<b>1'310'824</b>	<b>13'323'324</b>	<b>1.63%</b>	<b>12'012'500</b>
<b>Absolute Managers Total</b>	<b>210'006'321</b>	<b>210'006'321</b>	<b>24'573'228</b>	<b>-120'092'318</b>	<b>2'832'063</b>	<b>0</b>	<b>6'716'688</b>	<b>121'277'857</b>	<b>14.82%</b>	<b>114'561'169</b>
<b>Grand Total</b>	<b>746'399'178</b>	<b>869'971'575</b>	<b>74'458'464</b>	<b>-25'427'007</b>	<b>-203'059'552</b>	<b>56'686'716</b>	<b>-1'738'655</b>	<b>743'033'032</b>	<b>90.82%</b>	<b>592'445'019</b>

Proceeds on disposals of investments: 258'007'613

Unrealized gains: 60'405'749  
Unrealized losses: -33'390'134  
27'015'615

The Company has committed to invest in certain private equity funds and investments. Such commitments are payable upon demand at the request of the funds' administrators. The remaining capital commitments at June 30, 2006 were as follows:

	Capital commitments	Remaining capital commitments
	June 30,2006	June 30,2006
	USD	USD
Absolute Fiduciary Global Opportunities Partners, LP	50'000'000	18'100'320
AC Private Equity Invest, LP	10'000'000	928'226
ADM Maculus Fund, L.P.	15'000'000	3'914'417
Bay Partners X, LP	8'000'000	1'800'000
Clarity Partners, LP	10'000'000	2'211'290
CSFB Fund VII Investor, LP	140'000'000	18'211'146
CSFB MMV Investor, LP	74'925'000	14'477'788
DLJ Merchant Banking Partners III, LP	15'000'000	1'346'723
DLJ Venture Partners II, LP	7'111'396	0
DLJ Offshore Partners V, L.P.	10'000'000	8'000'000
GRP II, LP	15'000'000	2'782'868
Lightyear Fund I, L.P. (2005 Series)	5'000'000	412'145
PAI Europe III-B	12'386'732	772'210
PAI Europe III-B3	12'145'192	765'254
Warburg Pincus International Partners, LP	200'000'000	0
Warburg Pincus Private Equity VIII, LP	25'000'000	450'000
Wayzata Opportunities Fund, LLC (2006 Series)	10'000'000	4'150'000
Terra Firma Capital Partners II, L.P.-C	94'015'169	45'768'738
Blackstone Capital Partners V, L.P.	15'000'000	13'275'003
Lightyear Fund II, L.P. (2005 Series)	1'000'000	868'304
VSS Communications Partners IV, L.P.	10'000'000	7'810'820
Nordic Capital Fund VI, L.P.	11'000'000	10'888'080
Apollo Investment VI, L.P.	8'325'000	8'262'543
Centerbridge Capital Partners, L.P.	5'000'000	4'982'534
Credit Suisse/CFIG BC IX SPV, LLC *	15'000'000	14'625'000
Credit Suisse/ CFIG TV SPV, L.P. **	15'000'000	14'868'512
Credit Suisse/ CFIG SPV Investor II, LLC ***	5'000'000	4'676'408
Madison Dearborn	15'000'000	15'000'000
Blue Point Capital Partners II, LP	5'000'000	5'000'000
The Fourth Cinven Fund	15'000'000	15'000'000
Jade Invest SA	22'839'000	11'419'500
Swiss Oil & Gas Investment Corporation	20'000'000	3'200'000
<b>Total</b>	<b>876'747'489</b>	<b>253'967'829</b>

\*Investment in "Bain Capital IX Co-Investment Fund, L.P." is made through "Credit Suisse/CFIG BC IX SPV, LLC"

\*\*Investment in "TPG Partners V, LP" is made through "Credit Suisse/CFIG TV SPV, LP"

\*\*\*Investment in "TPG Biotechnology Partners II, LP" is made through "Credit Suisse/CFIG SPV Investors II, LLC"

The principle investment objectives of investees exceeding 5% of the Company's net asset value at June 30, 2006 are as follows:

Investment	Investment Focus
CSFB MMV Investor, LP	Focus on middle market buyout in the USA
CSFB Fund VII Investor, LP	Venture and growth capital and buyouts in a broad range of industries
Warburg Pincus International Partners, LP	Venture capital, buyouts and recapitalizations in a broad range of industries worldwide
Terra Firma Capital Partners, L.P.-C	Investments into large, distressed companies worldwide

## (6) Investment in associate

The Company has the following investment in associate:

<b>Absolute Investment Services Ltd.</b>	<b>CHF</b>	<b>USD</b>
<b>Net asset value December 31, 2005</b>		
Net asset value December 31, 2005	116'815	88'928
Inclusion investment from Absolute Managers Ltd.	- 65'689	50'015
Disposal part from Absolute Managers Ltd.	-22'500	-18'403
Share of profit from associate	- 20'044	18'146
Valuation allowance/Currency translation effect	3'006	-11'039
<b>Net asset value June 30, 2006</b>	<b>183'054</b>	<b>149'725</b>

Absolute Private Equity Ltd. holds 41% of the share capital of Absolute Investment Services of CHF 250'000. The associate provides all Absolute Companies with management, marketing and administrative services as of January 1, 2005.

## (7) Loan

The Company has the following loans outstanding due to Credit Suisse, a related party:

		<b>Interest rate</b>	<b>USD</b>
<b>June 30, 2006</b>	Line of credit, due November 8, 2006	3.61 %	16'625'879
	Line of credit, due November 8, 2006	3.77 %	12'789'138
<b>Total</b>			<b>29'415'017</b>

The loans outstanding as per June 30, 2006 were denominated in EUR (EUR 23'000'000). The Company has a framework credit limit amounting to USD 75'000'000 expiring on November 30, 2007. Interest rates are adjusted in line with the prevailing money and capital market rates. The interest rate is based on LIBOR plus 1% per annum.

## (8) Share capital and net asset value

The share capital as of December 31, 2005 consists of 11'432'101 bearer shares with a par value of CHF 50 each, each fully paid in. The Company has only one class of shares. Each share carries one voting right.

At the Annual General Meeting of June 24, 2005, the shareholders entitled the Board of Directors to repurchase up to 10% of the outstanding shares (max. 1'143'210 shares) over a period from July 2005 until the Annual General Meeting in the year 2006 in order to reduce the share capital. According to the Board of Directors' resolution, the treasury shares are required to be cancelled upon vote at the Company's Annual General Meeting. The decision was published in the commercial register in July 2005.

During the period from August 11, 2005 to December 23, 2005 Absolute Private Equity Ltd. purchased 700'000 own shares at the Swiss Exchange in the amount of USD 40'933'694 (CHF 53'770'500), which reduced the outstanding shares to 10'732'101.

The following is a calculation of the net asset value of the Company as of June 30, 2006 and December 31, 2005 based on the consolidated financial statements:

	June 30, 2006	December 31, 2005
	USD	USD
Net assets	818'130'475	730'260'727
Total number of shares outstanding	10'732'101	10'732'101
<b>Net asset value per share</b>	<b>76.23</b>	<b>68.04</b>

According to article 4a of the Articles of Association of Absolute Private Equity Ltd., the Board of Directors is authorized to issue additional shares with a total nominal value of CHF 285'802'525 (5'716'050 shares) during a period of two years expiring on June 26, 2007.

At the Annual General Meeting of May 30, 2006, the shareholders decided to reduce the share capital in the amount of CHF 35'000'000 by liquidating the 700'000 shares.

At the Annual General Meeting of May 30, 2006, the shareholders entitled the Board of Directors to repurchase up to 10% of the outstanding shares (max. 1'073'210 shares) over a period from June 2006 until the Annual General Meeting in the year 2007 in order to reduce the share capital.

#### **(9) Contingent liabilities and pledged assets**

The shares of the Subsidiaries Private Seven Ltd., Privatissimo Ltd., Private Invest Ltd., Jade Invest SA, Swiss Oil & Gas Investment Corp., Barry Ltd, Bluebeech Ltd., Absolute Managers Ltd., Technissimo Ltd., Carry Ltd., as well as the securities, the treasury shares and all cash and cash equivalents and the fixed term deposit at Credit Suisse, a related party, of Absolute Private Equity Ltd., are pledged as collateral for the loan due to Credit Suisse of USD 150'000'000 available until March 15, 2006 and the loan from Absolute Managers Ltd. due to Credit Suisse.

#### **(10) Management fees**

According to the Investment Management Agreements between the Subsidiaries and Pearl Investment Management Ltd., a related party, the management fees are based on the net asset value of the Subsidiaries at an aggregate annual rate of total 1.7% accrued as of the end of each month. The management fees are paid quarterly in arrears. For Barry Ltd., the Investment Manager is entitled to a performance fee of 10% of the annual appreciation of the net asset value of the Subsidiaries computed as of December 31 each year. Any previous losses shall be recouped before payment of the fee. For Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd. and Bluebeech SPC the Investment Manager is entitled to a performance fee, based on the distribution during the business year. Absolute Managers Ltd. is required to pay to Pearl Investment Management Ltd., a related party, a management fee of 1.4 % per annum based on the net asset value of the Subsidiary Technissimo Ltd.

For the half year ended June 30, 2006, management fees amounted to USD 6'994'798 (previous year: USD 6'088'921).

#### (11) Administration fees, custody fees and service fees

Until March 31, 2005, the New Jersey Corporation Northport Partnership Management, Inc., Administrator of Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd., was entitled to annual fees of USD 160'000, USD 90'000 and USD 130'000, respectively subject to a yearly increase of 4%. This revised fee schedule took effect on October 1, 2004; previously the Administrator was entitled to an annual fee of USD 200'000 from each of the three Subsidiaries.

As of April 1, 2005 Credit Suisse First Boston, LLC., a related party, as Administrator of Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd. is entitled to annual fees of USD 160'000, USD 90'000 and USD 130'000 respectively from the three afore-mentioned Subsidiaries. These fees are subject to a yearly increase of 4%. As of July 12, 2005 Credit Suisse First Boston, LLC, as Administrator of Bluebeech SPC, is entitled to USD 102'000 for the first year of the agreement, USD 145'000 for the second year and USD 184'000 for the third year.

Citco Fund Services (Curaçao) N.V., incorporated under the laws of the Netherlands Antilles, having its principal office in Curaçao, Netherlands, Antilles is the Administrator of Barry Ltd., Technissimo Ltd. and Carry Ltd. It is entitled to annual fees of 0.05% of the month-end net assets from the three afore mentioned companies.

The Administrators are in charge of calculating the net asset values, producing financial statements and establishing and maintaining bank, brokerage, custodian and other accounts of the Subsidiaries.

Effective January 1, 2005, Absolute Investment Services Ltd., a related party, provides all Absolute Companies with management, marketing and administrative services. Absolute Investment Services Ltd. receives service fees at a rate of 0.1% per annum based on the NAV, payable quarterly.

For the period ended June 30, 2006, service fees amounted to USD 460'487

### Notes to the consolidated cash flow statements

#### (12) Cash flows relating to interest, dividends and income taxes

	June 30, 2006	December 31, 2005
	USD	USD
Interest income	1'797'467	1'975'160
Interest expenses	1'223'337	10'394
Dividends received	0	0
Income taxes paid	0	0

### (13) Purchase shares Absolute Managers Ltd.

	June 30, 2006	December 31, 2005
	USD	USD
Purchase of shares for USD 47.50 per share	3'575'959	169'858'052
Dividend in kind from Barry Ltd.	1'081'936	51'391'960
Extraordinary gain purchase shares (badwill)		19'059'395
Minority interests	263'733	13'606'472
<b>Total January 19, 2006</b>	<b>4'921'628</b>	<b>253'915'879</b>
Share capital repayment to Absolute Private Equity Ltd.		-106'157'678
Share capital repayment to minorities		-6'010'150
Profit Absolute Managers Ltd.		11'457'710
Translation adjustment		-4'242'641
<b>Total June 30, 2006</b>	<b>4'921'628</b>	<b>148'963'120</b>

## Other notes

### (14) Related parties

Overview of significant expenses to related parties:

Payer	Recipient	Reason for payment	June 30, 2006	June 30, 2005
			USD	USD
Privatissimo Ltd.	Pearl Investment Management Ltd.	Management fees	1'338'112	1'583'172
Private Invest Ltd.	Pearl Investment Management Ltd.	Management fees	2'526'750	2'120'107
Private Seven Ltd.	Pearl Investment Management Ltd.	Management fees	1'042'801	871'269
Absolute Managers Ltd.	Pearl Investment Management Ltd.	Management fees	931'645	0
Barry Ltd.	Pearl Investment Management Ltd.	Management fees	1'048'065	1'514'373
Bluebeech	Pearl Investment Management Ltd.	Management fees	107'425	0
Barry Ltd.	Members of the Board	Directors' fees	10'000	9'615
Absolute Managers Ltd.	Members of the Board	Directors' fees	52'881	0
Absolute Private Equity Ltd.	Members of the Board	Directors' fees	31'233	39'880
Absolute Private Equity Ltd.	Absolute Investment Services Ltd.	Service fees	356'658	389'501
Absolute Managers Ltd.	Absolute Investment Services Ltd.	Service fees	59'647	0
Absolute Private Equity Ltd.	Absolute Investment Services Ltd.	Transaction costs related to the public offer		
		Absolute Managers Ltd.	284'290	0
Absolute Private Equity Ltd.	Credit Suisse	Interest on Loan	726'315	0
Absolute Managers Ltd.	Credit Suisse	Interest on Loan	496'916	0

## **(15) Risks**

The Company is exposed to various risks in respect to its investments. A summary of these risks is as follows:

### **(15.1) Market risk**

The markets and certain investment vehicles in which the Company will primarily invest may prove to be highly volatile from time to time as a result of, for example, sudden changes in government policies on taxation and currency repatriation or changes in legislation relating to the level of foreign ownership in companies, and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements.

### **(15.2) Valuation risk**

As a result of the timing of when information regarding the price of its various investments and/or from the various companies in which it makes its investments becomes available to the Company, the Company's reported net asset value could fail to accurately state the current aggregate value of the investments of the Company.

### **(15.3) Reliance on Investment Manager**

Quality and execution of management is key to a successful business development. The Company will be relying on the Investment Manager and its ability to evaluate investment opportunities and to further develop the Company's investments. The Investment Manager exercises a central role in the investment decision process. Accordingly the returns of the Company will primarily depend on the performance of the Investment Manager and could be adversely affected by the unfavorable performance of the Investment Manager.

### **(15.4) Foreign currency risk**

A significant portion of the Company's investments and cash and cash equivalents are denominated in USD and held by entities whose functional currency is other than the USD. As a result, the Company is exposed to changes in foreign currency exchange rates. The Company has a policy of not hedging the resulting foreign currency exchange risks.

### **(15.5) Credit risk**

The Company is furthermore exposed to the risk that counterparties for cash and cash equivalents, investments or other assets fail to discharge their obligation to repay. Due to the diversified structure of the Company's investment portfolio there is no significant concentration of risk.

### **(15.6) Political and/or regulatory risk**

The net asset value of the Company's assets may be affected by uncertainties such as international political developments, changes in governmental policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested.

## **(16) Subsequent events**

The Board of Directors is not aware of any other events between the closing date and August 30, 2006 that would materially impact the consolidated financial statements or require disclosure.

## 2.2 Financial Statements for Absolute Private Equity Ltd.

### Balance sheet as of

		June 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Assets</b>			
	Note	CHF	CHF
<b>Current assets</b>			
Cash and cash equivalents		32'369	185'827
Fixed term deposit		5'941'836	3'349'680
Treasury shares	2	53'770'500	53'770'500
Securities		9'482'022	8'670'454
Withholding tax receivables		184'231	154'048
		69'410'958	66'130'509
<b>Non-current assets</b>			
Private Invest Ltd., Cayman Islands	1	305'758'205	305'758'205
Private Seven Ltd., Cayman Islands	1	114'665'110	120'879'860
Privatissimo Ltd., Cayman Islands	1	196'983'778	198'827'500
Barry Ltd., Cayman Islands	1	1	1
Absolute Investment Services Ltd.	1	80'000	80'000
Swiss Oil & Gas Investment Corp.	1	21'736'240	21'736'240
Jade Invest SA	1	8'827'209	15'000'000
Bluebeech SPC	1	16'476'687	10'250'145
Absolute Managers Ltd.		141'503'177	0
		806'030'407	672'531'951
<b>Total assets</b>		<b>875'441'366</b>	<b>738'662'460</b>
<b>Liabilities and shareholders' equity</b>			
	Note	CHF	CHF
<b>Current liabilities</b>			
Accounts payable		232'425	2'314'213
Other payables		130'000	523'102
Loan Barry Ltd and Absolute Managers Ltd.		86'962'491	0
Current tax liability		36'000	87'000
		87'360'916	2'924'315
<b>Shareholders' equity</b>			
Share capital	2	571'605'050	571'605'050
Legal reserves		439'473'742	565'473'742
Reserve for treasury shares	2	53'770'500	53'770'500
Free reserves		126'000'000	0
Other retained losses		-455'111'148	-371'816'620
Net gain/loss for the period		52'342'305	-83'294'527
		788'080'449	735'738'145
<b>Total liabilities</b>		<b>875'441'366</b>	<b>738'662'460</b>

Income statement for the periods

January 1, 2006  
to  
June 30, 2006  
(unaudited)

January 1, 2005  
to  
June 30, 2005  
(unaudited)

Income

	Note	CHF	CHF
Distributions from investments		68'654'131	0
Unrealized gains on securities		1'503'573	493'841
Interest income		86'252	162'674
Unrealized and realized foreign exchange gains		5'721'345	1'708'582
		75'965'301	2'365'097

Expenses

	Note	CHF	CHF
Interest expenses		-2'339'513	0
Bank and broker expenses		-947'253	-673
Other financial expenses		-14'990	-11'843
Foreign exchange losses		-9'979'554	0
Directors' fees		-39'671	-48'019
Legal and professional fees		-1'104'119	-79'781
Value adjustment on investments	1	-8'656'201	0
Administration fees		-453'017	-483'026
Capital taxes		-47'049	-46'481
General and other expenses		-41'629	-24'966
		-23'622'996	-694'789
<b>Gain before income taxes</b>		52'342'305	1'670'308
Income taxes		0	0
<b>Net gain for the period</b>		<b>52'342'305</b>	<b>1'670'308</b>

## Notes to the financial statements

### (1) Investments

(unaudited)

Name /(Purpose)	Share capital	Percentage held	CHF
<b>Private Invest Ltd.</b> , Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
<b>Carrying amount at December 31, 2004</b>			<b>294'725'446</b>
Capital surplus increase (USD 8.52 million)			11'032'759
<b>Carrying amount at December 31, 2005</b>			<b>305'758'205</b>
<b>Carrying amount at June 30, 2006</b>			<b>305'758'205</b>
<b>Private Seven Ltd.</b> , Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
<b>Carrying amount at December 31, 2004</b>			<b>140'871'733</b>
Capital surplus repayment (USD 13 million)			-16'914'850
Valuation adjustment			-3'077'023
<b>Carrying amount at December 31, 2005</b>			<b>120'879'860</b>
Capital surplus repayment (USD 5 million)			-6'214'750
<b>Carrying amount at June 30, 2006</b>			<b>114'665'110</b>
<b>Privatissimo Ltd.</b> , Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
<b>Carrying amount at December 31, 2004</b>			<b>369'401'964</b>
Capital surplus repayment (USD 32 million)			-40'811'400
Valuation adjustment			-129'763'064
<b>Carrying amount at December 31, 2005</b>			<b>198'827'500</b>
Valuation adjustment			-1'843'722
<b>Carrying amount at June 30, 2006</b>			<b>196'983'778</b>

Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd. are duly organized and existing under the laws of the Cayman Islands. These entities invest in private equity investment vehicles and were incorporated on July 31, 2000 with a share capital of USD 50'000 each.

**(1) Investments****(unaudited)**

<b>Name /(Purpose)</b>	<b>Share capital</b>	<b>Percentage held</b>	<b>CHF</b>
<b>Barry Ltd.</b> , Cayman Islands incorporated July 31, 2001; Investment Company	USD 50'000 USD 1/share	100%	
<b>Carrying amount at December 31, 2004</b>			<b>1</b>
<b>Carrying amount at December 31, 2005</b>			<b>1</b>
<b>Carrying amount at June 30, 2006</b>			<b>1</b>

Barry Ltd. is duly organized and existing under the laws of the Cayman Islands and primarily invests in a portfolio of securities, financial instruments and partnership interests. The company was incorporated on July 31, 2001 with a share capital of USD 50'000.

Absolute Investment Services Ltd., Zurich incorporated November 19, 2004; Service Company	CHF 250'000 CHF 100/share	32%	
<b>Carrying amount at December 31, 2004</b>			<b>80'000</b>
<b>Carrying amount at December 31, 2005</b>			<b>80'000</b>
<b>Carrying amount at June 30, 2006</b>			<b>80'000</b>

Absolute Investment Services Ltd., Zurich, provides all Absolute Companies with management, marketing and administrative services. The company was incorporated on November 19, 2004 with a share capital of CHF 250'000. Absolute Private Equity holds 32% (CHF 80'000) of the share capital of CHF 250'000. Absolute Managers Ltd. holds 9%, Absolute Europe holds 18% and Absolute US Ltd. holds the remaining 41%. All these companies are related party investment companies.

Swiss Oil & Gas Inv. Corp., Delaware incorporated May 6, 2005; Investment Company	USD 16'800'000 USD 0.01/share	100%	
Purchase of investment			21'736'240
<b>Carrying amount at December 31, 2005</b>			<b>21'736'240</b>
<b>Carrying amount at June 30, 2006</b>			<b>21'736'240</b>

Swiss Oil & Gas Investment Corporation is duly organized and existing under the laws of the state of Delaware and invests primarily in partnership interests. The company was incorporated on May 5, 2005 with a share capital of USD 15.

**(1) Investments****(unaudited)**

<b>Name /(Purpose)</b>	<b>Share capital</b>	<b>Percentage held</b>	<b>CHF</b>
<b>Jade Invest SA</b> , Neuchâtel incorporated June 30, 2005; Investment Company	CHF 10'699'789 CHF 1/share	43.64%	
Purchase of investment			88'249
Capital increase			14'911'751
<b>Carrying amount at December 31, 2005</b>			<b>15'000'000</b>
Valuation adjustment			-6'172'791
<b>Carrying amount at June 30, 2006</b>			<b>8'827'209</b>

On June 30, 2005, Absolute Private Equity Ltd. invested USD 11'419'001 (CHF 15 million) in Jade Invest SA, whereof USD 67'181 (CHF 88'249) represented share capital (47.42%) with the remainder being a loan. On such date, Jade Invest SA was incorporated with a share capital of CHF 186'100. On December 8, 2005, Jade Invest SA increased its share capital to CHF 10'699'798 (nominal CHF 1/share). On such date, the loan from Absolute Private Equity Ltd. was converted into share capital. In connection with the capital increase, Absolute Private Equity Ltd's participation decreased to 43.64% representing 4'669'334 shares out of 10'699'798 shares outstanding. Jade Invest SA intends to invest in private equity investment vehicles particularly in start-up and spin-off companies.

<b>Bluebeech SPC</b> , Cayman Islands incorporated August 10, 2005; Investment Company	USD 7'898'659 USD 10/share	100%	
Purchase of investment			10'250'145
<b>Carrying amount at December 31, 2005</b>			<b>10'250'145</b>
Capital surplus increase (USD 5.5 million)			6'866'230
Valuation adjustment			-639'688
<b>Carrying amount at June 30, 2006</b>			<b>16'476'687</b>

Bluebeech SPC is duly organized and existing under the laws of the Cayman Islands and invests in private equity investment vehicles. The company was incorporated on August 10, 2005 with a share capital of USD 50'000.

**(1) Investments****(unaudited)**

<b>Name /(Purpose)</b>	<b>Share capital</b>	<b>Percentage held</b>	<b>CHF</b>
<b>Absolute Managers Ltd, Zug</b> incorporated March 9, 2000; Investment Company	CHF 492'163 CHF 0.10/share	94.64%	
Purchase of shares	3'575'959 shares		213'409'656
Dividend in kind from Barry Ltd.	1'081'936 shares		67'364'581
Capital decrease			-139'271'060
<b>Carrying amount at June 30, 2006</b>			<b>141'503'177</b>

Absolute Managers Ltd. (formerly Absolute Technology Ltd.) is duly organized and existing under the laws of Switzerland. The investment strategy involves providing initial capital to early-stage hedge funds that are managed by experienced hedge fund managers. The overall strategies employed by these hedge funds are diverse, in respect to focus, style and asset class targeted, in order to put together a diversified portfolio. Absolute Managerst Ltd. is an investment company listed on the SWX Swiss Exchange, which primarily conducts its business through its wholly owned investment company subsidiaries, Technissimo Ltd., Cayman Islands and Carry Ltd., Cayman Islands.

**Summary of all investments:**

<b>Carrying amount at December 31, 2004</b>	<b>805'079'144</b>
New investment: Jade Invest SA	88'249
New investment: Swiss Oil & Gas Inv. Corp.	21'736'240
New investment: Bluebeech SPC	10'250'145
Capital increases	25'944'510
Capital repayment	-57'726'250
Valuation adjustments	-132'840'087
<b>Carrying amount at December 31, 2004</b>	<b>672'531'951</b>
New investment Absolute Managers Ltd.	280'774'237
Capital increases	6'866'230
Capital repayment	-145'485'810
Valuation adjustments	-8'656'201
<b>Total investments at June 30, 2006</b>	<b>806'030'407</b>

A list of further details of investments are set out in note 5 to the consolidated financial statements of Absolute Private Equity Ltd. as of June 30, 2006.

The values of the investments have been adjusted to reflect the net asset value of the Subsidiaries at period end.

**(2) Share capital****(unaudited)**

Name/(Purpose)	June 30, 2006		December 31, 2005	
	Total nominal value CHF	Number of shares	Total nominal value CHF	Number of shares
Share capital (bearer shares)	571'605'050	11'432'101	571'605'050	11'432'101
<b>Total share capital</b>	<b>571'605'050</b>	<b>11'432'101</b>	<b>571'605'050</b>	<b>11'432'101</b>

All bearer shares are entitled to dividends.

According to article 4a of the Articles of Association of Absolute Private Equity Ltd., the Board of Directors is authorized to issue additional shares with a total nominal value of CHF 268'302'500 (5'366'050 shares) during a period of two years expiring on June 26, 2007.

At the Annual General Meeting of June 24, 2005, the shareholders entitled the Board of Directors to repurchase up to 10% of the outstanding shares (max. 1'143'210 shares) over a period from July 2005 until the Annual General Meeting in the year 2006 in order to reduce the share capital. According to the Board of Directors' resolution the treasury shares are required to be cancelled upon vote at the Company's Annual General Meeting. The decision was published in the commercial register in July 2005.

During the period from August 11, 2005 to December 23, 2005, Absolute Private Equity Ltd. purchased 700'000 own shares in the amount of CHF 53'770'500.

At the Annual General Meeting of May 30, 2006, the shareholders decided to reduce the share capital in the amount of CHF 35'000'000 by liquidating the 700'000 shares.

At the Annual General Meeting of May 30, 2006, the shareholders also entitled the Board of Directors to repurchase up to 10% of the outstanding shares (max. 1'073'210 shares) over a period from June 2006 until the Annual General Meeting in the year 2007 in order to reduce the share capital.

**(3) Significant shareholders**

As of June 30, 2006 the following major shareholders were known by the company:

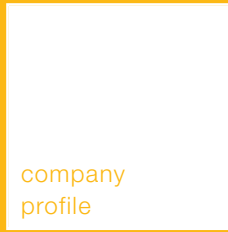
between 5 % and 10%	AIG Financial Products Corp. (direct)
between 10% and 20%	Credit Suisse Group, Zurich (direct and indirect)

**(4) Pledged assets**

The shares of all subsidiaries as well as the securities, the treasury shares and all cash and cash equivalents and the fixed term deposit at Credit Suisse of Absolute Private Equity Ltd. are pledged due to an existing agreement for a credit line with Credit Suisse.

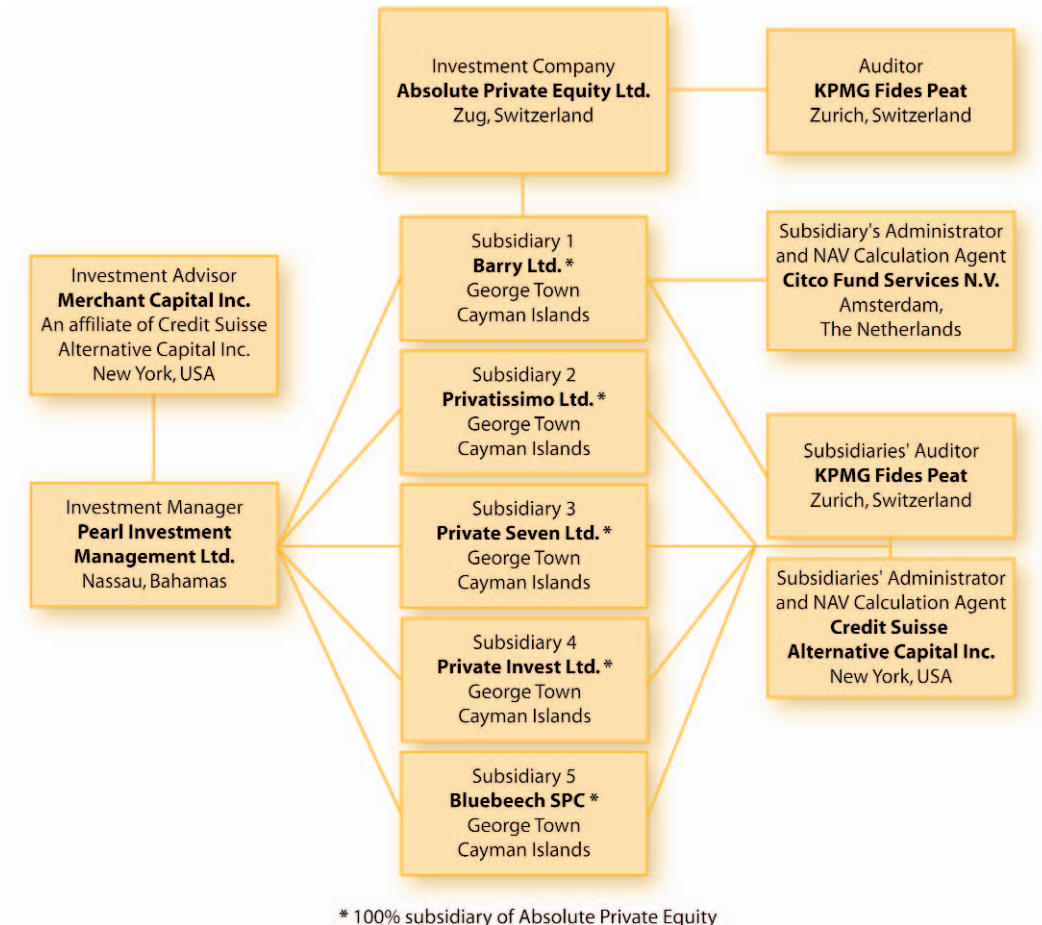
**(5) Further disclosures according to Art. 663b of the Swiss Code of Obligations**

There are no further facts which require disclosure in accordance with Art. 663b of the Swiss Code of Obligations.



### 3. Company Profile

#### 3.1 Structure of Absolute Private Equity Ltd.



## 3.2. Corporate Bodies

### Absolute Private Equity Ltd.

#### Registered Office

c/o Credit Suisse  
Bahnhofstrasse 17  
P.O. Box 553  
CH-6301 Zug  
Switzerland

#### Board of Directors

- Thomas Amstutz, Chairman of the Board of Directors; Chief Executive Officer of Absolute Investment Services Ltd.
- Hans Rudolf Zehnder, Member of the Board of Directors
- Dr. Kurt Arnold, Member of the Board of Directors
- Daniel Brupbacher, Member of the Board of Directors, Member of the Executive Board of Credit Suisse

The Board of Directors is responsible for managing the business affairs of the Company in accordance with its Articles of Association. This includes determining the general policy, including the investment policy, to be followed by the Subsidiaries.

## The Subsidiaries

### Privatissimo Ltd.

c/o Aston Corporate Managers Ltd.  
The Charles Building  
P.O. Box 1981  
George Town, Grand Cayman  
Cayman Islands, BWI

#### Board of Directors

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael Bridge, Chief Operating Officer, Absolute Investment Services Ltd.

Absolute Private Equity Ltd. invests a portion of its assets through Privatissimo Ltd. in accordance with its investment guidelines and policy.

#### **Private Seven Ltd.**

c/o Aston Corporate Managers Ltd.  
The Charles Building  
P.O. Box 1981  
George Town, Grand Cayman  
Cayman Islands, BWI

#### **Board of Directors**

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael Bridge, Chief Operating Officer, Absolute Investment Services Ltd.

Absolute Private Equity Ltd. invests a portion of its assets through Private Seven Ltd. in accordance with its investment guidelines and policy.

#### **Private Invest Ltd.**

c/o Aston Corporate Managers Ltd.  
The Charles Building  
P.O. Box 1981  
George Town, Grand Cayman  
Cayman Islands, BWI

#### **Board of Directors**

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael Bridge, Chief Operating Officer, Absolute Investment Services Ltd.

Absolute Private Equity Ltd. invests a portion of its assets through Private Invest Ltd. in accordance with its investment guidelines and policy.

#### **Barry Ltd.**

c/o Aston Corporate Managers Ltd.  
The Charles Building  
P.O. Box 1981  
George Town, Grand Cayman  
Cayman Islands, BWI

#### **Board of Directors**

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael Bridge, Chief Operating Officer, Absolute Investment Services Ltd.

Absolute Private Equity Ltd. invests a portion of its assets through Barry Ltd. in accordance with its investment guidelines and policy.

### **Bluebeech SPC**

c/o Aston Corporate Managers Ltd.  
The Charles Building  
P.O. Box 1981  
George Town, Grand Cayman  
Cayman Islands, BWI

#### **Board of Directors**

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael Bridge, Chief Operating Officer, Absolute Investment Services Ltd.

Absolute Private Equity Ltd. invests a portion of its assets through Bluebeech SPC in accordance with its investment guidelines and policy.

### **Investment Manager**

Pearl Investment Management Ltd.  
Third Floor  
Bahamas Financial Centre  
Shirley & Charlotte Streets  
Nassau, Bahamas

#### **Board of Directors**

- Patrizio Manzuoli, Member of the Executive Board, Banca di Gestione Patrimoniale SA
- Michael L. Paton, Lennox Paton, Counsel & Attorneys-at-Law, Notaries Public, Nassau (Bahamas) Ltd.
- Remigio Luongo, Chairman, Pearl Investment Management Ltd.

Pearl Investment Management acts as Investment Manager to Absolute Private Equity Ltd. and is responsible for investing the assets of the Subsidiaries in accordance with the investment objectives and policy.

### **Investment Advisor**

Merchant Capital Inc.  
An indirect subsidiary of Credit Suisse Alternative Capital, Inc.  
11 Madison Avenue  
New York, NY, 10010  
USA

Merchant Capital acts as Investment Advisor and supports the Investment Manager in selecting the Private Equity investments and in carrying out the Investment Manager's other duties under the Investment Management Agreement such as due diligence.

### 3.3 Contact Details

#### **Absolute Investment Services Ltd.**

Börsenstrasse 26  
CH-8001 Zurich  
Switzerland

**Hotline: +41 (0)43 888 63 00**

Absolute Private Equity Ltd. intends to inform its shareholders with the utmost transparency and as early as possible. The most updated source of information is the Company's web page ([www.absoluteprivateequity.ch](http://www.absoluteprivateequity.ch)) where an investor can find, among others, information on the share price and net asset value development, performance of the strategies, details on the allocation as well as other supplementary information.

For additional questions, please contact us via e-mail ([info@absoluteinvestments.com](mailto:info@absoluteinvestments.com)) or at the telephone number given above.

#### **Absolute Private Equity Ltd. - How to invest**

The shares of Absolute Private Equity Ltd. are listed on the SWX Swiss Exchange. You can buy and sell shares of the Company through your bank.

Swiss Security Number:	1111333
ISIN Code CH:	CH 0011113336
SWX code:	ABSP

**Before investing, please read the legal disclaimer.**

#### **Restrictions Absolute Private Equity Ltd.**

Neither this document nor any copy hereof may be sent or taken or transmitted into the United States, Canada or the Cayman Islands or distributed, directly or indirectly, in the United States or Canada or to any U.S. or Canadian person. Any failure to comply with this restriction may constitute a violation of U.S. securities law. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities.

[www.absoluteprivateequity.ch](http://www.absoluteprivateequity.ch)



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