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Interim Management Statement - Q3 2011

20 December 2011

JZ Capital Partners Limited ("JZCP"), the London listed private equity fund which principally invests in US and European micro cap buyouts, today announces its Interim Management Statement ("IMS") for the period from 1 September 2011 to 30 November 2011.

Highlights

- Net Asset Value ("NAV") Total Return of 0.6% (for the period) / 3.4% (Year to date) including:
 - NAV of US\$590million (HY11:US\$591m) / NAV per share of US\$9.08 (HY11:US\$9.09)
 - Interim Dividend of 3.5c per share and a Special Dividend of 3.0c per share for the period
- Significant realisations including:
 - Document Holdings Corporation, the parent of Dantom systems, Inc, (US\$41 million) - 4.8x multiple of equity invested and a 27% IRR
 - Wound Care Holdings (US\$83 million) - 2.0x multiple of equity invested and a 14% IRR
- Acquisition of a 40% stake in Amptek. Inc., a designer and manufacturer of x-ray detectors, for US\$22.7m (post period end)
- Significant pipeline of potential high quality investments in both the US and Europe
- JZCP is uniquely positioned in a challenging market environment with a strong balance sheet and a diversified portfolio
- At the end of the period, the portfolio consisted of 42 companies across eight industries

David Zalaznick, Founder and Investment Advisor of JZCP said: "We are operating in an environment of unprecedented volatility and uncertainty which is affecting financing sources and the expectations of buyers and sellers globally. However, our underlying investments have continued to perform well and our NAV has remained solid during the period, reflecting our disciplined approach to investing. We will continue to act prudently but will use our strong balance sheet to exploit the significant investment opportunities in the US and Europe, when the time is right."

Net Asset Value (NAV)

For the three months ending 30 November 2011, JZCP's NAV was broadly flat following the payment of dividends totaling 6.5 cents per share. Without these payments, our NAV would have increased slightly. However, we have experienced the malaise felt in stock markets across the globe, as has all of the private equity industry. Our share price fell from US\$6.10 to US\$5.26, or 14% (£3.75 to £3.35 or 10% in local currency), widening our discount from 33% to 42%.

	<u>30/11/2011</u>	<u>31/8/2011</u>
Net Asset Value (\$000's) (1)	\$590,293	\$591,092
Number of Ordinary Shares Outstanding (000's)	65,019	65,019
Net Asset Value per Ordinary Share (\$)	\$9.08	\$9.09
Market Price per Share (\$)	\$5.26	\$6.10
NAV to Market Price Discount	42%	33%

(1) Per JZCP Board.

SOURCE OF NAV CHANGES

Below summarizes the changes in NAV per share:

Net Asset Value per Ordinary Share as of 31 August 2011	\$9.09
+ Increase in Underlying Investments (\$ per Share Impact)	0.04
+ Income from Investments (\$ per Share Impact)	0.16

- ZDP Dividend Accrual (\$ per Share Impact)	(0.03)
- Fees and Expenses (\$ per Share Impact)	(0.13)
+/- Other	0.02
Net Asset value Per Ordinary Share (pre dividend) as of 30 November 2011	\$9.15
- Dividends Paid	(0.07)
Net Asset Value per Ordinary Share as of 30 November 2011	\$9.08

Note that included in the fees and expenses is \$.07 per share of incentive fees paid to the manager associated with the Dantom, Woundcare and Sechrist realizations described below.

RECENT EVENTS

The last quarter has been an active realization period for JZCP. In October 2011 JZCP announced and closed the sale of Document Holdings Corporation, the parent of Dantom Systems, Inc. Dantom was purchased in April 2005 as a platform to acquire and manage businesses that provide integrated services to third party debt collection agencies and to other consumer billing companies. The \$41 million JZCP received created a 4.8x multiple of equity invested, and a 27% IRR. Given that we had written up Dantom's value to estimated proceeds, there was no NAV effect from this sale. We wish the Dantom management team all the very best for the future.

JZCP also recovered a total of \$83 million in November 2011 from the sale of its wound care companies, Wound Care Holdings, one of the top three holdings in the portfolio by value. The deal represented a multiple of equity invested of 2.0x, and an IRR of 14%. Although JZCP had been writing up this investment over time, the sale still represented a \$6.0 million NAV increase.

The wound care companies consist of two businesses: Diversified Clinics and Sechrist Industries. Diversified Clinics is the leading outsourced provider of wound care clinic management services to more than 350 hospitals in the US. Sechrist Industries is the world's leading manufacturer of monoplace hyperbaric oxygen therapy chambers, a critical piece of equipment in comprehensive wound care centers, as well as other respiratory care products.

In November, we received \$3.2 million as full repayment of our loan to Emdeon Business Services.

We made two separate investments, totaling \$1.4 million, in the helicopter leasing company Milestone Aviation. We have now invested a total of \$8.1 million in preferred stock in Milestone, with \$4.8 million outstanding from our \$12.9 million commitment.

In anticipation of our ZDP obligations, JZCP has purchased £20 million of UK gilts after buying £4.8 million in October.

In October 2011 the JZCP Board declared an interim dividend of 3.5 cents per share, and a special dividend of 3.0 cents per share. These dividends were paid on 25 November 2011.

POST PERIOD END ACTIVITY

On 16 December 2011, JZCP purchased \$22.7 million of securities used in part to purchase Amptek, Inc., a designer and manufacturer of x-ray detectors used in fixed and portable instrumentation. These instruments are used primarily to determine the material components of a wide variety of surfaces and objects, from lead in children's toys to ore components in the mining industry. This non-destructive testing business is the second business in our sensors "vertical" (Nielsen Kellerman being our first), managed by Gerry Posner, a seasoned sensor-industry executive. The securities purchased include \$6.2 million of senior notes, \$16.5 million of preferred and common stock, representing an effective ownership percentage of Amptek of 40%.

PORTFOLIO SUMMARY

At 30 November 2011, the Company's investment assets consisted of 42 investments totalling US\$685.7 million:

(US\$000's, except for number of investments)

	Number of Investments as of 30/11/2011	31/8/2011	30/11/2011	Variance (%)
Micro Cap Portfolio	13	\$264,595	\$167,447	(36.7%)
European Investments	4	77,196	74,428	(3.6%)
Mezzanine Investments	9	48,627	55,312	13.7%
Legacy Portfolio	7	25,135	25,288	0.6%
Total Private Investments	33	\$415,553	\$322,476	(22.4%)
Listed Equity	3	77,193	77,118	(0.1%)
Bank Debt	6	34,828	31,574	(9.3%)
Cash		130,504	221,980	70.1%
UK Gilts		25,060	32,574	30.0%

Total Listed Investments (including cash)	9	\$267,585	\$363,246	35.7%
Total Investment Assets	42	\$683,138	\$685,722	0.4%

Some 53.0% of the portfolio is invested in "liquid" assets, which consist of cash, UK gilts, listed equities, and bank debt. These asset classes are valued at third party quoted prices. The remaining portion of the portfolio is invested in private investments in US or European micro cap companies or mezzanine debt. These investments are valued at fair value by JZCP's directors each quarter.

US Investments

In the three months to 30 November 2011, we were focussed on the realizations of Dantom, Woundcare and Sechrist. We also had plans to make three acquisitions into our "industry verticals" in the US but we now anticipate that these will be not be completed until the end of the fourth quarter.

Regarding our remaining micro-cap portfolio, we wrote down Nationwide Studios by US\$3.1 million and Dental Services Group by US\$2.0 million. Both of these situations were driven by short-term management driven issues rather than macro-economic concerns. Our senior operating managers are providing hands-on supervision and strategic advice to both companies to resolve them.

We continue to value our micro-cap portfolio conservatively. While the average multiple of EBITDA at purchase was only 6.0x, we continue to value these investments at 6.6x, despite numerous management improvements to our thirteen platform companies. In addition, debt senior to JZCP's position continues to be at a low of 1.3x EBITDA.

European Investments

The European team, having closed a flurry of transactions in the last nine months, is still actively pursuing numerous acquisitions in southern and northern Europe. However, our team are taking a prudent investment approach, given the current situation in the Eurozone, which has affected financing sources and the expectations of buyers and sellers on a global scale.

Top Ten Investments

The top ten investments as of 30 November 2011 were as follows:

(\$000's)

	Asset Category	Original Cost	Valuation as of 30/11/2011	Percentage of Portfolio Valuation as of 30/11/2011
European Investments	Micro cap	\$64,132	\$74,428	17.3%
Safety Insurance Group, Inc	Listed equity	6,816	48,229	11.2%
Accutest Holdings, Inc	Micro cap	31,516	42,879	9.9%
Continental Cement Company, LLC	Mezzanine	28,082	28,556	6.6%
TAL International Group, Inc.	Listed equity	10,652	28,040	6.5%
BG Holdings, Inc	Micro cap	19,790	25,493	5.9%
Dental Services Group, Inc	Micro cap	27,604	23,410	5.4%
Healthcare Products Holdings, Inc.	Legacy	28,803	22,589	5.2%
Kinetek, Inc	Bank	19,299	17,198	4.0%
Salter Lab, Inc	Micro cap	22,079	16,170	3.9%
Top Ten Investments		\$258,773	\$327,531	75.9%
Remaining Investments		119,602	103,637	24.1%
Total Portfolio		\$378,375	\$431,168	100.0%

Balance Sheet

Below is a summary of JZCP's balance sheet as of the relevant dates:

(\$000's)	31/8/2011	30/11/2011
Cash	\$130,504	\$221,980
UK Treasury Gilts	25,060	32,574
Listed Equities	77,193	77,118
Bank Debt	34,828	31,574
Private Investments	415,553	322,476
Other Assets	876	2,511
Total Assets	\$684,014	\$688,233

- Liabilities	(3,358)	(13,545)
- Zero Dividend Preferred Shares	(82,341)	(84,395)
Net Asset Value	\$598,315	\$590,293

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About JZCP

JZCP is a London listed private equity fund which invests in high quality US and European micro cap companies. Our objective is to achieve a superior overall return comprised of a current yield and significant capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for 30 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro cap companies to help build better businesses, create value and deliver strong returns to our investors. JZCP also invests in mezzanine loans and first and second lien traded debt investments and holds listed equity other publicly traded securities resulting from successful IPOs of private companies.

For more information please visit our website at www.jzcp.com

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