

MONTHLY REPORT

as per 31 December 2010

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

Key facts

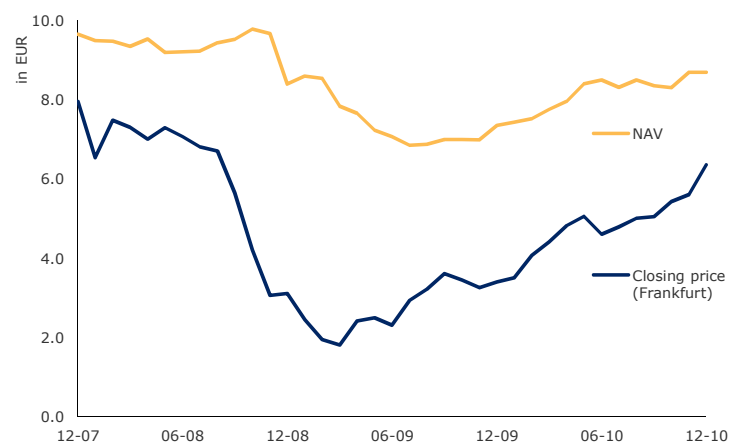
	Frankfurt	London
Trading symbol	PEY1	PEY
Reuters	PEYGz.DE/PEYGz.F	PEY.L
Bloomberg	PEY1 GY	PEY LN
WKN	A0LBRM	A0LBRL
ISIN	DE000A0LBRM2	GG00B28C2R28
Valor	2 830 461	2 830 461
Formation of the Company	12.05.1999	
Base currency	EUR	
Dividends 2008	EUR 0.30 (20/06/2008)	

Key figures

	31.12.2010	30.11.2010	YTD
Net asset value (NAV)	EUR 8.69	EUR 8.68	
Net asset value (NAV) incl. dividend	EUR 9.54	EUR 9.53	18.42%
Investment level	96.69%	102.54%	
Gross Investment level	91.79%	97.34%	
Overcommitment	31.24%	40.94%	
Overcommitment incl. credit line	20.57%	30.26%	
Closing price Frankfurt	EUR 6.35	EUR 5.60	87.32%
Premium	-26.91%	-35.50%	
Closing price London	EUR 6.25	EUR 5.56	88.82%
Premium	-28.06%	-35.96%	

Where applicable, returns are calculated according to the standard BVI-method of the Bundesverband Investment and Asset Management and may be subject to decimal rounding.

NAV and price development



Monthly commentary

Following the strong performance of the net asset value (NAV) of Princess in November, the NAV increased by 0.1% in December, closing the year 2010 at an unaudited NAV of EUR 8.69 per share. This performance results in a significant NAV increase of +18.4% for the year 2010. The positive performance of Princess' portfolio companies resulted in increased valuations during the past month with companies in the buyout segment having a particularly favorable impact on the NAV. Overall valuation developments of portfolio companies contributed +2.7% to the NAV. However, with the euro rebounding against the US dollar during the past month, foreign exchange movements had an adverse effect on the NAV. This result is estimated on the basis of currently available information and is subject to review in the audit of the annual financial statements.

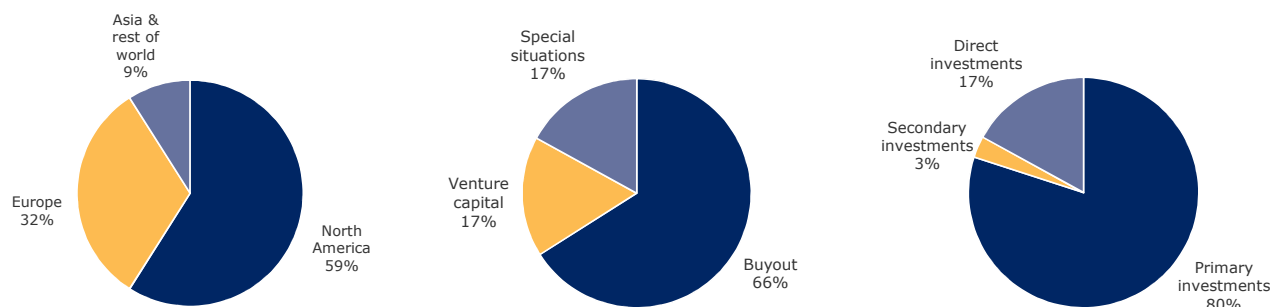
The improving operating performance of the companies in Princess' portfolio and the pick-up in deal volume also supported a further increase in realizations of portfolio companies, such as the announced exit of Loyalty Partner which is expected to generate a return of approximately 3x the original investment and an internal rate of return (IRR) of 25%. In December, Princess received EUR 16.1 million in distributions from realized portfolio companies, the highest monthly figure since December 2007. Furthermore, Princess invested EUR 10.6 million in new investment opportunities, largely in the currently attractive small and mid-cap buyout space.

In addition, and as previously announced on 10 January 2011, Princess made significant progress with regards to its strategic repositioning and recently signed purchase and sale agreements for its interests in nine buyout funds, generating cash proceeds of approximately EUR 49.6 million. In addition to the positive net cash flow from the underlying portfolio, during the month of December Princess received EUR 28.9 million from the above sales program, with a further EUR 12.0 million received at the beginning of January 2011 and the remaining deals expected to settle during the coming weeks. The pricing of the secondary sales is fully reflected in the NAV as of 31 December 2010, with a contribution of the second tranche of the sales to the December NAV of -0.72% and a total contribution of the completed secondary sales program of -0.93% compared to the NAV as of 30 September 2010.

In December, Palamon European Equity announced the sale of Loyalty Partner to American Express for an enterprise value of approximately EUR 500 million. Loyalty Partner operates the PAYBACK loyalty card in Germany and has a market-leading position in Europe with over 30 million cards issued. The exit is expected to generate a return of approximately 3x the original investment and an internal rate of return (IRR) of 25%.

Furthermore, Apax Europe VII announced the acquisition of German discount retailer Takko Fashion for an estimated EUR 1 billion. Takko offers attractive fashion at affordable prices and is well positioned to benefit from the above-average growth of the value segment of the fashion market. The transaction is subject to the customary approvals from the relevant authorities.

PE investments by region, financing stage and type of investment



The accompanying notes form an integral part of this monthly report.

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

The conversion of 700'000 convertible bonds at a par value of USD 1'000 each at USD 100 per share resulted in the issuance of 7'000'000 Ordinary Shares. 10,000 shares were already issued and outstanding leading to a total amount of 7'010'000 issued and outstanding Ordinary shares. The Extraordinary Shareholder Meeting of the holders of ordinary shares in Princess Private Equity Holding Limited on 12 October 2007 agreed on a 1 to 10 share split according to which each ordinary share was subdivided into 10 ordinary shares. The share split became effective after close of trading on 12 October 2007.

The Net asset value (NAV) is calculated based on a total of 70,100,000 shares outstanding.

GLOSSARY

Buyout (BO)	Acquisition of a controlling stake in a company, typically with financial or managerial reorganization needs. Small/mid/large/mega large size buyout refers to the enterprise value of the acquired company. Whereas the bandwidths are set at (EUR or USD) <250m/250m-EUR 1bn/1bn-5bn/>5bn for small/mid/large/mega large size buyout respectively.
Closing price	Last price paid on the Frankfurt Stock Exchange or on the London Stock Exchange on the respective date
Frankfurt Stock Exchange (Frankfurt)	First listing on 13/12/2006. The shares deliverable in the form of co-ownership interests in a global bearer certificate are admitted to trading on the regulated market (Reglementierter Markt) with concurrent admission to trading on the segment of the regulated market with additional post-admission obligations (Prime Standard).
Gross Investment level	The value of private equity investments divided by the sum of NAV and drawn credit line
Investment level	The value of private equity investments divided by NAV
London Stock Exchange (London)	First listing on 01/11/2007. Shares are admitted to the Official List.
Net asset value (NAV)	The net asset value, as described in the Prospectus dated 12 October 2007, equals the total assets less liabilities due in one year of the company calculated in accordance with the International Financial Reporting Standard (IFRS).
Overcommitment	Unfunded commitments less net current assets divided by NAV
Overcommitment incl. credit line	Unfunded commitments less the sum of net current assets and total credit line divided by NAV
Premium	Price divided by NAV
Private equity (PE)	Investments in companies, which typically are not publicly traded and in which the investor may significantly influence the management, and other investments of similar character.
Special situations (SS)	Any form of investment that falls within the definition of private equity but cannot be attributed to venture capital or buyout as described above. Special situations includes mezzanine, turnaround, distressed and other investments.
Total Return	Total return is calculated according the standard BVI-method of the Bundesverband Investment and Asset Management.
Value of private equity investments	Private equity investments are being held at fair value as required under the Company's adopted accounting standards IFRS.
Venture capital (VC)	Financing for companies typically in their build-up phase. Seed Stage describes the period where product feasibility is confirmed; Early Stage involves the identification of the position in the market, the establishment of production lines and the development of marketing channels; Later Stage portrays the subsequent rapid expansion phase of a young company.

This Newsletter is produced based on information available on the last working day of the month.

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