

# PARTNERS GROUP ANNUAL REPORT 2007



PARTNERS GROUP IN THE MIDST OF THE LONDON FINANCIAL CENTER  
1 ANGEL COURT - 19TH FLOOR



# Partners Group

Passion for Alternative Investments



WELCOME TO PARTNERS GROUP LONDON

The office was opened in 2004 and relocated in August 2007

Head: Stefan Naef, Partner

## KEY FIGURES

## 273 employees

## 7 offices

around the world  
with 3 more planned for 2008

## CHF 24.4 billion

assets under management  
compared to CHF 17.3 billion as of the end of 2006

## 1.48 %

net revenue margin

## CHF 311 million

net revenues

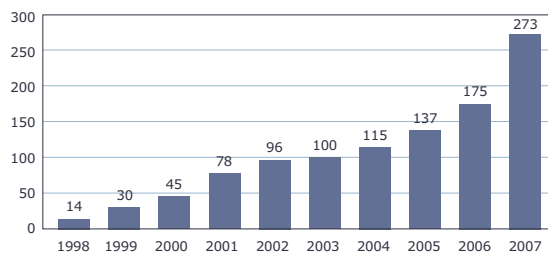
## 74%

EBITDA margin

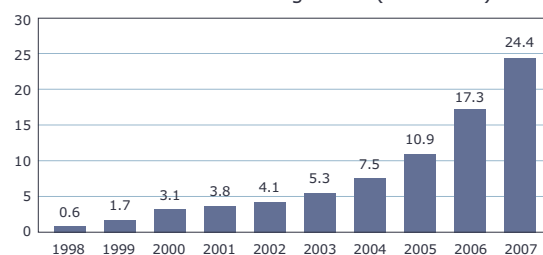
## CHF 228 million

adjusted net profit

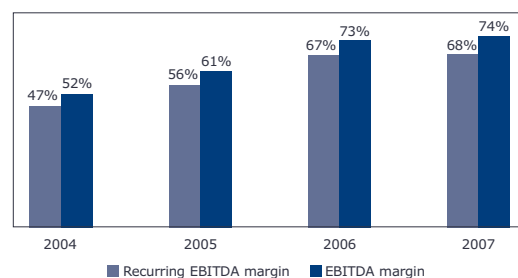
Number of employees



Assets under management (in CHF bn)



EBITDA margin



Share price (in CHF)



	2007	2006
Average assets under management (in CHF bn) <sup>1</sup>	21.1	14.1
Net revenue margin	1.48%	1.43%
Net revenues (in CHF m)	311	201
EBITDA margin	74%	73%
EBITDA (in CHF m)	232	147
Adjusted net profit (in CHF m) <sup>2</sup>	228	141
Net cash provided by operating activities (in CHF m)	220	129
Net cash used in investing activities (in CHF m)	-82	-18
Net cash used in financing activities (in CHF m)	-176	-26
Cash and cash equivalents at end of year (in CHF m)	81	122
Shareholders' equity (in CHF m)	363	273

<sup>1</sup> calculated based on quarterly AuM

<sup>2</sup> adjustment made to exclude changes in fair value of derivatives arising from insurance contracts

#### Share information as of 31 December 2007

Share price	CHF 152.00
Total shares	26'700'000
Market capitalization	CHF 4.1 bn
Free float	34%
Diluted shares	27'064'362
Adjusted diluted earnings per share <sup>3</sup>	CHF 8.41
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

<sup>3</sup> adjustment made to exclude changes in fair value of derivatives arising from insurance contracts

#### Forthcoming events

11 April 2008	Annual general meeting of shareholders
8 July 2008	Pre-close announcement AuM estimates as of 30 June 2008
2 September 2008	Interim report as of 30 June 2008



## TABLE OF CONTENTS

<b>Key figures</b>	<b>Page</b>	<b>3</b>
<b>Message from the partnership</b>	<b>Page</b>	<b>7</b>
<b>2007 at a glance - review of the financial performance</b>	<b>Page</b>	<b>9</b>
<b>Partners Group - a true specialist in alternative asset management</b>	<b>Page</b>	<b>13</b>
<b>Partners Group people</b>	<b>Page</b>	<b>23</b>
<b>Corporate responsibility</b>	<b>Page</b>	<b>27</b>
<b>Consolidated financial statements</b>	<b>Page</b>	<b>31</b>
<b>Financial statements Partners Group Holding</b>	<b>Page</b>	<b>105</b>
<b>Corporate governance</b>	<b>Page</b>	<b>117</b>
<b>Contacts</b>	<b>Page</b>	<b>133</b>



## MESSAGE FROM THE PARTNERSHIP

Dear clients, business partners and shareholders

Today we look back on our first full financial year as a public company, which has drawn to a successful close. On the back of the performance delivered to our clients, 2007 saw significant asset growth and the clear focus we place on client satisfaction has again led to an excellent result for all Partners Group stakeholders.

Partners Group continues to build and strengthen its team and expertise to lead the industry in the search for alternative investment returns across the globe which increasingly includes also emerging economies and new alternative asset classes, such as private real estate.

The number of employees increased to over 270 in 2007, many of which are based outside of Switzerland in our international offices. This international footprint has increased even further with the opening of two new offices in San Francisco and Tokyo in 2007, bringing the current total to seven offices worldwide. We continue to grow geographically and new offices in Beijing, Sydney and Luxembourg will be opened in the first half of 2008. In particular, the expansion in Asia, a region that offers increasing opportunities both in terms of access to investments and new clients, is strategically crucial for us. An increased focus will further be the strengthening of the leading position Partners Group has built up in this geographic region and Philipp Gysler, who is a member of the executive board of the company, will be stationed in Asia as of mid-2008.

In terms of our investment expertise, 2007 saw a strong focus placed on the development of our business line private real estate with the acquisition of the discretionary real estate asset management arm of Pension Consulting Alliance, a global leader in real estate investment management. In the coming 10-15 years private real estate is projected to develop along the same lines as private equity in the past 15 years, and offers great potential. In addition, the parallels between the two investment areas are blurring and an integration of a private real estate business offers many synergies in terms of investment expertise and client interests. Triggered by the significant devaluation of the core holdings in their portfolios through the US real estate crisis many institutional investors are rethinking their real estate investment strategy. The current situation highlights the necessity of international diversification and of including the return-generating potential of value-added and opportunistic investments in a private real estate portfolio. We are convinced that Partners Group is well-suited to be a global leader in the emerging private real estate market.

Today, Partners Group is among the few truly international firms and global leaders in alternative investment management and we intend to further expand our global footprint and are currently evaluating additional locations. The necessity of proximity to both attractive investment opportunities as well as to our ever-expanding global client base around the world continues to make expansion a priority going forward.

We are delighted to present you with our annual report 2007 and with a further year of outstanding financial results, achieved against a background of challenging financial markets. In this environment, the amount of assets in our public alternative investment department remained flat for the year. On the other hand, we have achieved significant asset growth of CHF 7 billion in our private alternative investment department (private equity, private debt and private real estate) on the back of excellent performance delivered to our clients. We are pleased to confirm that our industry recognition is unaltered and that we have been named fund of funds house of the year 2007 by the European Private Equity & Venture Capital Journal as well as best fund of funds in Europe of the year 2007 by our peers in the most recent Private Equity International survey.

Our passion for alternative investments and for making our client's investment programs a true long-term success remains at the core of our endeavors.



Dr. Marcel Erni

Executive vice chairman / co-founder  
Chief investment officer



Urs Wietlisbach

Executive vice chairman / co-founder  
International business development



**“Passion for continuity”**



As previously outlined in the annual report 2006, we continue to analyze our business based on three strategic value drivers crucial to our successful expansion and development: (i) assets under management, (ii) profitability, and (iii) earnings predictability. We define our assets under management to reflect our fee basis and analyze our profitability by distinguishing between revenue margins and EBITDA margins, which are calculated for recurring and non-recurring income. The predictability of our earnings is based on the characterization of investment mandates according to duration as well as the quality of our earnings, measured through determining those fees which are predictable.

In this review, we refer to adjusted net profit which excludes the positive impact of changes in fair value of derivatives arising from insurance contracts relating to our capital-protected product Pearl Holding Limited. The key figures are summarized in the table below.

### Assets under management

#### *Record growth during the year*

2007 saw a continued strong growth of assets under management (AuM), which have reached a total of CHF 24.4 billion as of 31 December 2007

(2006: CHF 17.3 billion), an increase of CHF 7.1 billion (41%). Gross growth for the year amounted to CHF 8.6 billion, with CHF 4.3 billion attributable to each of the six month periods, thereby confirming our assessment of the alternative asset classes being a structural growth market even in adverse circumstances as experienced in the second half of 2007.

After this market turbulence our public alternative investment strategies department (hedge funds, alternative beta strategies, listed alternative investments) posted only a slight net growth in assets under management of CHF 0.1 billion (+3%). On the other hand, the private alternative investment department reached record levels with CHF 5.3 billion growth in private equity (+46%), CHF 1.3 billion in private debt (+118%) and CHF 0.3 billion raised in private real estate, representing the first assets in this asset class.

#### *Assets raised from variety of sources*

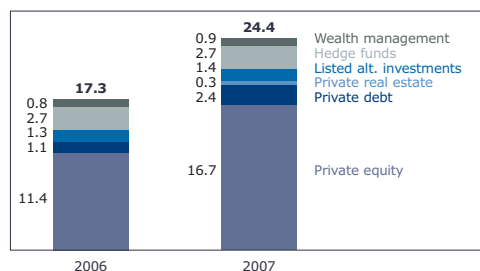
Institutional investors are observed to be continuously increasing their allocations to the alternative asset classes, resulting in a strong growth in market size, while our track record and long-term expertise allows us to further grow our market share.



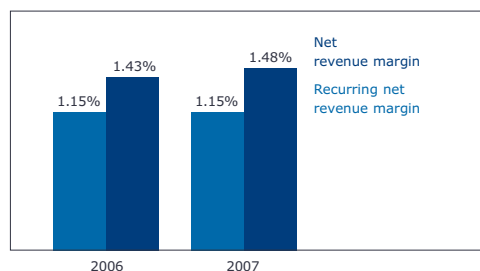
	2007	2006
AuM as per end of the year (in CHF bn)	24.4	17.3
Average AuM (in CHF bn) <sup>1</sup>	21.1	14.1
Net revenue margin	1.48%	1.43%
Recurring net revenue margin	1.15%	1.15%
Net revenues (in CHF m)	311	201
Recurring net revenues (in CHF m)	247	163
EBITDA margin	74%	73%
EBITDA (in CHF m)	232	147
Adjusted net profit (in CHF m)	228	141

<sup>1</sup> calculated based on quarterly AuM

Assets under management (in CHF bn)



Net revenue margin



Our focus on further developing our existing client relationships has resulted in a large portion of the funds raised in 2007, amounting to 48% of the total. We have additionally been able to capitalize on the significant opportunities offered by the growing importance of individual client segments in the alternative assets market, such as private banks. Furthermore, we have continued to develop our structuring know-how and design customized investment products offering optimal access to the alternative asset market and satisfying the varying requirements for each of the different investor classes.

Both our own sales force (71%) as well as our network of distributors (29%) contributed significantly to total assets raised in 2007. The strength of our distribution network is based on the cooperation between the members of our growing client relationship team, located in several offices around the world, and our distribution partners, which include some of the most prominent banks and financial intermediaries worldwide. In 2007 we significantly enlarged the client relationship team, including the team dedicated to further developing the collaboration with existing and new distribution partners.

In 2007, a substantial amount of funds were raised in our core market Europe, while we have also continued to concentrate on deepening our global presence in diverse geographic regions, such as the United States (San Francisco office opened H1

2007) and Asia (Tokyo office opened H2 2007). In addition, the momentum of our geographic growth was sustained through the expansion of existing international offices and we expect that clients outside Europe will significantly contribute to our growth in the future.

### Profitability

#### *Growing net revenue margins*

We calculate our net revenue margin by dividing net revenues by average AuM; thus the net revenue margin of 1.48% for 2007 (2006: 1.43%) results from dividing net revenues of CHF 311 million by average AuM of CHF 21.1 billion.

The margin improvement compared to 2006 is due to non-recurring revenue components, which are nevertheless integral parts of our business. The growth of AuM led to an increase in late management fees, which are derived from investors joining funds in later closings, amounting to CHF 26 million (2006: CHF 12 million) in 2007. Organizational fees, which occur at the establishment of a fund, remained stable in 2007 at CHF 11 million (2006: CHF 11 million). In addition, the long-term nature of private equity investing results in performance fees being earned after an investment period of a number of years, with the fees in 2007 representing successful investments made four to five years ago. The amount of performance fees earned in 2007 amounted to CHF 27 million (2006: CHF 15 million).

### EBITDA margin increase

Over the past years, we have seen a gradual increase of the EBITDA margin to 74% in 2007 (2006: 73%), due to our goal of sustaining our firm-wide focus on efficiency, which is supported by constantly developing technology as well as effective systems and processes. In addition, Partners Group continues to apply a thorough cost management with new costs only being approved in accordance with the growth of our asset base. Expenses stem predominantly from personnel costs, and new hires are approved only in line with assets raised. This stringent discipline aims to maintain an EBITDA margin of over 70%.

### Earnings predictability

#### Long-term duration of AuM

A large part of the alternative investment industry (private equity, private debt, private real estate) is characterized by its long-term nature. In general, investment vehicles either have long durations of over ten years as for limited partnership structures, or are evergreen structures as in the case of permanent capital vehicles (listed investment companies). The resulting stable AuM base allows for high forward-looking revenue predictability. The table on the top right shows the composition and duration of our total AuM.

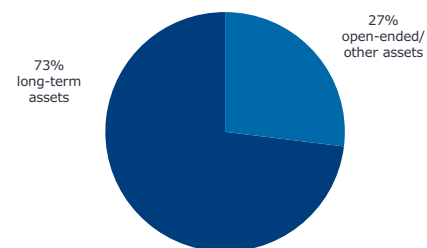
The proportion of long-duration assets has increased to 73% as per the end of 2007 (2006: 67%). This is due to the fact that the gross increase in AuM in the second half of 2007 was predominantly driven by our limited partnership structures (which according to their nature do not allow redemptions) while redemptions were made in open-ended funds.

### Secure stable revenues

Private alternative investments are characterized by long-term fixed management fees with additional performance fee upside. Correspondingly, in 2007 the growth in adjusted net revenues to CHF 311 million as compared to CHF 201 million for 2006 was predominantly driven by management fees, resulting in 88% of our fee income stemming from this predictable source of income. The non-recurring components are responsible for the smaller portion of revenues, namely 9% from performance fees and 3% from organizational fees, thereby once again confirming our long-term stable revenue stream.

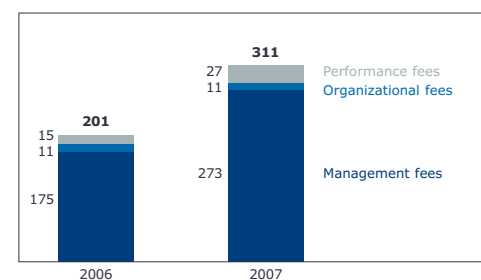
In the future, we expect the current assets under management to increasingly generate performance fees. However, we expect this increase to be nominal, as the long average holding period of a private equity investment causes performance fees to be generated four to five years after an initial investment. This time lag, in combination with the anticipated growth in management fees, confirms our expectation that the percentage share of performance fees on revenues is not expected to significantly increase in the foreseeable future.

Duration profile of AuM



Type	Duration	% of AuM (est.)
Permanent capital (e.g. closed-end investment companies)	No redemptions for foreseeable future	20%
Quasi permanent (e.g. mutual funds with limited liquidity)	Redemptions of at most 0 – 25% p.a.	11%
Limited partnerships (or mandates with similar term)	No redemptions for term of 10 – 12 years	42%
Open-ended funds (traditional mutual funds)	Regular redemptions possible	20%
Other structures	Mainly mandates that do not have LP-like characteristics	7%

Fee structure (in CHF m)





## PARTNERS GROUP - A TRUE SPECIALIST IN ALTERNATIVE ASSET MANAGEMENT

Partners Group today is one of the leading alternative asset managers with an exclusive focus on this highly specialized field of the investment universe. We provide comprehensive alternative investment management services, and invest globally based on a relative value investment strategy in private equity, private debt, private real estate, listed alternative investments, hedge funds and alternative beta strategies.

The relative value investment strategy is designed to identify the most attractive investment opportunities at a given point in time, based on an understanding of key return drivers and the market environment. For instance in private equity, we analyze the various market segments (which are defined by different combinations of financing stage, geographic region and investment type, such as primaries, secondaries and directs) and systematically overweight those areas that are expected to offer superior value. A substantially similar value-driven investment management approach is applied to our other business lines. While the relative value approach offers the potential for superior risk-adjusted returns, it requires a broad array of skills and can only be implemented with a large, global team and a broad industry network.

Partners Group has achieved a consistently strong performance, such as a 35% gross realized IRR on private equity and private debt investments, 21% gross IRR on private real estate and a 9% p.a. (2002-07) performance of our absolute return product, the Partners Group Alternative Investment Fund.\*

### **Private alternative investment strategies**

The business department private alternative investment strategies includes the business lines private equity, private debt and private real estate. In each of these asset classes, Partners Group invests using the full range of investment instruments: primary, secondary and direct investments.

### **Private equity**

The complexity of private equity investments combined with institutional investors' increased expectations regarding the implementation of tailored investment programs has transformed the demands placed on private equity asset managers in recent years. Selecting and constructing a globally diversified private equity portfolio requires considerable specialist knowledge and experience. However, the era of the pure "fund of funds" is over. Access to successful investor groups and the ability to select the best groups are a pre-requisite but no longer sufficient to cover the entire private equity market and all investment types. At Partners Group we address this challenge by focusing on a comprehensive and integrated investment process, encompassing primary, secondary and direct investments across financing stages (e.g. venture/growth capital, small/mid/large cap buyouts), industries and global regions.

### **Primary investments**

Partners Group invests a substantial portion of the assets it manages in private equity partnerships. These are investment vehicles specialized in investing overwhelmingly in private (i.e. not publicly traded) companies. Partners Group covers the full range of opportunities offered



\* IRR calculations according to Partners Group policy, details can be obtained at Partners Group.





by this type of investment, from investments in venture and growth capital to buyouts and restructuring as well as other special situations opportunities. Empirical research has shown that investment success in private equity primary funds depends on selecting the best managers. The gap between private equity funds that perform well and those that perform poorly is wide. It is therefore crucial to have access to the best managers. This is all the more difficult as those partnerships that have met the expectations of their investors over a longer period of time are often oversubscribed and, in many cases, no longer accept new investors. Due to their high minimum investments (e.g. USD 10 million), participation in such funds is usually limited to large institutional investors. As primary funds call commitments over time to invest in interesting opportunities that become available, the skill in investing in primaries consists of choosing the best managers based on experience, expertise, track record, investment strategy, market positioning, quality of deal flow as well as numerous other criteria.

#### *Secondary investments*

A secondary investment is a transaction through which an investor acquires an existing private equity portfolio from another investor. Investing in secondaries requires the skill of assessing an already existing portfolio with the requisite information as well as the analytical capabilities and capacity. As portfolios are often comprised of over 100 privately held companies located around the globe, the proprietary market information of a secondary investor is his biggest asset. There are only few investors that have the necessary market knowledge as

well as the capabilities and capacity to, amongst others, source secondary opportunities, analyze and value the underlying companies, conduct due diligence on a global basis and develop efficient transaction structures to arrive at a sound investment decision.

#### *Direct investments*

Further instruments in Partners Group's integrated investment process are direct/co-investments. These are not investments in private equity funds, but direct investments in individual operating companies. Partners Group makes such investments in cooperation with its global network of specialized general partners. Direct/co-investments allow our clients to increase their holdings in particularly attractive segments/regions/themes.

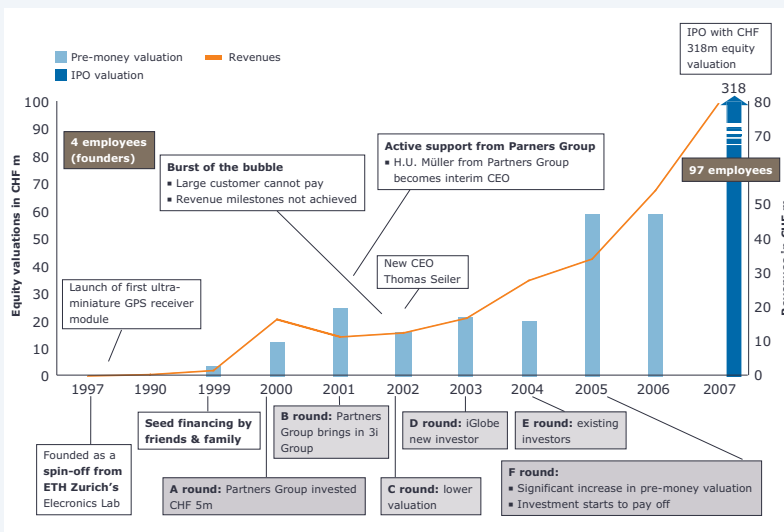
#### *Integrated investment approach*

Partners Group offers its clients the benefits of this integrated investment approach both in theme-specific funds such as Partners Group Asia-Pacific 2007, Partners Group Secondary 2008 or Partners Group European Growth 2008, as well as taking responsibility for comprehensive global portfolios such as Partners Group Global Value SICAV. In addition to structuring attractive investment solutions for our clients, Partners Group also applies stringent risk control, cash flow forecasting and investment level steering to all investment portfolios to offer our clients the best possible solutions for their investment programs.

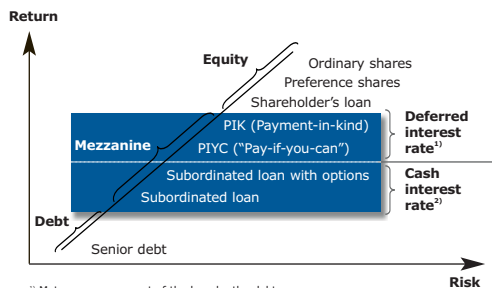


### Example direct private equity investment: case study u-blox

An example of Partners Group's influence as a direct investor is u-blox Holding AG (SWX: UNXN), a Swiss manufacturer of GPS chip-sets, receiver modules and receiver boards for use in automotive navigation, mobile terminals and infrastructure (surveying, logistics timing). u-blox was founded in 1997 as a spin-off from the Electronics Lab at the Swiss Federal Institute of Technology in Zurich. Partners Group participated as lead investor in a first financing round in 2000, and invested over CHF 5 million into the company. u-blox was developing well, and had increased its revenues and signed a contract with a new large client when the burst of the tech bubble brought initial problems. The large customer experienced payment difficulties and certain milestones were therefore not able to be reached. At this point, Partners Group was challenged as an investor to provide active support for the development of u-blox, and the responsible Partner Hans-Ulrich Müller became interim CEO. In the following years, the focus was placed on the renewed build-up of the company, led by the new CEO Thomas Seiler. Partners Group organised a number of further financing rounds and introduced new investors such as 3i and iGlobe to this investment opportunity. A breakthrough was achieved in 2006 with the introduction of a new generation of chipsets. u-blox launched a successful IPO on the SWX Swiss Exchange in October of 2007 at an equity valuation of CHF 318 million and is continuing its successful global development with offices in the US and in numerous locations around Asia. Partners Group invested CHF 16.5 million in u-blox since 2000, divested part of its holding at the IPO and still holds 22% of the company today. As of 31 December 2007, Partners Group has achieved a multiple of 6.7x and an IRR of 36% on the investment made in u-blox. The successful evolution of u-blox again confirms that "active ownership" of a company by its investors is the main driver of value creation as well as the importance of private equity investors maintaining this focus.



### Capital structure of a company



<sup>21</sup> Mature on repayment of the loan by the debtor

<sup>22</sup> Depending on capital structure and contractual form, also possible as component of the "cash interest rate"

### Private debt

The term "private debt" refers to borrowing by privately held companies. Our private debt offerings currently focus on mezzanine directs and secondaries in combination with primary investments in leading mezzanine groups on a global basis. Mezzanine debt is a hybrid financial instrument often employed in buy-outs, growth financing and other private equity transactions. By combining the characteristics of debt and equity capital, mezzanine debt provides borrowers with financial flexibility and investors with attractive risk-adjusted returns and cur-

rent cash flow. These features have contributed to a substantial growth of the mezzanine market over the past decade. In a company's capital structure, mezzanine debt is subordinate to traditional debt capital (typically bank debt), but ranks ahead of the company's equity. It carries a higher interest rate than senior debt and can be bundled with warrants on the company's equity. Together, these features create an attractive investment, combining the relative security of a debt instrument, attractive cash flow characteristics and the potential to participate in the profits of the borrower.

### Example direct mezzanine investment: case study Thule

An example of a direct mezzanine investment made by Partners Group is Thule AB, the world leader in accessories for vehicles. Thule is headquartered in Malmö, Sweden and has approximately 4'000 employees at more than 30 production and sales locations in the leading car markets in North America, Europe, Africa and Asia.

Taking advantage of the growth in both outdoor pursuits and the rising sales of sports utility vehicles, Thule evaluated various add-on acquisition opportunities intended to facilitate a further expansion into adjacent product segments by leveraging its market recognition and position. Thule targeted the acquisition of (i) Brink, the market leader for towing systems in Europe, (ii) Valley Industries, the second largest US trailer towing manufacturer, (iii) SportRack, a manufacturer of roof racks and rooftop boxes primarily for the US market, and (iv) the snow chain manufacturing business of Pewag in Austria.

Investors were required to finance the add-on acquisitions and Partners Group was invited to invest in the highly oversubscribed mezzanine tranche by the sponsor Candover, a leading European buyout specialist, with whom we have an excellent relationship. Thule was a solid investment proposition and fit our investment strategy due to its strong past financial performance and its highly cash-flow generating business model which was beneficial to the financing structure proposed. In addition, the lead investor Candover had proven expertise in this field and we were convinced that they would be able to successfully execute the proposed growth strategy for Thule.

Candover successfully exited the investment in Thule in May 2007 and the mezzanine capital was repaid. Partners Group achieved an IRR of 17% on the investment made in 2006.



### Private real estate

The term "private real estate" includes investments by institutional investors in funds and direct real estate investments that are not generally available to the public. The asset class focuses on investments in the value-adding (re-positioning opportunities) and opportunistic (workouts/new developments) sectors, where the returns are derived not only from regular income but also stem from capital gains associated with potential increases in the value of the property. Unlike the core strategy (investments in well-managed, fully leased

quality properties mainly generating regular rental income) which relies on yield/income, the value-adding and opportunistic strategies tend to focus on returns through capital appreciation and have both higher risk and higher earnings potential. This is a new emerging alternative investment class which is today almost exclusively taken advantage of by large North American investors.



### Example private real estate fund investment: JER Partners

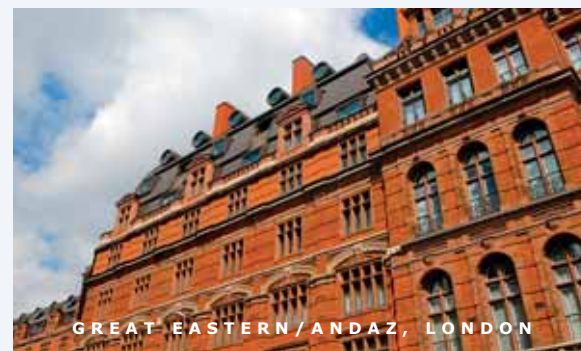
An example of a value-added investment is the Great Eastern Hotel in London by JER Partners, where value was directly created by the fund manager. JER Partners is a fully integrated private real estate investment management company which invests across North America and Europe and has managed eight private real estate funds with in excess of USD 4.3 billion in committed capital. JER Partners was backed by the current Partners Group team when they entered the fund management business in the early 1990s and our clients were among their first institutional backers. Partners Group clients receive preferred status as one of their investors.

In March 2006, JER Partners acquired the Great Eastern Hotel together with Hyatt from a joint venture between Conran and Blackstone. The hotel has 267 rooms and five food & beverage outlets and is situated in the heart of the City of London at Liverpool Street Station. In its state at purchase, the hotel was not running at full capacity and was not attractive to travellers.

Under the combined management of JER Partners and Hyatt, the hotel's operating performance improved dramatically. The hotel was refurbished and re-branded as a Hyatt Andaz – the first of Hyatt's new boutique hotel brands.

In the fall of 2007, JER Partners indicated to Hyatt that it wished to explore exit options, before testing the market for the sale of its stake and encountering strong interest. Hyatt exercised its right of first offer and purchased JER Partners' interest in the hotel project.

This has proven a highly successful investment for JER Partners, realizing a net IRR of 51% and a multiple of 2.1x. Partners Group's clients profited from this exit through their investments in JER Partners funds.





### **Public alternative investment strategies**

Through the business line public alternative investment strategies Partners Group accesses alternative return sources in the public markets. This department includes the business lines listed alternative investments, hedge funds and alternative beta strategies.

### **Listed alternative investments**

Listed alternative investments refer to our programs which invest in listed companies offering underlying

access to private equity, infrastructure or private real estate return sources. It might seem a paradoxical term as the underlying investments are made in non-public companies, real estate or infrastructure projects while the investment vehicles themselves are listed on stock exchanges. These products offer access to private market investment opportunities through publicly traded vehicles and therefore are subject to public market volatility.

### **Example listed alternative investment: Partners Group Listed Investments - Listed Private Equity**

An example of a product in the listed alternative investments business line is the Partners Group Listed Investments – Listed Private Equity Fund. Out of a global investment universe of over 250 companies, Partners Group is invested in around 30-40 companies at any point in time which it considers to be a compelling investment case. A study completed by Prof. H. Zimmermann has found the inclusion of listed private equity in a stock portfolio significantly improves the risk/return profile.

Partners Group invests using an active approach, which exploits market discrepancies as the share price does not usually reflect our assessment of the fair value of the underlying investments. Stock selections are made through the application of fundamental valuation techniques and the analysis of company-specific factors in combination with macroeconomic criteria. Investment decisions are further based on the application of Partners Group's relative value approach, which evaluates the relative attractiveness of single regions, investment types and financing stages at any point in time.

Listed private equity correlates with the private equity asset class, which historically outperforms the public equity markets in the long-term. The Partners Group track record has shown an annualized performance of 7% since 2001 and thereby outperforms both the listed private equity index LPX 50 TR by 4% and the MSCI World by almost 7% with almost half the volatility.



#### *Listed private equity*

In listed private equity, there are different types of listed vehicles, encompassing fund of funds, public partnerships, private equity managers and mixed investment companies. These all have in common that they are listed on a stock exchange, thereby offering public market investors easy and immediate access to the asset class private equity whilst eliminating the J-curve effect. Investors are offered the benefit of daily liquidity, but are exposed to an increased volatility and correlation to public markets.

#### *Listed infrastructure*

Infrastructure investments are usually divided into four categories: transportation (roads, bridges, airports, etc.), communications (cable networks, satellite systems, etc.), healthcare/education (hospitals, schools, etc.) and utilities (water systems, oil and gas pipelines, power stations, etc.). Through our business line listed alternative investments we offer our clients access to listed infrastructure, which is characterized by its low correlation to traditional asset classes and its attractive earnings potential. This segment is growing sharply due to privatization and increased infrastructure investments in emerging economies.

#### *Listed real estate*

The listed real estate investment universe consists of companies which invest in real estate assets, whose revenues stem predominantly from real estate activities and which are listed on stock exchanges. We offer our investors access to a portfolio of global listed real estate companies diversified by regions, strategies and sectors. Partners Group actively manages the portfolio based on its assessment of the relative attractiveness of macro-economic factors, its outlook on single real estate markets as well as on fundamental research of companies fitting the minimum investment criteria.



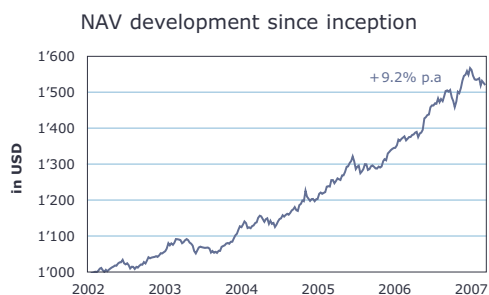


### Hedge funds

The Partners Group approach to hedge funds allows our investors to profit from liquidity and portfolio transparency. A high level of transparency and risk management is possible because of our managed account approach wherein each hedge fund manager pursues its strategy parallel to its offshore fund in a separate account invested in the name of our managed account platform. While managed accounts require a complex infrastructure and extensive experience on the part of the fund of hedge funds manager, they provide investors with a higher degree of security. Every day our dedicated team of risk managers downloads over 10'000 positions and performs a series of stringent analyses including comprehensive stress tests, thereby giving us yet another basis from which to evaluate the risk pro-

file of each fund. In addition to our investors benefiting from the risk management our investment approach offers, this data enables our hedge fund specialists to test and benchmark new investment strategies. It also provides clients with the data they need to model different scenarios and outcomes before testing them in the market.

Partners Group offers a wide range of products in the hedge fund universe, including equity-based, market neutral strategies and absolute return strategies.



### Example absolute return product: Partners Group Alternative Investment Fund

An example of an absolute return product is the Partners Group Alternative Investment Fund, which offers access to hedge fund returns complemented by less liquid private market strategies. The objective of the product is to achieve absolute capital growth over a twelve month time period.

In addition to weekly liquidity at net asset value, the product offers access and immediate exposure to the alternative investment class due to liquid investment strategies.

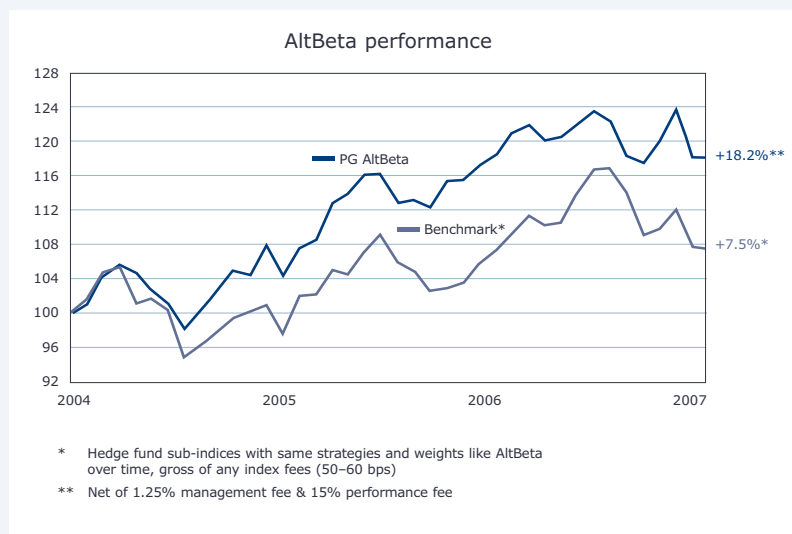
With annual returns ranging from 6% to 13% since inception in 2002, a low annual volatility between 3% and 5%, a Sharpe ratio between 0.9 and 1.5 and a low correlation to traditional asset classes, the Partners Group Alternative Investment Fund offers an attractive investment solution for investors.

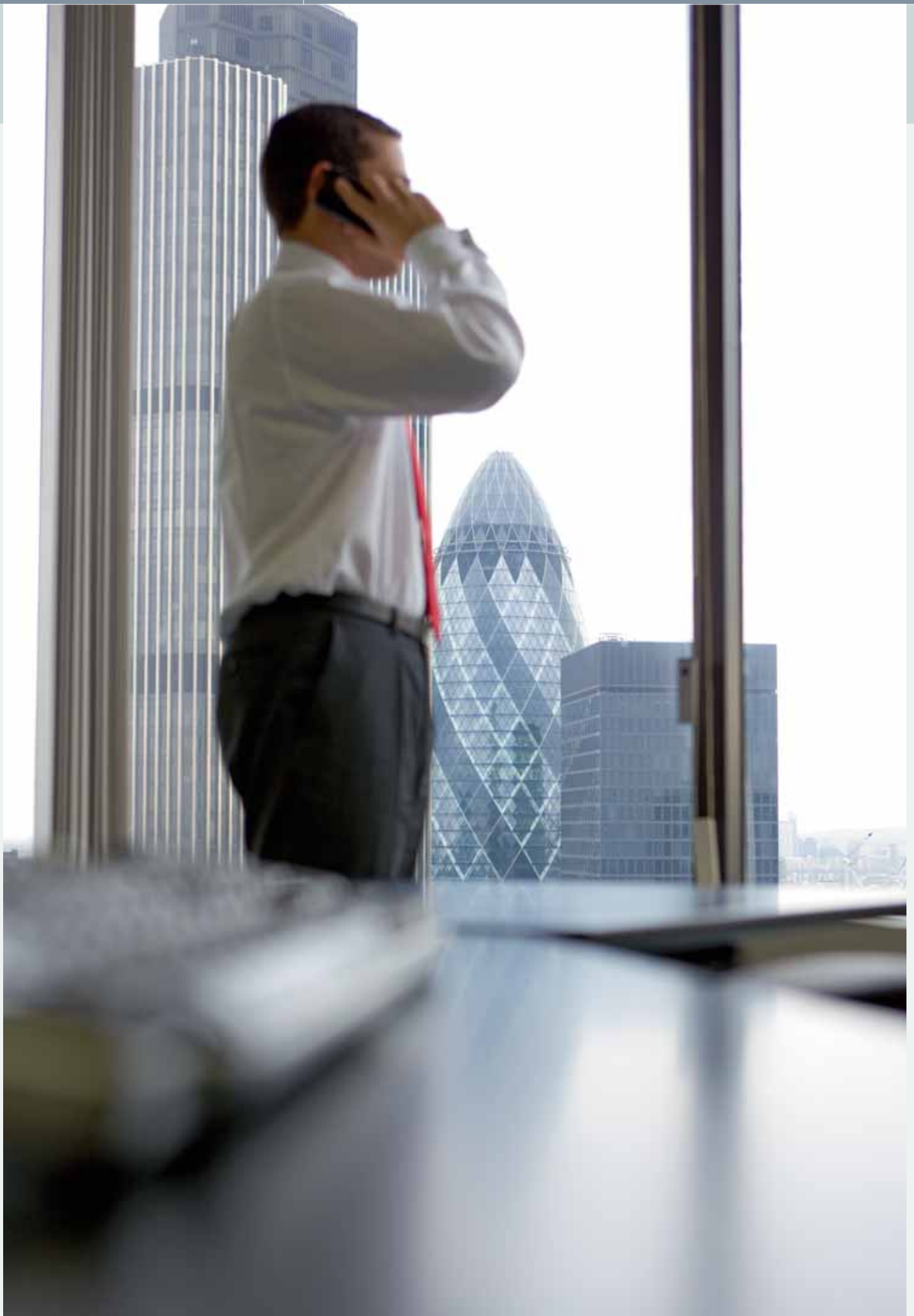
In 2007 the product achieved an annual return of 12%, noticeably outperforming the hedge fund market (as measured by the HFRX Global Index) by over 8%.

### Alternative beta strategies

Academic research and hedge fund investors alike have begun to realize that the systematic risk premiums extracted from hedge fund strategies are the most important source of hedge fund returns. Partners Group has performed extensive research in this field and has developed what it refers to as "alternative beta strategies" (AltBeta). The AltBeta program capitalizes on a wide range of alternative risk premiums and the corresponding hedge fund strategies, therefore allowing a cost-efficient way of further diversifying a traditional portfolio with non-traditional risk premiums.

The Partners Group AltBeta program was launched in October of 2004 and has outperformed the relevant hedge fund strategy index.





## PARTNERS GROUP PEOPLE

Our people are the core of our success, and our most important asset. We are committed to building long-term trust-based relationships with our clients, business partners and within our company and therefore employment continuity over time is crucial. We place strong emphasis on recruitment and retention, and strive to create an attractive workplace where people enjoy working and grow professionally.

To this end, establishing a strong and united corporate culture is key. Partners Group is an independent company majority owned by its partners, principals and employees, fostering a culture based on personal responsibility and initiative while nurturing a pioneering spirit. Through the vision of three entrepreneurial founders Partners Group has today grown into an entrepreneurial organization, where profes-

sionals at all levels across the firm become entrepreneurs themselves and live up to the promise of "passion for alternative investments". In addition to living the Partners Group culture and passion, each individual brings his or her own strengths and diverse educational, professional and cultural backgrounds to the company, thereby opening new perspectives and enriching the investment expertise we offer to our clients.

The Partners Group team now numbers over 270 and is made up of a diverse group of people. Of the four new members of the Partners Group family we have chosen to profile below, each brings his or her own particular benefit to the company, whether this be expertise in a particular region, investment area or other focus.







PAMELA ALSTERLIND,  
PARTNER,  
PRIVATE REAL ESTATE

#### **Pamela Alsterlind, US citizen**

Pam Alsterlind joined Partners Group with the successful completion of the PCA acquisition, where she was a Managing Director. She was made Partner of the firm in December 2007 and co-heads the private real estate investment department.

Pam spent her childhood in southern Maine, where she attended Bowdoin College after completing her high school education. At Bowdoin, she completed her bachelor's degree in government and the ancient Greek language in 1985. After finishing her degree, Pam was employed on Capitol Hill in Washington, DC, working as a legislative intern to a senator. She subsequently returned to school at the University of Michigan to pursue her MBA degree, before commencing her career in the private real estate industry as an investment manager for the Prudential Realty Group in Boston. Following this, Pam spent nine years as a senior manager in the real estate consulting practice at Kenneth Leventhal & Company and its successor Ernst & Young, LLP working with clients on portfolio acquisitions, dispositions and workouts before joining Pension Consulting Alliance in 1998, where she advised among other clients CalPERS and CalSTRS in their real estate investment practice. Pam's specialties include policy and program development, financial structuring and analysis, investment due diligence as well as manager monitoring and reporting. She brings two decades of private real estate expertise to our clients.

#### **Lukas Bucher, Swiss citizen**

Lukas Bucher is a member of the Associate Program and joined Partners Group in January 2008.

Lukas is a Swiss citizen and spent his childhood in Zofingen in canton Aargau. After completing his schooling, Lukas earned his degree in industrial engineering at the Swiss Federal Institute of Technology in Zurich in 2004. Following his studies, Lukas joined The Boston Consulting Group, where he focused on strategy consulting for the financial services sector, in particular for M&A transactions and post-merger integration. In January of 2007, Lukas commenced his MBA degree at INSEAD and spent six months in Singapore followed by four in Fontainebleau. Lukas always had a marked interest in the private equity industry and followed the development of Partners Group during his studies as well as thereafter. During his time at INSEAD he participated in an alumni event at which he met Christoph Rubeli, Partner and head markets Asia/Mid-East, and had the opportunity to discuss career opportunities at Partners Group. This meeting convinced him that he wanted to be part of the Partners Group success story and to pursue his career with us. In particular, the clear focus on entrepreneurship and partnership amongst the entire team at Partners Group confirmed his decision. His first rotation is in the private equity secondary team which will be followed by a rotation in the private equity primary team.



LUKAS BUCHER,  
ASSOCIATE PROGRAM,  
PRIVATE EQUITY

### **Linda Cai, Chinese citizen**

Linda joined Partners Group in January 2007 to develop Partners Group's presence in China and she is currently working on the launch of our Beijing office, which is expected for H1 2008.

Linda spent her childhood in Xiamen in southern China, where she completed her schooling and gained her degree in computer science at Xiamen University in 1994. Following this, she attended the University of California in Northridge where she completed a master's degree in computer science in 1995 before joining Autodesk, a world leader in 2D and 3D design software, as a product manager. Linda then completed her MBA degree at Harvard Business School in 2002 before returning to China to take on a management role as Head of China for Visto, a leading provider of mobile email solutions for business users. Her experiences upon returning to China exposed various inefficiencies in the Chinese market, which at that time offered numerous attractive investment opportunities and not enough capital supply. Seeing this imbalance prompted Linda to pursue opportunities on the investment side and she joined a private equity investment management firm. In this role, she was responsible for the Asia-Pacific fund of funds program, which enabled her to take advantage of the attractive investment environment prevalent for private equity in the Asian market. Her main focus was venture capital investing in China, and the experience she gained as well as her local knowledge and network will position Partners Group to excellent advantage in this new market, where local representation is crucial.

### **Yoshitaro Kajiro, Japanese citizen**

Yoshitaro is a member of the Associate Program at Partners Group and joined the company in October 2007.

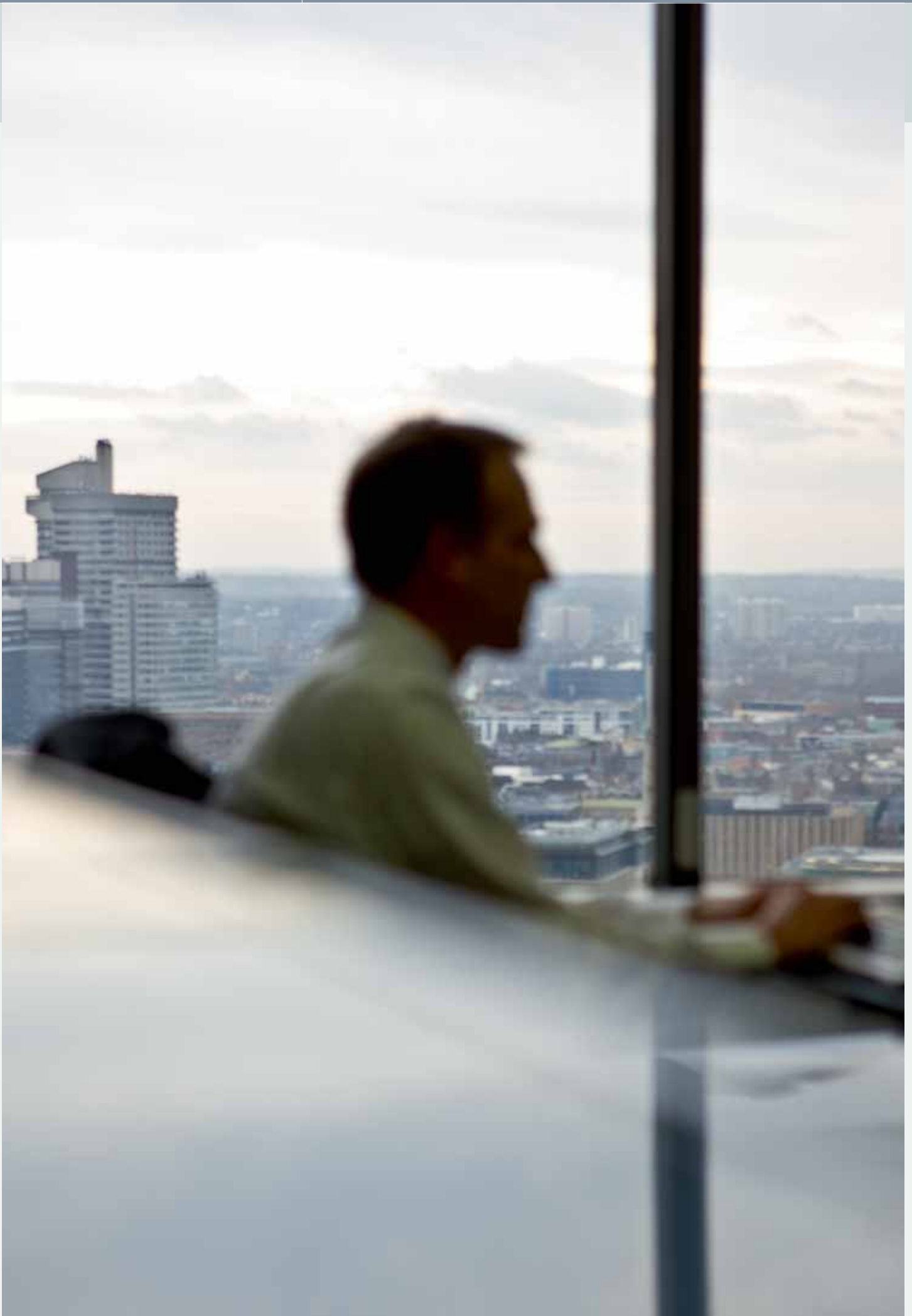
Yoshitaro spent his childhood in Kanagawa, a residential suburb of Tokyo. After completing high school, Yoshitaro earned his degree in political science at Waseda University in Tokyo in 2000. He then began his professional career at Goldman Sachs in Tokyo in the investment banking division. Subsequently, he focused on M&A transactions in the investment banking team at Nikko Citigroup before joining the Tokyo real estate division of the Carlyle Group. In the summer of 2006, Yoshitaro commenced his MBA degree at INSEAD, spending six months at the Singapore campus followed by four months in Fontainebleau. INSEAD provided him with his first truly international experience, as his work experience had been gathered exclusively in Japan. This experience prompted him to pursue his career in an international setting, with his clear focus placed on Europe as he is particularly fascinated by the diversity of nationalities and cultures to be found on this continent. Yoshitaro chose to join the Partners Group Associate Program based on the unique opportunities it offers, and especially appreciates the chance it has given him to spend time in the Zug office. He completed his first rotation in the hedge funds and AltBeta teams, and then joined the primary team on the private equity side. Yoshitaro will move to the Tokyo office in the fall of 2008.



LINDA CAI,  
BEIJING OFFICE



YOSHITARO KAJIRO,  
ASSOCIATE PROGRAM,  
PRIVATE EQUITY



Partners Group is committed to maintaining its principles of responsibility and sustainability in its endeavors and investments. We believe that social responsibility, ecological awareness and good corporate governance are crucial pillars of a company's success.

We consider the interests of society and take responsibility for the impact on our activities on customers, shareholders, communities and the environment in all aspects of our operations. Partners Group extends this obligation substantially beyond the legal requirements and voluntarily strives to fulfil more stringent criteria.

In asset management decisions, Partners Group acknowledges the importance of investing in a socially responsible manner and believes that sound business ethics are a factor in generating sustainable returns for clients. Partners Group considers the United Nations Ten Key Principles on human rights, labor standards, the environment and anti-corruption a prudent basis for assessing what constitutes appropriate business practice in its investment activities.

In addition, and following our credo of "Passion for alternative investments", we are just as passionate about assisting others. Through our corporate responsibility program we focus on the support and development of future entrepreneurs and their independence, just as the in-house culture is aimed at fostering the same qualities in our employees. We strive to make an impact by living an entrepreneurial spirit through three main focus areas: passion for education, passion for entrepreneurship and passion for philanthropy.

#### **Passion for education**

Partners Group is globally active in the education of young people, thereby helping to form the entrepreneurs of the future.

Partners Group team members are in constant dialogue with many of the leading universities and cooperate with them in terms of supporting university research or student theses. In addition, Partners and employees lecture on specific industry topics at a number of schools and universities. Many developments of new concepts and ideas, such as for instance the development of a comprehensive listed private equity index, were supported by Partners Group.

We also consider education to be an important topic in-house. We therefore run an apprenticeship program and offer internships to Swiss and international students as well as support the further education of our professionals (e.g. CFA, MBA, Swiss professional maturity, etc.).

#### **Passion for entrepreneurship**

Our corporate responsibility program is dedicated to taking an active role in supporting a new generation of entrepreneurs by backing and supporting them in founding their own companies after finishing their education.

For example, Partners Group is pleased to participate in the following programs:

##### *Venture business plan competition*

Venture is a joint initiative of the ETH Zurich and McKinsey & Company Switzerland with the aim of encouraging start-up activity. The business plan competition is held every two years, with the current event taking place in 2008. Several Partners Group professionals have participated as





coaches over the past years and Alfred Gantner, a founding Partner, has been a member of the jury or the advisory board since inception of this competition. Partners Group is pleased to lend its support to this forum for young entrepreneurs with innovative business ideas.

#### *SF "Start-up"*

The national Swiss television station SF launched a TV program in the spring of 2007, in which promising new entrepreneurial teams were selected and supported in the early phases of starting up their businesses. Partners Group advised on the development of this new format and Urs Wietlisbach, a founding Partner, participated as a member of the jury.

#### **Passion for philanthropy**

Partners Group also reaches out to people across the globe to help them found their own businesses and achieve their goal of independence.

Partners Group supported its Partners and employees in founding the endowment PG Alternative IMPACT and runs a contribution matching program. The charity aims to create significant, measurable and self-sustainable improvements in the lives of individuals by fostering entrepreneurial activity through providing help in obtaining training, advanced education and means for realizing business concepts. Three examples of projects financed through the endowment are:

#### *Touk Meas*

Touk Meas is a project supporting a school in Cambodia which teaches young women to weave, and allows them to start producing garments, scarves and other woven goods for sale. This program aims to give young women who are deprived of a normal education the chance to learn a busi-

ness which will allow them to make a living and support their families. The program focuses on fostering entrepreneurship and the accompanying development into self-sustainability.

The program enables the participants to generate a steady income. After two years of education, Touk Meas grants the graduates of the program micro credits for purchasing their own looms and starting their own business.

With Partners Group's support, the first five young women have graduated and either started their own businesses or remained at the school as teachers. The school has recently been enlarged and a new class of 10 students has started their education. The next steps will be to continue enlarging the school to educate a growing number of students.

#### *Pyrethrum*

Pyrethrum is an excellent natural alternative to chemical insecticides, used for example in organic farming. Partners Group has invested in a program which supports a group of entrepreneurial farmers in Bolivia in the production, marketing and sale of this organic insecticide. The aim is to offer the farmers in their region the opportunity for organic agriculture.

The PG Alternative IMPACT contribution is made through GEXSI, a fund designed for donors and foundations to finance early-stage social entrepreneurs in markets at the bottom of the income pyramid. GEXSI aims to bring together charitable donors, social entrepreneurs and social investors in funding exceptional economic, ecological and social projects for sustainable development. With the support of PG Alternative IMPACT, this project



will offer the families the perspective of an independent future and the opportunity of supporting themselves through the Pyrethrum flower crop.

Partners Group's initial contribution to this project was vital in getting the project off the ground and over 60 farming families are members of the organization today. The first full harvest is expected in 2008. A recent feasibility study for a loan from the World Bank has been successfully completed, which will secure the long-term financing for capacity build-up of the program.

#### *Youth Venture*

Youth Venture helps to empower young people by providing them all the tools necessary to create civic-minded organizations, clubs or businesses. A venture can be any youth-created, youth-led organization designed to provide a positive lasting benefit in a school, neighborhood or community. Youth Venture strives to reach and support any young person who has a dream about how to make a difference, and the dedication to make it happen. Youth Venture works together with Ashoka, whose declared vision is striving to shape an entrepreneurial, productive and globally integrated citizen sector, to support programs which invest in social entrepreneurs.

One such project that has been supported through PG Alternative IMPACT is Arte e Amor (Art and Love), which was started by two young men in their early 20s from a suburb of Sao Paulo. They offer young pregnant and drug-addicted women a creative income-generating opportunity by running classes on glass recycling and jewel manufacturing, thereby supporting their evolution into self-sustaina-

bility. With this program, the team strives to improve the quality of highly at risk young people whilst encouraging them to be "changemakers" and identifying a creative opportunity to generate income while recycling and cleaning up their community. The team leaders feel that Youth Venture has supported them by helping them to work as a team, pinpoint the most important developmental needs of their project and how to structure the implementation, as well as improve their managerial and presentation skills.

With Partners Group's participation, the program has had a successful start in the Sao Paulo area, running workshops, training seminars, etc. Over 60 youth teams have been evaluated, of which 48 have eventually received funding. The focus will now be placed on the roll-out of the model in the north east of Brazil, where a similar set-up is envisaged.





**"Passion for transparency"**

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF THE AUDITORS**

<b>1. Report of the Auditors on the Consolidated Financial Statements</b>	<b>32</b>
<b>2. Consolidated Financial Statements:</b>	
– Consolidated income statement for the years ended 31 December 2007 and 2006	<b>33</b>
– Consolidated balance sheet as of 31 December 2007 and 2006	<b>34</b>
– Consolidated statement of changes in equity for the years ended 31 December 2007 and 2006	<b>35</b>
– Consolidated cash flow statement for the years ended 31 December 2007 and 2006	<b>36</b>
– Notes to the consolidated financial statements for the years ended 31 December 2007 and 2006	<b>38</b>

# REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



**KPMG Ltd**  
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Report of the Group Auditors to the General Meeting of

## Partners Group Holding, Baar-Zug

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes / pages 33 to 104) of Partners Group Holding for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss Law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd

  
Swen Wyssbrod  
Auditor in Charge

  
Patrizio Aggio

Zurich, 27 February 2008

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

<i>In thousands of Swiss francs</i>	<b>Note</b>	<b>2007</b>	<b>2006</b>
Revenues from management and advisory services, net	<b>3 &amp; 9</b>	305'839	197'186
Share of results of associates	<b>17</b>	4'984	4'005
<b>Net revenues</b>		<b>310'823</b>	<b>201'191</b>
Third party services	<b>11</b>	-5'730	-7'100
Personnel expenses	<b>12</b>	-58'670	-37'047
General & administrative expenses		-8'483	-6'372
Marketing & representation expenses		-6'384	-3'966
Depreciation & amortization	<b>15 &amp; 16</b>	-4'026	-3'955
<b>EBIT</b>		<b>227'530</b>	<b>142'751</b>
Changes in fair value of derivatives arising from insurance contracts	<b>3 &amp; 31</b>	27'785	12'953
Gain on settlement of insurance contracts, net	<b>31</b>	-	1'042
Income from investment companies	<b>3 &amp; 19</b>	3	1
Other finance income, net	<b>13</b>	16'587	7'194
Finance cost	<b>13</b>	-164	-835
<b>Profit before tax</b>		<b>271'741</b>	<b>163'106</b>
Income tax expense	<b>14</b>	-16'439	-8'678
<b>Net profit for the period</b>		<b>255'302</b>	<b>154'428</b>
Attributable to:			
Equity holders of the parent		255'039	154'159
Minority interest		263	269
Basic earnings per share (Swiss francs)	<b>26</b>	10.14	6.33
Diluted earnings per share (Swiss francs)	<b>26</b>	9.42	5.62



**CONSOLIDATED BALANCE SHEET  
AS OF 31 DECEMBER 2007 AND 2006**

*In thousands of Swiss francs*

	<b>Note</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>			
Property, plant and equipment	<b>15</b>	4'971	3'668
Intangible assets	<b>16</b>	64'808	52'415
Investments in associates	<b>17</b>	5'424	4'462
Other investments	<b>19</b>	126'548	40'837
Other financial assets	<b>20</b>	94'730	83'369
Deferred tax assets	<b>21</b>	900	16'318
<b>Total non-current assets</b>		<b>297'381</b>	<b>201'069</b>
Prepaid expenses	<b>22</b>	6'571	2'219
Trade receivables	<b>22</b>	73'364	37'297
Other receivables	<b>22</b>	5'078	455
Marketable securities	<b>23</b>	19'912	23'095
Cash and cash equivalents	<b>24</b>	80'689	121'698
<b>Total current assets</b>		<b>185'614</b>	<b>184'764</b>
<b>Total assets</b>		<b>482'995</b>	<b>385'833</b>
<b>Equity and liabilities</b>			
Share capital	<b>25</b>	267	267
Own equity instruments	<b>25</b>	-170'742	-60'354
Share premium	<b>25</b>	218	218
Retained earnings	<b>25</b>	533'541	332'941
Equity attributable to equity holders of the parent		363'284	273'072
Minority interest		690	427
<b>Total equity</b>		<b>363'974</b>	<b>273'499</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	<b>27</b>	-	22
Pension fund liabilities	<b>29</b>	3'792	2'575
Derivatives arising from insurance contracts	<b>31</b>	57'228	82'755
<b>Total non-current liabilities</b>		<b>61'020</b>	<b>85'352</b>
Trade payables		20'373	8'970
Income taxes payable		1'151	521
Accrued expenses	<b>28</b>	28'513	14'934
Other current liabilities		7'964	2'557
<b>Total current liabilities</b>		<b>58'001</b>	<b>26'982</b>
<b>Total liabilities</b>		<b>119'021</b>	<b>112'334</b>
<b>Total equity and liabilities</b>		<b>482'995</b>	<b>385'833</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

*In thousands of Swiss francs*

	Share capital	Own equity instruments	Share premium	Translation reserves	Hedging reserve	Other retained earnings	Total retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2006	267	-58'210	218	3'597	-	174'210	177'807	120'082	158	120'240
Acquisition of treasury shares		-38'771					-	-38'771		-38'771
Sale of treasury shares		36'627				-24'013	-24'013	12'614		12'614
Equity settled transactions						3'371	3'371	3'371		3'371
Tax effect resulting from equity settled transactions						23'667	23'667	23'667		23'667
Translation adjustment				-2'442			-2'442	-2'442		-2'442
Fair value changes of cash flow hedges					392		392	392		392
Net profit for the year						154'159	154'159	154'159	269	154'428
Total recognized income and expense in 2006				-2'442	392	154'159	152'109	152'109	269	152'378
<b>Balance at 31 December 2006</b>	<b>267</b>	<b>-60'354</b>	<b>218</b>	<b>1'155</b>	<b>392</b>	<b>331'394</b>	<b>332'941</b>	<b>273'072</b>	<b>427</b>	<b>273'499</b>
Balance at 1 January 2007	267	-60'354	218	1'155	392	331'394	332'941	273'072	427	273'499
Acquisition of treasury shares		-159'775					-	-159'775		-159'775
Sale of treasury shares		38'532				11'319	11'319	49'851		49'851
Equity settled transactions						5'255	5'255	5'255		5'255
Acquisition of subsidiary settled in equity instruments						7'175	7'175	7'175		7'175
Transfer of repurchased share options		10'855				-10'855	-10'855	-		-
Tax effect resulting from equity settled transactions						-999	-999	-999		-999
Dividends paid to shareholders						-66'624	-66'624	-66'624		-66'624
Translation adjustment				-300			-300	-300		-300
Fair value changes of cash flow hedges					590		590	590		590
Net profit for the year						255'039	255'039	255'039	263	255'302
Total recognized income and expense in 2007				-300	590	255'039	255'329	255'329	263	255'592
<b>Balance at 31 December 2007</b>	<b>267</b>	<b>-170'742</b>	<b>218</b>	<b>855</b>	<b>982</b>	<b>531'704</b>	<b>533'541</b>	<b>363'284</b>	<b>690</b>	<b>363'974</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

*In thousands of Swiss francs*

	<b>Note</b>	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>			
Net profit for the year		255'302	154'428
Adjustments:			
Share of results of associates	<b>17</b>	-4'984	-4'005
Income from other investments	<b>19</b>	-3	-1
Net financial result	<b>13</b>	-16'423	-6'359
Income tax expenses	<b>14</b>	16'439	8'678
Depreciation of property, plant and equipment	<b>15</b>	1'522	1'187
Amortization of intangible assets	<b>16</b>	2'505	2'768
Share-based expenses		5'255	3'371
Change in fair value of derivative assets arising from insurance contracts	<b>31</b>	-	1'692
Change in fair value of derivative liabilities arising from insurance contracts	<b>31</b>	-27'785	-14'455
Change in fair value of assets held by insurance trusts		-3'789	2'191
Non-cash gain on settlement of insurance contracts	<b>31</b>	-	-6'747
Change in defined benefit obligation	<b>29</b>	1'217	309
Gain / (loss) realized on other derivatives		1'793	-453
Other non-cash items		-31	-34
Operating cash flow before changes in working capital		231'018	142'570
(Increase) / decrease in receivables		-41'799	-13'678
Increase / (decrease) in payables		32'715	3'718
Financial expenses (other than interest) paid		-203	-181
Cash generated from operations		221'731	132'429
Income taxes paid		-1'389	-3'584
<b>Net cash provided by operating activities</b>		<b>220'342</b>	<b>128'845</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE  
YEARS ENDED 31 DECEMBER 2007 AND 2006 – CONTINUED**

*In thousands of Swiss francs*

	<b>Note</b>	<b>2007</b>	<b>2006</b>
<b>Investing activities</b>			
(Purchase) / disposal of marketable securities		4'494	-13'161
Proceeds on disposal of property, plant and equipment	<b>15</b>	26	5
Purchase of property, plant and equipment	<b>15</b>	-2'937	-1'373
Purchase of intangible assets	<b>16</b>	-1'100	-4'275
Cost recovered from disposal of other investments	<b>19</b>	18'072	2'906
Purchase of other investments	<b>19</b>	-102'729	-28'213
Acquisition of subsidiary, net of cash acquired	<b>7</b>	-6'109	-
Investments in assets held by insurance trust and experience account		-4'338	-58'228
Proceeds from assets held by insurance trust		-	74'847
Change in other financial assets		-667	-227
Interest received		8'518	7'126
Dividends received		4'311	3'039
<b>Net cash used in investing activities</b>		<b>-82'459</b>	<b>-17'554</b>
<b>Financing activities</b>			
Repayment of borrowings		-22	-6
Interest paid		321	-76
Dividends paid to third parties		-66'624	-
Purchase of treasury shares		-159'775	-38'772
Disposal of treasury shares		49'851	12'614
<b>Net cash used in financing activities</b>		<b>-176'249</b>	<b>-26'240</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>-38'366</b>	<b>85'051</b>
Cash and cash equivalents at beginning of the year	<b>24</b>	121'698	36'680
Effect of foreign exchange rate changes		-2'643	-33
<b>Cash and cash equivalents at end of the year</b>	<b>24</b>	<b>80'689</b>	<b>121'698</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

### 1. GENERAL INFORMATION

Partners Group Holding (the Company) is a company domiciled in Switzerland. The consolidated financial statements for the years ended 31 December 2007 and 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were authorized for issue by the Board of Directors on 27 February 2008 and are subject to approval at the general meeting of shareholders on 11 April 2008.

The principal activities of the Group are described in note 6.

The consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest thousand. The figures referred to in text passages are shown in actual figures, rounded to the nearest Swiss franc unless otherwise stated. The statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments designated as at fair value through profit or loss and financial instruments classified as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

#### 2.2 Basis of consolidation

##### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies; this is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control



ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see note 2.8). Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's accounting policies are consistently applied by all subsidiaries.

**(b) Associates**

Associates are all entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2.8).

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are included in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' financial reporting has been amended where necessary to ensure consistency with the policies adopted by the Group.

**(c) Joint ventures**

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the consolidated financial statements.

The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognize its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party.

A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realizable value of current assets, or an impairment loss. Joint ventures' financial reporting has been amended where necessary to ensure consistency with the policies adopted by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**(d) Other investments / Special purpose entities**

In the course of offering structured products the Group may become the majority or sole shareholder of certain entities. These entities are managed for a certain period of time, but the Group is not the beneficial owner of assets contained in these companies; in addition, the Group's management decisions are strictly limited by separate contracts. Such entities fulfill the definition of special purpose entities and are accounted for by applying SIC 12 Consolidation – Special purpose entities. The same applies to limited partnerships, where the Group holds only a minor equity interest but acts as the General Partner on behalf of the entity's investors, who are the limited partners. As the Group in both instances is not subject to the majority of risk and rewards these entities are not consolidated, but are designated as at fair value through profit or loss.

**2.3 Changes in accounting policies**

The accounting policies adopted for the year ended 31 December 2007 are consistent with those of the previous financial year presented in this report, except where new or revised standards were adopted prospectively, as indicated below.

**2.3.1 Standards, amendments and interpretations effective in 2007**

- IFRS 7 – *Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures*, introduce new disclosures relating to financial instruments and equity. IFRS 7 does not have any impact on the classification and valuation of the Group's financial instruments.
- IFRIC 7 – *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*, this interpretation is not relevant to the Group's operations.
- IFRIC 8 – *Scope of IFRS 2*, addresses the accounting for share-based payment transactions in which some or all of goods and services received can not be specifically identified. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 9 – *Reassessment of Embedded Derivatives*, requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 10 – *Interim Financial Reporting and Impairment*, prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at the subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

**2.3.2 Standards, amendments and interpretations to existing standards, that are not yet effective and have not been early adopted by the Group**

The following new and revised standards and interpretations have been issued until the date on which the consolidated financial statements were authorized for issue, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analyzed. The expected effects as disclosed in the following table reflect a first assessment by Group management.

Standard / Interpretation		Effective date	Planned application by Partners Group
Amendment to IAS 23 – Borrowing costs	*	1 January 2009	Reporting year 2009
Amendment to IAS 1 – Presentation of Financial Statements	***	1 January 2009	Reporting year 2009
IFRS 3 / IAS 27R – Business combinations	***	1 July 2009	Reporting year 2009
IFRS 8 – Operating Segments	**	1 January 2009	Reporting year 2009
IFRIC 11 – IFRS 2, Group and treasury share transactions	*	1 March 2008	Reporting year 2008
IFRIC 12 – Service concession arrangements	*	1 January 2008	Reporting year 2008
IFRIC 13 – Customer loyalty programs	*	1 July 2008	Reporting year 2008
IFRIC 14 – IAS 19, The limit on a defined benefit asset, minimum funding requirements	*	1 March 2008	Reporting year 2008

\* No significant impact is expected on the consolidated financial statements of the Group

\*\* Mainly additional disclosures are expected in the consolidated financial statements of the Group

\*\*\* The impact on the consolidated financial statements of the Group can not yet be determined with sufficient reliability

## 2.4 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business segments only. The Group does not provide a segment reporting following geographic criteria. Since the Group has focused its main activities on investment management / advice and its activities are concentrated in Switzerland and Guernsey / Channel Islands, the geographic information would not reveal useful insights.

The presented format is based on the Group's internal organization and management structure. The Group comprises the following main business segments:

- Private equity
- Hedge funds

For further information regarding these two business segments refer to note 6. The Group discloses no intersegment transactions, as there are none; consequently no eliminations are necessary.

Three other business activities, wealth management, private debt and private real estate, do not meet the criteria of an independent segment and thus are disclosed under the heading "other / non-attributable". Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Financial assets and liabilities (insurance trust / experience account, investments in associates, other investments and related liabilities) are disclosed in their respective segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

Unallocated items comprise:

Income statement:

- Depreciation on property, plant and equipment
- Non-attributable part of amortization of intangible assets
- Pension cost
- Non-attributable part of net financial result
- Income tax expense

Balance sheet:

- Property, plant and equipment
- Non-attributable part of intangible assets (such as software)
- Non-attributable part of other financial assets
- Deferred tax assets
- Marketable securities
- Cash and cash equivalents
- Non-attributable part of interest-bearing loans and borrowings
- Pension fund liabilities
- Income taxes payable

### 2.5 Foreign currency translation

#### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Swiss francs.

#### **(b) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at the applicable foreign exchange rates for the dates the fair value was determined.

#### **(c) Financial statements of foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at foreign exchange rates applicable at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Swiss francs at average rates. Foreign exchange differences arising from the translation of balance sheets and income statements are recognized directly in a separate component of equity. Upon the disposal or liquidation of a foreign entity, the related cumulative translation adjustment is recognized in the income statement.

**(d) Applied foreign currency rates**

The Group applied the following currency rates against Swiss francs:

Year	Currency	Balance sheet rate	Average rate
2006	EUR	1.6088	1.5734
	USD	1.2198	1.2528
	GBP	2.3870	2.3084
	SGD	0.7949	0.7887
2007	EUR	1.6573	1.6432
	USD	1.1365	1.1999
	GBP	2.2533	2.4005
	SGD	0.7901	0.7964

**2.6 Accounting for derivative financial instruments and hedging activities**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

**Cash flow hedges**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the future transaction occurs.

When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Regarding the accounting for derivatives arising from insurance contracts refer to note 2.17.

**2.7 Property, plant and equipment**

**Owned assets**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for land, which is stated at cost less any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– Buildings	25 – 40 years
– Interior fittings	5 – 10 years
– Office furniture	5 years
– Cars	3 – 5 years
– Equipment and IT fittings	3 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### ***Leased assets***

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property, plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see above) and impairment losses (see note 2.12). Lease payments are accounted for as described in note 2.19.

## **2.8 Intangible assets**

### ***(a) Goodwill***

All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but tested annually for impairment (see note 2.12). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognized directly in profit or loss.

**(b) Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Computer software recognized as an asset is carried at cost less accumulated amortization (see below) and impairment losses (see note 2.12).

**(c) Pre-financed placement expenses**

In the course of its business, the Group selectively uses placement agents to place some of its partnership structures. The cost paid to such agents in relation to the amount placed is recognized as an asset in accordance with IAS 18 Appendix §14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

**(d) Put option resulting from initial recognition of insurance contracts**

In 1999 the Group entered into an insurance agreement with Princess Private Equity Holding Ltd., Guernsey (hereinafter referred to as "Princess"), insuring the repayment of the principal amount of the convertible bond issued by Princess. At inception the insurance contract entered into had been valued applying a put option valuation (see notes 2.17, 16 and 31). The resulting cost was considered to be the incremental cost directly attributable to securing an investment management contract. The cost was amortized using the straight-line method over the duration of the bond, which was launched in 1999 and was repayable at the latest by 31 December 2010. With the re-launch of the Princess transaction in December 2006 (see note 7), the structure put in place in 1999 was effectively settled and the initial put option derecognized.

In 2006 the Group entered into an agreement with Swiss Re with regards to the extension of the term of the convertible bond issued by Pearl Holding Limited ("Pearl") from 30 September 2010 to 30 September 2014 and an increase of the redemption amount of the bond from EUR 660 million to EUR 712.8 million. In this context, the Group has committed to invest an additional EUR 33 million into the existing experience account until 30 September 2010 to provide for further security. The payment of the present value of that amount was made in 2006. The Group's risk associated with its exposure as policyholder for Pearl is still limited to the value of the experience account; nevertheless this additional commitment increased the Group's overall exposure and thus was recognized as additional derivative liability. The Group considered the present value of the additional commitment also to be the incremental cost directly attributable to securing an investment management contract. This amount will be amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014.

**(e) Other intangible assets**

Other intangible assets, which the Group acquired and are recognized as assets, have a definite useful life. Such intangible assets are carried at cost less accumulated amortization (see below) and impairment losses (see note 2.12).

Expenditure on internally generated goodwill and brands is recognized in the income statement as an expense as incurred.

**(f) Subsequent expenditure**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

***(g) Amortization***

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and other intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Intangible assets with a determinable useful life are amortized from the date they are available for use.

The estimated useful lives are as follows:

- Computer software 3 years
- Pre-financed placement expenses 3–5 years
- Initial put option relating to Pearl 4 years
- Trademarks, customer lists 3.5 years

**2.9 Investments**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

***(a) Financial assets at fair value through profit or loss***

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management at initial recognition.

Financial instruments may be designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

***(b) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and in respect of which there is no intention of trading. They are included in current assets (trade and other receivables, see note 2.10), except for amounts with maturities of greater than twelve months after the balance sheet date, which are classified as non-current assets (other financial assets).

***(c) Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group did not hold any investments in this category during the years under review.

***(d) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. The Group did not hold any investments in this category during the years under review.

Purchases and sales of investments are recognized on the settlement date – the date on which the financial asset is delivered to the entity that purchased it. Investments are initially recognized at fair value plus, in the case of

financial assets not carried at fair value through profit or loss, at transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as investment gains and losses.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances. Regarding further explanations in connection with the determination of fair value please refer to note 4.6.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

#### **2.10 Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. An impairment loss on trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

#### **2.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **2.12 Impairment of assets**

The carrying amounts of the Group's assets, other than deferred tax assets (see note 2.20) and assets arising from employee benefits (see note 2.15), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated on an annual basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

***(a) Calculation of recoverable amount***

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

***(b) Reversals of impairment***

An impairment loss in respect of a held-to-maturity security or receivable carried at amortized cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of goodwill cannot be reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



## 2.13 Share capital

### **(a) Ordinary shares**

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

### **(b) Issuance of new shares**

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

### **(c) Repurchase of share capital and options on own shares**

Where any Group company purchases the Company's own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### **(d) Distribution of dividends**

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements when the dividends are approved by the Company's shareholders.

## 2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs are recognized as an expense when incurred.

## 2.15 Employee benefits

### **(a) Pension obligations**

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The benefits paid to all employees in the Group's home country qualify as a post-employment defined benefit plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annu-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

ally by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Where the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

***(b) Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after balance sheet date are discounted to their present value.

***(c) Share-based payment transactions***

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In some jurisdictions the Group operates in, employees have been granted share appreciation rights, which are settled in cash ("cash-settled transactions").

***Equity-settled transactions***

The cost of equity-settled transactions with employees is measured by reference to the fair value of equity instruments at the date on which they are granted. The fair value is determined internally using the Black-Scholes formula, further details of which are given in note 29.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Partners Group Holding ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expenses recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 26).

#### ***Cash-settled transactions***

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

#### **2.16 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

If the effect is material, provisions are determined by discounting the expected future cash-flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **2.17 Derivatives arising from insurance contracts**

The Group has exposures resulting from insurance contracts (see also notes 2.8 (d), 16 and 31). These contracts do not meet the definition of insurance contracts under IFRS 4, but do meet the definition of derivative financial instruments under IAS 39.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

### *Princess Private Equity Holding Limited ("Princess")*

The Group entered into an insurance agreement with Princess through its subsidiary Princess Management Limited, being licensed as an insurance company in Guernsey. As such, the Group had insured the repayment of the principal amount of a convertible bond issued and outstanding by Princess. The liability arising from the insurance was dependant on the value development of the outstanding portfolio of Princess and thus was classified as a derivative financial instrument. The insurance was valued applying a Black-Scholes model and any value changes were recognized in the income statement, adjusting the value presented on the balance sheet. On 5 December 2006 the Princess bondholders agreed to the early conversion of the convertible bond issued by Princess. In this regard, the insurance agreement with Princess Management Limited has been cancelled (refer to note 16).

### *Pearl Holding Limited ("Pearl")*

In 2000, the Group entered into an agreement with Pearl through its subsidiary Pearl Management Limited ("PML"), to act as a policyholder for an insurance entered into by a subsidiary of Swiss Re, insuring the repayment of the principal amount of a convertible bond issued by Pearl. On 30 March 2006 the Group entered into an additional agreement with Swiss Re with regards to the extension of the term of the aforesaid bond from 30 September 2010 to 30 September 2014 and an increase of the redemption amount of the bond from EUR 660 million to EUR 712.8 million. The agreement became effective on 1 January 2006.

In its function as policyholder, the Group on a quarterly basis makes certain payments into an experience account held by Swiss Re, which serves as first-level-coverage in the case of a default of Pearl; the corresponding assets in the experience account are presented within "other financial assets". Due to the extension of the term of the convertible bond, the Group paid in an additional amount into the experience account.

The Group's exposure as a policy holder is dependant on the value development of the outstanding portfolio of Pearl and thus is classified as a derivative financial instrument; however it is limited to the value of the assets contained in the experience account. This exposure is valued applying a Black-Scholes model (taking into account the Group's limited risk exposure) and any value changes are recognized in the income statement, adjusting the values presented on the balance sheet.

## **2.18 Revenue recognition**

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

### **(a) Sales of services**

Sales of services are recognized in the accounting period in which the services are rendered, with reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Ongoing investment management and advisory fees including all non-performance related fees are recognized when they were earned, based on the specific contracts. Performance fees are only recognized once they have been "locked-in" and cannot subsequently be reversed. As long as distributed performance fees are under a claw-back provision, they are recognized as deferred income and disclosed separately in note 10.

No revenue is recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

**(b) Incremental costs directly attributable to securing an investment management contract**

Incremental costs directly attributable to securing an investment management contract, such as placement fees for third party providers, are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Such assets are amortized as the entity recognizes the related revenue. The Group's investment management contracts usually apply a base fee, which is reduced on a sliding scale after a certain time period (usually five years). This time period serves as basis for the determination of the amortization period. The asset is recognized as an intangible asset.

**2.19 Expenses**

**(a) Leases**

**Operating lease payments**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognized in the income statement as an integral part of the total lease expense.

**Finance lease payments**

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the future minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and its lease term.

**(b) Net financial result**

Finance costs comprise interest payable on borrowings calculated using the effective interest method that are recognized in the income statement (see note 2.14).

Finance income, net comprises interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in the income statement (see note 2.6).

Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established, which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

**2.20 Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax relates to the expected taxes payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts included in the consolidated financial statements. The following temporary differences are not considered in accounting for deferred taxes: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### **2.21 Non-current assets held for sale and discontinued operations**

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

### **2.22 Business combinations involving entities under common control**

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applies the book value measurement method to all common control transactions.

## **3. CHANGES IN PRESENTATION OF INCOME STATEMENT**

For 2007, the presentation of the consolidated income statement has been changed compared to previous periods. The following presentation changes have been applied:

- *Revenues from management and advisory services, net* – the revenues are disclosed net of revenue deductions in the income statement. However, the gross amounts are disclosed in note 9. The respective amounts for the prior year period have been amended accordingly.
- *Changes in fair value of derivatives arising from insurance contracts* – the revaluation of the derivatives from insurance contracts is presented in the finance income and cost part of the income statement whereas the position was included in the net revenues in the prior periods. The Group considers the nature of these non-cash



revaluation movements as finance income or cost and believes that the reclassification is supportive for the understanding of the Group's business related revenues.

- *Income from investment companies* – this position has also been moved to the finance income and cost part of the income statement as it represents finance income from investments in investment companies.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the risk and audit committee, which is responsible for the developing and monitoring of the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group, through its training and the management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit and risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's risk and audit committee is assisted in its supervisory role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group.

### 4.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

#### *(i) Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less of an influence on credit risk. There is no substantial concentration of credit risk.

The Group maintains long-lasting client relationships. In addition the majority of the Group's counterparties are

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

either regulated financial institutions or institutional investors with a high reputation. The Group therefore currently does not have a specific rating system in place for its client relations.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and the collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar assets. The Group never suffered from any loss from its trade and other receivables, therefore no allowance for individual exposures or a collective loss allowance is currently established.

**(ii) Other**

The Group's other credit risk arises from cash and cash equivalents, derivative financial instruments, other financial assets (represents restricted cash investments) and deposits with banks. For banks and financial institutions only independently rated parties with a minimum rating of 'A' are accepted.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2007	2006
<i>In thousands of Swiss francs</i>		
Other financial assets	94'730	83'369
Trade receivables	73'364	37'297
Other receivables	762	9
Marketable securities	201	207
Cash and cash equivalents	80'684	121'689
Forward exchange contracts used for hedging:		
Assets	1'072	-
Other forward exchange contracts	3'016	42
	<b>253'829</b>	<b>242'613</b>
<i>Positions included in balance sheet, but not subject to credit risk</i>		
Other receivables (VAT etc.)	4'315	446
Marketable securities (equity securities)	19'712	22'888
Cash and cash equivalents (petty cash)	5	9
<i>Split of trade receivables into counterparty risk categories</i>		
– invoiced to clients	11'389	12'734
– collected by Group through management contracts	61'975	24'563
	<b>73'364</b>	<b>37'297</b>

The Group has distinguished whether its trade receivables are either collected by the Group itself through management contracts and discretionary responsibility exercised by the Group or whether such receivables are invoiced to clients. Due to the structure of its mandates the Group can collect a substantial portion of its fee income directly and thus further mitigates its counterparty risk.

### 4.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In order to assess the development of its liquidity the Group uses a tool which is integrated in the budgeting and reporting process, assisting in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the Group maintains the following lines of credit:

- CHF 30 million overall facility that can be used as follows:
  - CHF 10 million overdraft facility that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to three months. Interest would be payable at current market rates.
  - CHF 10 million contingent commitments such as security guarantees and deposits.
  - CHF 30 million as margin for over-the-counter trades (used mainly for foreign exchange trading purposes) with a maturity up to twelve months.

The debt covenants include minimum capital requirements (see note 4.5), a negative pledge and change in ownership clause. The debt covenants have been met throughout the two years presented.

The overall facility is currently used for rental deposits and for the margins for forward exchange contracts.

The following are the contractual maturities of financial liabilities, including estimated interest:

<i>In thousands of Swiss francs</i>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>More than 5 years</b>
<b>2006</b>						
Derivative liability	82'755					82'755
Trade payables	8'970	8'970				
Other current liabilities	-					
Interest-bearing loans and borrowings	22	-		22		
Unfunded commitments	29'482		7'371	7'371	14'741	
	<b>121'229</b>	<b>8'970</b>	<b>7'371</b>	<b>7'393</b>	<b>14'741</b>	<b>82'755</b>
<i>Positions included in balance sheet, but not subject to liquidity risk</i>						
Other current liabilities (VAT, social security liabilities, etc.)	2'557	2'557				
<b>2007</b>						
Derivative liability	57'228					57'228
Trade payables	20'373	20'373				
Other current liabilities	-					
Interest-bearing loans and borrowings	-					
Unfunded commitments	50'453		12'613	12'613	25'227	
	<b>128'054</b>	<b>20'373</b>	<b>12'613</b>	<b>12'613</b>	<b>25'227</b>	<b>57'228</b>
<i>Positions included in balance sheet, but not subject to liquidity risk</i>						
Other current liabilities (VAT, social security liabilities, etc.)	7'964	7'964				

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**4.4 Market risk**

**(i) Overview**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines defined within the rules of organization and of operations ("ROO"), issued by the board of directors.

**(ii) Currency risk**

The Group is exposed to currency risk on revenues, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR), but also US dollars (USD) and Sterling (GBP). The currencies in which these transactions primarily are denominated are EUR, USD, GBP and Swiss francs (CHF).

On a regular basis the Group hedges 50 (EUR) to 85 (USD) percent of its estimated foreign currency exposure in respect of forecast revenues and purchases over the following twelve months. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of maximum one year from the reporting date. On a case by case basis the Group may also hedge recognized assets and liabilities in foreign currencies.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

*In thousands of Swiss francs*

	CHF	EUR	USD	GBP	SGD
<b>2006</b>					
Other financial assets	-	-	305	-	-
Prepaid expenses	-	1'353	40	-	-
Trade receivables	-222	21'562	12'629	2	-
Other receivables	558	203	910	-1'258	212
Marketable securities	207	8'346	-	-	-
Cash and cash equivalents	544	2'955	155	115	-
Trade payables	-7	-1'598	-3'354	-	-
Accrued expenses	-16	-1'432	-286	-81	-
Forward exchange contracts	-	32	-180	-	-
<b>Total</b>	<b>1'064</b>	<b>31'421</b>	<b>10'219</b>	<b>-1'222</b>	<b>212</b>
<b>2007</b>					
Other financial assets	-	149	705	-	-
Prepaid expenses	-	1'193	57	-	-
Trade receivables	-1'369	58'373	24'327	3	-
Other receivables	3'644	22'143	1'335	106'084	-260
Marketable securities	201	19'712	-	-	-
Cash and cash equivalents	6	5'202	308	352	-
Trade payables	-16	-2'990	-975	-	-
Accrued expenses	-276	-1'426	-4'955	-58	-
Forward exchange contracts	-	956	3'043	-	-
<b>Total</b>	<b>2'190</b>	<b>103'312</b>	<b>23'845</b>	<b>106'381</b>	<b>-260</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**Sensitivity analysis**

In order to analyze the impact of the currency fluctuations on the profit or loss respectively the equity of the Group, the Group has applied the given volatility for the individual currency pairs (i.e. CHF/EUR) in the respective reporting periods. This analysis assumes that all other variables, in particular interest rates, remain constant (i.e. the Group examined the effect of an increase of the EUR against the CHF of 4.05%, calculating the corresponding effect). The analysis is performed on the same basis for the previous year. The applied volatilities as well as the impact on profit or loss respectively equity of the Group are as follows:

<b>Volatilities</b>	<b>2007</b>	<b>2006</b>
CHF/EUR	4.05%	2.41%
CHF/USD	7.85%	8.91%
CHF/GBP	8.19%	4.72%
CHF/SGD	7.23%	6.97%
EUR/USD	6.17%	7.88%
EUR/GBP	5.91%	4.29%
EUR/SGD	5.08%	5.78%
USD/GBP	6.57%	8.62%
USD/SGD	3.21%	3.71%
GBP/SGD	6.25%	6.89%

*Effect in thousands of Swiss francs*

	<b>Equity</b>		<b>Profit or loss</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
CHF/EUR	-592	-	-984	-133
CHF/USD	-1'254	-2'418	-3'816	-1'145
CHF/GBP			8'865	-28
CHF/SGD			-	15
EUR/USD			235	129
EUR/GBP			2'505	202
EUR/SGD			-	-
USD/GBP			-461	224
USD/SGD			-	-
GBP/SGD			-	-
<b>Total</b>	<b>-1'846</b>	<b>-2'418</b>	<b>6'342</b>	<b>-736</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**Forward exchange contracts**

As of 1 July 2006, the Group started to apply hedge accounting for the hedging of the foreign currency exposure resulting from some of the future revenue streams in foreign currencies. The relevant hedges are entered with a maturity of the corresponding quarter end (up to twelve months from the hedging date); the hedging is performed with forward contracts by selling the anticipated exposure against Swiss francs. The Group classifies such hedges as cash flow hedges. The following cash flow hedges were recognized as of the end of the respective reporting periods:

<i>In thousands of Swiss francs</i>	<b>Forward date</b>	<b>Outstanding volume of hedges</b>	<b>Recognized in cash flow hedge reserve</b>	<b>Expected date of cash flow</b>	<b>Expected date of impact on income statement</b>	<b>Ineffective part recognized in income statement</b>
<b>2006</b>						
Selling USD against CHF	30.03.2007	8'869	97	Apr 07	Mar 07	-
Selling USD against CHF	29.06.2007	8'944	99	Jul 07	Jun 07	-
Selling USD against CHF	28.09.2007	9'326	196	Oct 07	Sep 07	-
<b>Total</b>		<b>27'139</b>	<b>392</b>			<b>-</b>
<b>2007</b>						
Selling USD against CHF	28.03.2008	15'969	1'072	Apr 08	Mar 08	-
Selling EUR against CHF	28.03.2008	14'629	-90	Apr 08	Mar 08	-
<b>Total</b>		<b>30'598</b>	<b>982</b>			<b>-</b>

Subsequently, the Group entered into short term hedging contracts (up to three weeks from the hedging date) to hedge the definite cash inflow resulting from the revenue streams. The corresponding gains or losses are recorded in the income statement.

The fair value of cash flow hedges at the balance sheet date amounted to CHF 667'314 (2006: CHF -190'184) with an outstanding volume of CHF 30'597'112 (2006: CHF 27'138'870); the net fair value of forward exchange contracts not designated as hedging instrument in a cash flow hedge at the balance sheet date amounted to CHF 3'016'486 with an outstanding volume of CHF 156'988'339 (2006: CHF -42'193; volume CHF 51'625'576). The total amount is presented within "prepaid expenses" (in the case of a positive replacement value) and in "accrued expenses" (in the case of a negative replacement value).

**(iii) Interest rate risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its bank balances as well as its investment into the Pearl experience account, disclosed as "other financial asset" (see also note 20). Such cash flows are dependent on changes in short-term market interest rates. Currently, the Group does not manage its cash flow interest rate risk actively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

If the Group enters into borrowings it is its policy to maintain approximately 90% of its borrowings in fixed rate instruments. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

*In thousands of Swiss francs*

**Variable rate instruments**

	2007	2006
Financial assets	174'296	204'607
Financial liabilities	-	-
	<b>174'296</b>	<b>204'607</b>

**Fixed rate instruments**

Financial assets	1'319	658
Financial liabilities	-	-
	<b>1'319</b>	<b>658</b>

The Group does not account for any fixed rate financial assets or liabilities as at fair value through profit or loss or as available for sale. Therefore changes in interest rates of fixed rate instruments would not affect profit or loss and equity.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the previous year.

	Profit or loss	
	50 bp increase	50 bp decrease
<i>In thousands of Swiss francs</i>		
<b>2006</b>		
Variable rate instruments	1'023	-1'023
<b>2007</b>		
Variable rate instruments	871	-871

**(iv) Price risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The majority of such investments is entered into under existing investment management contracts whereby the Group invests alongside its investors in the private equity, private debt or private real estate vehicles managed by the Group. As such the Group's ability to manage its price risk is very limited and diversification is very much based on the Group's ongoing initiatives in launching products in these different business areas and therefore driven by the market opportunities which the Group can participate in.

In assessing the price risk associated with the Group's investments it applied a volatility ratio to each of its investments classified as marketable securities or other investments. Based on the size of the investment as a pro-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

portion of the overall investment in the relevant asset class, the Group then calculated a weighted volatility for the respective asset class, summarized below:

*In thousands of Swiss francs*

	Carrying amount/Volatility			
	2007	Volatility	2006	Volatility
Marketable securities	19'711	17.55%	22'888	16.55%
Other investments:				
– Private equity / private real estate	69'086	15.17%	24'163	14.13%
– Private debt	13'818	7.73%	3'557	7.25%
– Hedge funds	42'721	7.44%	13'069	10.30%
– Other	886	15.48%	15	12.00%
<b>Total</b>	<b>146'222</b>		<b>63'692</b>	

Based on the applied volatility for the individual asset classes the Group is exposed to the following equity price risk:

*In thousands of Swiss francs*

	Profit or loss	
	2007	2006
Marketable securities	3'459	3'787
Other investments:		
– Private equity / private real estate	10'481	3'413
– Private debt	1'068	258
– Hedge funds	3'178	1'346
– Other	137	2
<b>Total</b>	<b>18'323</b>	<b>8'806</b>

### 4.5 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors also monitors the level of dividends to ordinary shareholders.

The board's target is that each employee of the Group holds shares of the Company. At present all employees together hold 69.8% (2006: 64.2%) of the issued shares of the Company.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on the market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option program. Buy and sell decisions are made within limits defined in the ROO of the Group, however the board of directors reviews the transactions quarterly. The Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

The Group or some of its subsidiaries are subject to the following externally imposed capital requirements:

- Overall credit facility: Partners Group Holding needs always to maintain a ratio of total equity compared to total assets of minimum 30%.
- The Financial Services Authority (FSA) requires that Partners Group (UK) Limited maintains CHF 573'219 minimum capital as of 31 December 2007.

All these capital requirements have been met during 2007.

#### 4.6 Fair value estimation

The carrying amounts of all financial instruments equal or approximate their fair value. The following summarizes the methods and assumptions applied in estimating fair value.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (investments in investment companies and third party investments, see note 19) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

Other techniques, such as estimated discounted cash flows or multiple analyses, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of derivative assets and liabilities arising from insurance contracts is dependant on several factors:

- Model assumptions of underlying portfolio and resulting cash flows with regards to management and insurance fees
- Current and expected interest rates
- Volatility applied to the underlying portfolio

Based on these factors the fair values resulting from such contracts are determined and adjusted accordingly in the income statement.

All financial instruments recognized are classified as at fair value through profit or loss and are stated at their fair value.

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**(a) Income taxes**

The Group is subject to income taxes in numerous jurisdictions.

Based on agreements with the tax authorities, in 2006 the Group re-assessed the recoverability of a substantial tax effect of deductible tax expenses in respect of share option grants in previous years and the current year. As a consequence the Group recognized significant tax deductible expenses resulting from these option grants, leading to extensive tax loss carry forwards and a corresponding deferred tax asset.

Wherever the Group is uncertain regarding the future development of such entities and thus the future utilization of such tax loss carry-forwards is questionable, the Group does not recognize corresponding deferred tax assets. Were all tax loss carry forwards utilizable, the Group would recognize an additional deferred tax asset of TCHF 2'074 (2006: TCHF 2'682). The carrying amounts of deferred income tax assets are disclosed in notes 14 and 21.

**(b) Derivatives arising from insurance contracts**

The Group entered into an agreement with Swiss Re to act as policyholder in connection with the insurance of the extended amount of the convertible bond issued by Pearl Holding Limited (refer to notes 2.8 and 2.17). As explained, the Group has an exposure to the maximum extent of the value of the assets contained in the corresponding experience account.

When determining the value of its effective exposure (which may be lower than the aforesaid assets), the Group applies a Black-Scholes model. However, as referred to in note 4.6, some of the parameters are subject to estimation and may differ from the final result.

**(c) Applying the control concept to the consolidation of entities**

As referred to in note 2.2, the Group in the course of offering structured products may become the majority or sole shareholder of certain entities. These entities are managed for a certain period of time, but the Group is not the beneficial owner of assets contained in these companies; in addition, the Group's management decisions are strictly limited by separate contracts. Such entities fulfill the definition of special purpose entities and are accounted for by applying SIC 12 Consolidation – Special Purpose entities. The same applies to limited partnerships, where the Group holds only a minor equity interest but acts as the General Partner on behalf of the entity's investors, who are the limited partners.

As the Group in both instances is not subject to the majority of risks and rewards these entities are not consolidated, but are designated as at fair value through profit or loss. Whether an investment should be consolidated or not is carefully evaluated on a case by case basis taking into account the specific facts and circumstances.

The carrying amounts of such investments are disclosed in note 19.

**(d) Revenue recognition**

The Group has described its policy of revenue recognition in notes 2.18 and 9. Although the application is straightforward, instances may arise where the Group has to decide whether a revenue should be recognized or not. This is mainly to do with additional revenues arising from products with pending closings, where additional investors have been admitted, or with regards to performance fees, which are foreseeable but have not been distributed to the Group yet. The Group in general does not recognize revenues until the final signing of the closing documents, although there may be a high probability that the closing will take place.

**(e) Accounting for share-based payment transactions**

In 2007 the Group has entered into share-based payment transactions with some of its employees. For further details please refer to note 29. The determination of the value of the services received is measured based on a Black-Scholes model. In this regard the Group has made assumptions regarding the value of the Company as well as the parameters used in the Black-Scholes model. Instead of the contractual life of the option, the input to the model is based on the expected time of execution, taking into account the exercise restriction of the options. Expected volatility is estimated by considering historic average share price volatility. This historic average share price volatility has been adjusted to reflect the Group's earnings stability based on its long-term contractual relationships.

Although the options imply a service period of five or six years, the Group already as of granting date recognized a sixth of the corresponding amount in the income statement since part of the options granted are deemed to form part of the compensation for past services rendered by the option holders.

The specific parameters used for the option valuation are disclosed in detail in note 29.

**6. BUSINESS ACTIVITIES**

The Group focuses on servicing its clientele in the following business areas:

- Private equity
- Hedge funds

The two business areas are considered to be the primary business segments according to IAS 14.

The activities in the private equity segment consist of:

- Investment advisory and management services for the entire private equity spectrum, comprising investments in specialized partnerships or other investment vehicles and direct investments in operating companies, typically alongside specialized managers
- Management of investments in listed private equity and listed infrastructure
- Monitoring of investments
- Relationship management
- Asset allocation and portfolio management of private equity activities (statistical planning and analyses of private equity products, markets, cash flows, etc.)
- Risk management
- Private equity administration (administering of transactions, gathering of information for monitoring, analyses, production of reporting etc.)

The activities in the hedge funds segment consist of:

- Investment advisory and management services (selection of hedge funds to be invested in) through managed accounts, advised by specialist hedge fund managers
- Investment advisory and management services in relation to the Group's own hedge fund strategy
- Monitoring of investments
- Relationship management
- Asset allocation and portfolio management
- Risk management
- Reporting

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

Both business segments are supported by a product structuring and transaction management unit (structuring of investment entities / contracts) and a marketing / client relationship unit (marketing of products managed by the Group, support in secondary market activities, investor relations).

The Group also provides services in:

- Traditional wealth management (focus on private individuals)
- Private debt, e.g. management of investments in mezzanine and other debt financing of private equity backed companies, comprising investments in specialized partnerships or other investment vehicles and direct investments in operating companies, typically alongside specialized managers
- Private real estate, e.g. investment advisory and management services for the entire private real estate spectrum, comprising investments in specialized partnerships or other investment vehicles and direct investments in real estate assets, typically alongside specialized managers

However these activities do not meet the conditions of a separate business segment and are disclosed in “other/non-attributable” (refer to note 8).

The Group advises or manages several investment vehicles with focus on private equity, private debt, private real estate or hedge funds. In its advisory and management services the Group offers diversified as well as more focused investment programs as relates to stages (such as venture, buyout, mezzanine and special situations), industry and geography of the investments in private equity / private debt / private real estate and as relates to investment style (such as long-short equity, global macro, convertible arbitrage, etc.) in hedge funds. The majority of investments is situated in the United States of America and in Europe.

### 7. CHANGES IN SCOPE OF CONSOLIDATION

#### **(a) Start-ups**

On 3 December 2007 the Group founded Partners Group Management VII Limited, Guernsey. The company's main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

On 27 July 2007 the Group founded Partners Group Management VI Limited, Guernsey. The company's main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

On 3 July 2007 the Group founded Partners Group Fund Services Limited, Guernsey. The company's main purpose is to serve as fund manager and designated manager of the Group's hedge fund business and hedge fund related products.

On 22 February 2007, the Group founded Penta Management Limited, Guernsey. The company's main purpose is to serve as investment manager for Penta CLO 1 S.A.

On 6 December 2006 the Group founded Partners Group Management V Limited, Guernsey. The company's main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

On 2 June 2006 the Group founded Partners Group Management IV Limited, Guernsey. The company's main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

The effect of these formations on the Group's consolidated financial statements is not material.



**(b) Restructurings**

On 5 April 2007, the Group filed for amalgamation of Partners Group Holding and Partners Group Trading as well as of Partners Group Holding and Partners Group Investments, retrospectively as of 31 December 2006, with the commercial registry in Zug / Switzerland.

On 29 May 2006 the Group filed for amalgamation of Partners Group Holding and Partners Group Product Investments as well as of Partners Group and S.A.I.S. AG, retrospectively as of 31 December 2005, with the commercial registry in Zug / Switzerland.

On 30 October 2006 European Webgroup, Baar, was deleted in the commercial registry in Zug / Switzerland.

As of 31 December 2006 the Group purchased the remaining 49.996% of Princess Management Limited ("PMIL") for USD 299'976 (CHF 364'405) and thus now holds 100% of the company. No goodwill was recognized in connection with the purchase. This transaction occurred in connection with the re-issue of interests by Princess Private Equity Holding Limited ("Princess") to its investors. In 1999 Princess had launched a convertible bond with a maturity of 31 December 2010, which was insured by PMIL and re-insured by Swiss Re. Swiss Re was granted a mitigation right, providing it with certain rights relating to the control over investment activities. The mitigation right was exercised on 9 February 2006. With the exercise of the mitigation right Swiss Re disallowed the company to make new investments, leading to a lower fee income from the management and insurance activity for the Group.

As a consequence of the exercise of the mitigation right, the board of Princess in collaboration with the Group was seeking possibilities to re-launch the transaction without an insurance component. On 5 December 2006 the bondholders approved a transaction proposed by the board of directors of Princess, which included:

- An early conversion of the convertible bond into shares of Princess as of 8 December 2006
- A re-placement of several interests in Princess to new investors
- The introduction of new articles of association
- The listing of Princess shares on the Frankfurt stock exchange
- The termination of the insurance and re-insurance arrangements
- The termination of the old investment guidelines and the introduction of new guidelines
- The cancellation of the old management and sub-advisory agreements and the establishing of new investment management arrangements
- The Group's purchase of the Princess shares held by Swiss Re
- The Group's purchase of PMIL shares held by Swiss Re
- The payment by the Group of USD 10 million to Swiss Re for the dissolution of the existing structure
- The liquidation of the Princess insurance trust funded by PMIL in the years 1999 to 2006 and the distribution of the assets to PMIL, which subsequently distributed dividends to its original shareholders
- The financial settlement between all the parties involved

Based on the substance of this transaction, the Group treated the dissolution of the old structure and subsequent relaunch of Princess as a new issue of a private equity product. The effect on the Group's balance sheet, income statement and cash flow statement is explained in notes 16, 19 and 31.

**(c) Acquisition of subsidiaries**

As of 1 July 2007 the Group acquired a 100% interest in PCA Real Estate Asset Management LLC ("PGRE"), San Francisco for CHF 6'108'735 (USD 5'000'000) in cash. The company provides management and advisory services in the real estate sector. In the six months to 31 December 2007 the subsidiary contributed a profit of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

CHF 103'811. Since the entity was a newly formed entity management estimates that consolidated revenue and profit would not have been affected even if the transaction would have occurred on 1 January 2007.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

<i>In thousands of Swiss francs</i>	<b>2007</b>
Other receivables	61
Intangible assets	
Existing client contracts	1'045
Net identifiable assets and liabilities	1'106
Goodwill on acquisition	12'177
<b>Consideration recognized</b>	<b>13'284</b>
Cash acquired	-
Non-cash consideration	-7'175
<b>Net cash outflow</b>	<b>6'109</b>

The pre-acquisition carrying amount of PGRE was CHF 61'087 (USD 50'000) and was determined based on applicable IFRSs immediately before the acquisition. In determining the fair value of existing client contracts acquired, the Group applied a discount rate of 11.16% to the estimated revenues. The purchase agreement also stipulates contingent payments in 130'849 shares of the Group (equivalent to CHF 21'524'661, determined as of 1 July 2007), based on future revenue targets and that the seller is still employed with PGRE for a certain period of time. The Group considers the payment of the first tranche of the contingent payments as probable and that this will result in further recognition of a purchase consideration of CHF 7'174'832 in 43'616 shares of the Group.

The goodwill recognized on the acquisition is mainly attributable to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing investment management business.

In addition on 2 July 2007 the Group entered a forward agreement with the seller whereas the seller is purchasing 112'094 shares of the Company as of 2 July 2010 at a price of CHF 164.50 per share amounting to a total amount of CHF 18'439'500. The Group has calculated the forward cost of this transaction, taking into account the three year CHF swap rate as of 2 July 2007 and an expected dividend payment of CHF 2.65 p.a., based on the dividend distribution in 2006. The cost of the forward transaction is nil and thus no further goodwill has been recognized as result of this transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

8. SEGMENT INFORMATION

	Private equity		Hedge funds		Other / non-attributable		Total	
<i>In thousands of Swiss francs</i>	2007	2006	2007	2006	2007	2006	2007	2006
<b>Assets</b>								
Property, plant and equipment	-	-	-	-	4'971	3'668	4'971	3'668
Intangible assets	52'768	52'222	-	-	12'040	193	64'808	52'415
Investments in associates	5'424	4'462	-	-	-	-	5'424	4'462
Other investments	69'123	27'768	42'721	13'069	14'704	-	126'548	40'837
Other financial assets	93'493	82'755	-	-	1'237	614	94'730	83'369
Other segment assets	65'881	29'460	16'024	6'880	103'709	148'424	185'614	184'764
<b>Total segment assets</b>	<b>286'689</b>	<b>196'667</b>	<b>58'745</b>	<b>19'949</b>	<b>136'661</b>	<b>152'899</b>	<b>482'095</b>	<b>369'515</b>
Deferred tax assets	-	-	-	-	900	16'318	900	16'318
<b>Total assets</b>	<b>286'689</b>	<b>196'667</b>	<b>58'745</b>	<b>19'949</b>	<b>137'561</b>	<b>169'217</b>	<b>482'995</b>	<b>385'833</b>
<b>Liabilities</b>								
Interest-bearing loans and borrowings	-	-	-	-	-	22	-	22
Derivatives arising from insurance contracts	57'228	82'755	-	-	-	-	57'228	82'755
Other segment liabilities	24'302	16'510	5'326	3'678	32'165	9'369	61'793	29'557
<b>Total segment liabilities</b>	<b>81'530</b>	<b>99'265</b>	<b>5'326</b>	<b>3'678</b>	<b>32'165</b>	<b>9'391</b>	<b>119'021</b>	<b>112'334</b>
Revenues from management and advisory services, net	234'039	146'622	45'683	36'015	26'117	14'549	305'839	197'186
Share of result of associates	4'984	4'005	-	-	-	-	4'984	4'005
<b>Net revenues</b>	<b>239'023</b>	<b>150'627</b>	<b>45'683</b>	<b>36'015</b>	<b>26'117</b>	<b>14'549</b>	<b>310'823</b>	<b>201'191</b>
<b>Segment result</b>	<b>230'445</b>	<b>138'284</b>	<b>26'892</b>	<b>23'416</b>	<b>3'413</b>	<b>2'849</b>	<b>260'750</b>	<b>164'549</b>
Net financing result not allocated							10'991	-1'443
Income tax expense							-16'439	-8'678
<b>Net profit for the year</b>							<b>255'302</b>	<b>154'428</b>
Depreciation and amortization	-2'102	-2'395	-	-	-1'924	-1'560	-4'026	-3'955
Investments in associates, other investments and other financial assets	107'067	79'268	-	7'173	-	-	107'067	86'441
Investments in property, plant and equipment and intangible assets	324	48'765	-	-	3'713	1'653	4'037	50'418

There are no significant non-cash expenses, other than depreciation and amortization for which separate disclosure is required, that were included in segment expenses.

## 9. REVENUES

The Group acts in different businesses (refer to note 6). Within these different businesses, it earns income for its various functions, which are further explained and outlined below:

### **(a) Private equity**

#### **– Private equity investment management & advisory**

Typically based on long-term contracts, the Group earns investment management fees for discretionary mandates or investment advisory income for advisory mandates. The fee is typically based on the commitments by investors into investment structures, the net asset value of a mandate or the net asset value including outstanding commitments to underlying private equity partnerships. The fees are usually payable quarterly, however, whether they are payable in advance or in arrears depends on the individual contract. The mandates may include performance related remuneration, which in the case of limited partnerships often is subject to a preferred interest and a separate claw-back provision. Under a claw-back provision the investment manager is required to repay the excess amount received as performance fee during the lifetime of a partnership over its actual entitlement based on the limited partnership agreement. Therefore as long as such performance fees are subject to claw-back, they are treated as deferred income and disclosed separately in note 10. The positive movement / release of the deferred income is included in income when the claw-back provision expires or is cancelled.

#### **– Private equity administration**

The Group earns fees for its administration services in the private equity area. The fees are usually payable quarterly, however it depends on the individual contract, whether they are payable in advance or in arrears.

#### **– Private equity insurance**

One of the Group's entities acts respectively has acted as 2007 policy holder in connection with the management of two investment vehicles. For such services, this entity earns insurance fee income, which is based on either the net assets of the associated products or the net asset value of the private equity investments plus outstanding commitments in underlying private equity partnerships. The company entered into a separate insurance respectively reinsurance agreements with a third party; the fees paid in connection with this agreement is disclosed separately in note 11.

#### **– Organization / structuring of private equity vehicles**

In the process of structuring new private equity products, the Group often receives an organizational fee for its services in connection with establishing investment vehicles and related legal and structuring work. The fees are always one-off fees, which are typically due when a new investor invests in the structure.

### **(b) Hedge fund asset management**

The Group earns investment management fees for discretionary mandates or investment advisory income for advisory mandates. The fees are usually based on the net asset value of a mandate and usually payable quarterly in arrears. These discretionary mandates may include performance related remuneration, which is in most of the cases subject to a hurdle rate and usually a "high watermark". The performance fees are disclosed separately; all such fees disclosed are locked-in, i.e. they are not subject to any claw-back provision.

## 9. REVENUES (CONTINUED)

### **(c) Other revenues**

Other revenues consist of service income, which the Group receives for:

#### **– Wealth management**

The Group earns investment management fees for discretionary mandates or investment advisory income for advisory mandates. The fees are usually payable quarterly in arrears. The discretionary mandates may include performance related remuneration. The performance fees are disclosed separately; all such fees disclosed are locked-in, i.e. they are not subject to any claw-back provision.

#### **– Private debt**

Typically based on long-term contracts, the Group earns investment management fees for discretionary mandates or investment advisory income for advisory mandates with a specific focus on mezzanine and other loan-type investments to private companies. The fee is typically based on the commitments by investors into investment structures, the net asset value of a mandate or the net asset value including outstanding commitments.

#### **– Private real estate**

Typically based on long-term contracts, the Group earns investment management fees for discretionary mandates or investment advisory income for advisory mandates with a specific focus on private real estate investments. The fee is typically based on the commitments by investors into investment structures, the net asset value of a mandate or the net asset value including outstanding commitments.

The fees are usually payable quarterly, however, whether they are payable in advance or in arrears depends on the individual contract. The mandates may include a performance related remuneration, which is subject to a preferred interest and may be subject to a separate claw-back provision. As long as such fees are subject to claw-back, the fees are treated as deferred income and disclosed separately in note 10. The positive movement / release of the deferred income is included in the income of the current period.

#### **– Business consulting services**

Such revenues relate to the remuneration for services rendered by the Group, which are not attributable to one of the above mentioned categories, such as accounting for third party mandates, advisory services for start-up companies etc. Such fees are based on individual contracts.

#### **– Transaction services**

The Group renders transaction services, such as portfolio valuations, deal arrangement, for a fixed remuneration. This fee may be one-time occurring or recurring.

#### **– Marketing services**

The Group may receive fees for its placing/marketing efforts. These fees are usually one-time fees. In a few cases, the fees may be recurring fees, based on assets held by a given financial product marketed by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

9. REVENUES (CONTINUED)

*In thousands of Swiss francs*

**Private equity**

	2007	2006
Private equity investment management	255'622	150'450
./ . Revenue deductions	-35'226	-21'246
<i>Net private equity investment management</i>	220'396	129'204
<i>Private equity administration</i>	2'686	2'246
Private equity insurance premiums	28'193	29'283
./ . Insurance fees, where Group acts as policyholder only	-28'193	-24'233
<i>Net private equity insurance premiums</i>	-	5'050
Private equity organizational fees	21'704	22'780
./ . Revenue deductions	-13'240	-12'658
<i>Net private equity organizational fees</i>	8'464	10'122
<b>Total revenues from private equity, net</b>	<b>231'546</b>	<b>146'622</b>

**Hedge funds**

Hedge funds investment management	70'905	60'978
./ . Revenue deductions	-25'224	-24'963
<b>Total revenues from hedge funds, net</b>	<b>45'681</b>	<b>36'015</b>

**Other revenues**

Wealth management	5'552	5'389
./ . Revenue deductions	-342	-436
<i>Net wealth management</i>	5'210	4'953
Private debt investment management	17'431	8'010
./ . Revenue deductions	-1'770	-745
<i>Net private debt investment management</i>	15'661	7'265
Private debt organizational fees	6'313	2'674
./ . Revenue deductions	-3'808	-1'541
<i>Net private debt organizational fees</i>	2'505	1'133
Private real estate investment management	875	-
./ . Revenue deductions	-	-
<i>Net private real estate investment management</i>	875	-
<i>Other revenues</i>	4'361	1'198
<b>Total other revenues, net</b>	<b>28'612</b>	<b>14'549</b>
<b>Revenues from management and advisory services, net</b>	<b>305'839</b>	<b>197'186</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

## 9. REVENUES (CONTINUED)

*In thousands of Swiss francs*

### Summary

	2007	2006
Total gross revenues	413'642	283'008
./. Revenue deductions	-79'610	-61'589
./. Insurance fees, where Group acts as policyholder only	-28'193	-24'233
<b>Revenues from management and advisory services, net</b>	<b>305'839</b>	<b>197'186</b>
<i>Details on included performance fees:</i>		
Private equity	19'174	5'706
Hedge funds	7'382	7'821
Other revenues	-	1'458
<b>Total performance fees received</b>	<b>26'556</b>	<b>14'985</b>

The revenue deductions represent the Group's payments to third parties, who introduce clients to it as well as of rebates paid to existing clients. Third party payments may be one-off payments or also recurring retainers, depending on individual agreements. Rebates to existing clients are primarily for fees charged, which were earned when investing through the Group's pooling vehicles, in order to avoid double charging of fees.

In the case of Pearl Holding Ltd. the Group acts as policyholder only, since International Reinsurance Company Ltd. is the insurer and thus the Group forwards the entire amount to the insurer. See also notes 20 and 31.

## 10. DEFERRED INCOME

*In thousands of Swiss francs*

	2007	2006
Balance at 1 January	-	-
Additions	4'406	-
Removals	-	-
<b>Balance at 31 December</b>	<b>4'406</b>	<b>-</b>

## 11. THIRD PARTY SERVICES

*In thousands of Swiss francs*

	2007	2006
Reinsurance fees Princess Private Equity Holding	-	-2'078
Consulting and legal fees	-4'134	-4'100
Sundry third party service expenses	-1'596	-922
<b>Total third party expenses</b>	<b>-5'730</b>	<b>-7'100</b>

See also notes 20 and 31.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**12. PERSONNEL EXPENSES**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Wages and salaries	-43'753	-28'483
Retirement schemes – defined contribution plans	-2'680	-2'187
Retirement schemes – defined benefit plans	-1'980	-888
Other social security expenses	-2'461	-1'234
Share-based payments	-6'114	-3'371
Sundry personnel expenses	-1'682	-884
<b>Total personnel expenses</b>	<b>-58'670</b>	<b>-37'047</b>

In addition to the expense recognized for share options granted in 2007 (refer to note 29(b)), the Group recognized an additional expense of CHF 2'216'199 for options and shares granted in 2006 and of CHF 701'882 for shares granted in 2007 as expense for share-based payments.

The average number of employees in 2007 was 224 (2006: 156).

**13. FINANCIAL RESULT**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Interest income on fair value through profit or loss instruments	8'518	5'668
Interest income on other instruments	-	1'458
Net gains / losses on:		
Held for trading instruments	1'277	1'422
Fair value through profit or loss instruments	2'594	1'715
Net foreign exchange gain / (loss)	4'198	-3'069
<b>Total finance income, net</b>	<b>16'587</b>	<b>7'194</b>
Interest expense on financial liabilities	6	-76
Interest expense resulting from hedge accounting	-	-582
Other financial expense	-170	-177
<b>Total finance expense</b>	<b>-164</b>	<b>-835</b>
<b>Net finance income and expense</b>	<b>16'423</b>	<b>6'359</b>

#### 14. INCOME TAX EXPENSE

##### **Recognized in the income statement**

*In thousands of Swiss francs*

	2007	2006
Current tax expense:		
Current year	16'036	8'398
Under/(over)provided in prior years	623	335
Total current tax expense	16'659	8'733
Deferred tax income:		
Deferred tax income, net relating to the origination and reversal of temporary differences	-220	-55
<b>Total income tax expense</b>	<b>16'439</b>	<b>8'678</b>

In 2006 current tax expenses in the amount of TCHF 7'812 were recognized with a corresponding credit to equity in order to reflect the tax benefit of related equity-settled share based payments.

*In thousands of Swiss francs*

	2007	2006
<b>Profit before tax</b>	<b>271'741</b>	<b>163'106</b>
Weighted average expected Group tax rate	12.1232%	12.0910%
Expected tax expense	32'944	19'721
Non-taxable income due to flat taxation agreements	-17'725	-11'083
Non-tax-deductible expense	730	3
Consummation of unrecognized tax loss carry-forwards	-133	-298
Under/(over)provided in prior years	623	335
	<b>16'439</b>	<b>8'678</b>

The Group calculates a weighted average tax rate for the whole Group, taking into account official taxation rates of the individual companies in their specific locations and their contribution to the total profit, which leads to the weighted average expected Group tax rate.

Two of the Group's entities located in Guernsey have been granted "international tax status". Such status defines the assessable income for Guernsey tax purposes, as well as the specific tax rate applicable to the assessable income. This specific status granted is related to the private equity investment management business these two companies are in. This international tax status ceased to apply on 31 December 2007.

Deferred tax assets and liabilities are disclosed separately in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

15. PROPERTY, PLANT AND EQUIPMENT

*In thousands of Swiss francs*

**2006**

**Cost**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
Balance at 1 January 2006	2'117	4'020	2'381	366	8'884
Additions	434	278	661	-	1'373
Disposals	-5	-	-	-	-5
Removals	-	-	-	-44	-44
Effects of movements in FX	-4	-19	-7	1	-29
<b>Balance at 31 December 2006</b>	<b>2'542</b>	<b>4'279</b>	<b>3'035</b>	<b>323</b>	<b>10'179</b>

**Accumulated depreciation and  
impairment losses**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
Balance at 1 January 2006	1'625	1'607	1'859	311	5'402
Additions	252	446	453	36	1'187
Disposals	-	-	-	-	-
Removals	-	-	-	-44	-44
Effects of movements in FX	-8	-18	-8	-	-34
<b>Balance at 31 December 2006</b>	<b>1'869</b>	<b>2'035</b>	<b>2'304</b>	<b>303</b>	<b>6'511</b>

**Carrying amount**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
At 1 January 2006	492	2'413	522	55	3'482
At 31 December 2006	673	2'244	731	20	3'668

Impairment losses incurred in 2006

Fire insurance value

nil

9'492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

*In thousands of Swiss francs*

**2007**

**Cost**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
Balance at 1 January 2007	2'542	4'279	3'035	323	10'179
Additions	1'048	860	1'029	-	2'937
Disposals	-	-	-25	-1	-26
Other movements / transfers	6	-	-	-	6
Effects of movements in FX	-57	-71	-46	-	-174
<b>Balance at 31 December 2007</b>	<b>3'539</b>	<b>5'068</b>	<b>3'993</b>	<b>322</b>	<b>12'922</b>

**Accumulated depreciation and  
impairment losses**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
Balance at 1 January 2007	1'869	2'035	2'304	303	6'511
Additions	365	577	563	17	1'522
Disposals	-	-	-10	-	-10
Effects of movements in FX	-19	-30	-23	-	-72
<b>Balance at 31 December 2007</b>	<b>2'215</b>	<b>2'582</b>	<b>2'834</b>	<b>320</b>	<b>7'951</b>

**Carrying amount**

	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
At 1 January 2007	673	2'244	731	20	3'668
At 31 December 2007	1'324	2'486	1'159	2	4'971

Impairment losses incurred in 2007

Fire insurance value

nil

9'569

**Leased equipment**

The Group leases some of its equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2007 the net carrying amount of leased equipment was nil (2006: CHF 15'033). The leased equipment secures the related lease obligations (refer to note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

16. INTANGIBLE ASSETS

*In thousands of Swiss francs*

**2006**

**Cost**

	Cost of initial put option <sup>1)</sup>	Existing client contracts	Goodwill	Software	Placing expenses <sup>1)</sup>	Total
Balance at 1 January 2006	13'430	-	-	2'660	5'233	21'323
Additions	44'770	-	-	280	3'995	49'045
Removals	-12'791	-	-	-	-	-12'791
Effects of movements in FX	370	-	-	-	171	541
<b>Balance at 31 December 2006</b>	<b>45'779</b>	<b>-</b>	<b>-</b>	<b>2'940</b>	<b>9'399</b>	<b>58'118</b>

**Accumulated amortization and impairment losses**

Balance at 1 January 2006	7'591	-	-	2'373	1'557	11'521
Additions	1'042	-	-	373	1'353	2'768
Removals	-8'272	-	-	-	-	-8'272
Effects of movements in FX	-361	-	-	-	47	-314
<b>Balance at 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2'746</b>	<b>2'957</b>	<b>5'703</b>

**Carrying amount**

At 1 January 2006	5'839	-	-	287	3'676	9'802
At 31 December 2006	45'779	-	-	194	6'442	52'415

Impairment losses incurred in 2006

nil

**2007**

**Cost**

Balance at 1 January 2007	45'779	-	-	2'940	9'399	58'118
Additions	-	-	-	776	324	1'100
Changes in scope of consolidation	-	1'045	12'177	-	-	13'222
Other movements	-	-	-	-	5	5
Effects of movements in FX	1'383	-73	-850	-2	168	626
<b>Balance at 31 December 2007</b>	<b>47'162</b>	<b>972</b>	<b>11'327</b>	<b>3'714</b>	<b>9'896</b>	<b>73'071</b>

**Accumulated amortization and impairment losses**

Balance at 1 January 2007	-	-	-	2'746	2'957	5'703
Additions	-	147	-	256	2'102	2'505
Effects of movements in FX	-	-8	-	-	63	55
<b>Balance at 31 December 2007</b>	<b>-</b>	<b>139</b>	<b>-</b>	<b>3'002</b>	<b>5'122</b>	<b>8'263</b>

**Carrying amount**

At 1 January 2007	45'779	-	-	194	6'442	52'415
At 31 December 2007	47'162	833	11'327	712	4'774	64'808

Impairment losses incurred in 2007

nil

<sup>1)</sup> relating to securing investment management contracts

## 16. INTANGIBLE ASSETS (CONTINUED)

### *Initial put option*

#### *Princess Private Equity Holding*

In 1999 the Group entered into an insurance agreement with Princess Private Equity Holding Limited, Guernsey ("Princess"), insuring the repayment of the principal amount of the bond issued by Princess. The Group calculated the value of the insurance risk entered into at inception, which is referred to as the "initial put option value", since the insurance premium paid by the investors of the convertible bond was considered as a put option premium. This initial put option value was recognized as incremental cost incurred in connection with the securing of investment management fees; the intangible asset was amortized using the straight-line method over the duration of the bond until 31 December 2010 (see note 2.8(d)).

With the re-launch of the Princess transaction in December 2006 (see note 7), the structure put in place in 1999 was effectively settled and the initial put option derecognized (see note 31).

#### *Pearl Private Equity Holding*

On 30 March 2006 the Group entered into an agreement with Swiss Re with regards to the extension of the convertible bond issued by Pearl Holding Limited ("Pearl") from 30 September 2010 to 30 September 2014 and an increase of the redemption amount of the bond from EUR 660 million to EUR 712.8 million. The agreement became effective on 1 January 2006.

Under this agreement the Group has committed to invest an additional EUR 33 million into the experience account until 30 September 2010 to provide for further security. The discounted amount of EUR 28.5 million (CHF 44.8 million) was paid into the experience account on 20 December 2006. The Group's risk associated with its exposure as policyholder for Pearl is still limited to the value of the experience account; nevertheless this additional commitment increases the Group's overall exposure and thus was recognized as an additional intangible asset and an additional derivative liability (see note 31(c)).

The intangible asset represents the incremental cost directly attributable to securing an investment management contract. It will be amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014.

### *Placing expenses*

The Group selectively uses third party placing agents for the distribution of its limited partnership structures. It is common to compensate such services with a one-off payment dependant on the amount of assets raised by such third party providers. The cost paid is recognized as incremental cost incurred in connection with the securing of investment management fees. This intangible asset is amortized using the straight-line method over the duration of the investment period of the relevant product the cost was incurred for, usually between three to five years (see also note 2.8(c)). In a few cases the payment of such compensation is spread over a certain period of time and not at the closing of the individual product; in this case the cash flow statement is adjusted by the non-cash portion incurred in acquiring intangible assets in the reporting period (2007: TCHF nil; 2006: TCHF nil).

### *Existing client contracts*

In course of the acquisition of PGRE the Group acquired existing client contracts. The Group has valued these contracts based on the contractual relationships, taking into account cancellation periods and nature of the con-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**16. INTANGIBLE ASSETS (CONTINUED)**

tracts. The estimated future returns have been discounted at a rate of 11.16% to derive the net present value of the intangible asset acquired. It will be amortized using the straight-line method over the period from 1 July 2007 to 31 December 2010.

***Impairment testing for cash-generating unit containing goodwill***

For the purpose of impairment testing, goodwill is allocated to the Group's operating division which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The entire goodwill carrying amount of TCHF 12'177 has been allocated to the private real estate division, which forms part of the "other / non-attributable" segment for reporting purposes.

The recoverable amount of the private real estate cash-generating unit was based on its value in use. The carrying amount of the unit was determined to be lower than its recoverable amount and thus no impairment of the goodwill was recognized. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a five-year business plan. Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied.
- Net profit was projected at about TCHF 2'700 in the first full year of the business plan. The anticipated annual growth in net profit included in the cash flow projections was around 50% for the years 2008–2012. Management plans to achieve a net profit of TCHF 15'000 by the fifth year of the business plan.
- General expenses as well as third party expenses growth was considered at a constant rate of 20% p.a.
- Personnel expenses growth was considered at a constant rate of 30% p.a.
- A pre-tax discount rate of 11.16% was applied in determining the recoverable amount of the unit. The discount rate did not take account any cost for leverage, as the Group used no debt to finance the transaction. The Group applied a market interest rate of 8.75%, adjusted by an industry weighted average beta factor.

**17. INVESTMENTS IN ASSOCIATES**

The Group has the following investments in associates:

*In thousands of Swiss francs*

LGT Private Equity Advisers, Vaduz

Country	Investment at cost	Carrying value	Ownership
LI	400	5'424	40%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

## 17. INVESTMENTS IN ASSOCIATES (CONTINUED)

In 2006 Regional Investment Partners, Dallas, went into liquidation.

*In thousands of Swiss francs*

	2007	2006
Balance at the beginning of the year	4'462	3'629
Purchase of investments in associates	-	-
Disposal of investments in associates	-	-
Dividends received from investments in associates	-3'909	-3'039
Other movements	-113	-133
Share of results	4'984	4'005
Effects of movement in FX	-	-
<b>Balance at the end of the year</b>	<b>5'424</b>	<b>4'462</b>

Summary of financial information on associates - 100%:

*In thousands of Swiss francs*

	Assets	Liabilities	Equity	Revenues	Profit/loss
<b>2006</b>					
LGT Private Equity Advisers, Vaduz	12'946	1'790	11'156	11'529	10'055
Regional Investment Partners	-	-	-	25	-83
	<b>12'946</b>	<b>1'790</b>	<b>11'156</b>	<b>11'554</b>	<b>9'972</b>
<b>2007</b>					
LGT Private Equity Advisers, Vaduz	15'764	2'202	13'562	13'931	12'461
	<b>15'764</b>	<b>2'202</b>	<b>13'562</b>	<b>13'931</b>	<b>12'461</b>

## 18. INVESTMENTS IN JOINT VENTURES

The Group had a 50.004% interest in a joint venture, Princess Management Limited, Guernsey ("PMIL"), whose principal activity is the management of Princess Private Equity Holding Ltd., Guernsey ("Princess"). Although the Group held a majority interest in the company, the interest was treated as a joint venture due to the voting restrictions stipulated in the shareholders' agreement until the date of the acquisition of the remaining 49.996% interest.

The Group has purchased the remaining 49.996% interest as of 31 December 2006 for USD 299'976 (CHF 364'405) in connection with the restructuring of Princess (see note 7).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**18. INVESTMENTS IN JOINT VENTURES (CONTINUED)**

Until the date of conversion of the convertible bond issued by Princess as of 5 December 2006, the company also acted as insurer for the bond. As a further consequence of the aforesaid conversion, the insurance trust, which was in the beneficial ownership of PMIL was liquidated and the proceeds distributed to PMIL. PMIL itself has distributed an interim dividend to its two shareholders on 20 December 2006. Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenues and expenses of the joint-venture (up to the date of acquisition of the remaining 49.996%):

*In thousands of Swiss francs*

	<b>2006</b>
Revenues	18'072
Change in fair value of derivatives arising from insurance contracts	18'188
Expenses	
Amortization of intangible assets	-1'042
Other expenses	-462
<b>Net result</b>	<b>34'756</b>

See also notes 7, 20 and 31.

**19. OTHER INVESTMENTS**

The Group distinguishes between third party investments and investments in investment companies.

***Third party investments***

Third party investments are non-current investment holdings, which may have long-term or temporary character. Investments with temporary character are investments that the Group bridges for products, which are currently in the marketing phase and have not yet been closed. Such investments are transferred to the respective product once they have held their closing.

Investments of a long-term nature are participations the Group entered into in the due course of its business, where it enters a minority participation in order to act either as general partner, sponsor or holder of the management shares or similar participations. The Group performs an investment activity to the benefit of external investors under a predetermined investment policy, and receives a predetermined management and performance fee for its services, which is significantly less than the expected return to the investors. Those entities are treated as special purpose entities, and since the majority of risks and rewards involved lie with the external investors, they are not consolidated.

All third party investments are classified as at "fair value through profit or loss" and are valued at fair value (refer to note 2.9).

## 19. OTHER INVESTMENTS (CONTINUED)

### *Investments in investment companies*

The Group holds a majority of the shares of certain investment companies managed by the Group; however it is not the ultimate beneficial owner of the assets held by these companies. The Group performs an investment activity to the benefit of external investors under a predetermined investment policy, and receives a predetermined management and performance fee for its services, which is significantly less than the expected return to the investors. Those entities are treated as special purpose entities, and since the majority of risks and rewards involved lie with the external investors, they are not consolidated.

The investments in investment companies are classified as at "fair value through profit or loss" and valued at fair value.

*In thousands of Swiss francs*

	Third party <sup>1)</sup>	Investment companies <sup>2)</sup>	Total
<b>2006</b>			
Balance at 1 January 2006	13'232	1'093	14'325
Additions	28'213	-	28'213
Disposals	-2'906	-	-2'906
Transfers	1'062	-1'062	-
Revaluation to fair value	1'715	1	1'716
Effects of movements in FX	-512	1	-511
<b>Balance at 31 December 2006</b>	<b>40'804</b>	<b>33</b>	<b>40'837</b>
<b>2007</b>			
Balance at 1 January 2007	40'804	33	40'837
Additions	102'729	-	102'729
Disposals	-18'072	-	-18'072
Transfers	-	-	-
Revaluation to fair value	2'191	3	2'194
Effects of movements in FX	-1'141	1	-1'140
<b>Balance at 31 December 2007</b>	<b>126'511</b>	<b>37</b>	<b>126'548</b>

<sup>1)</sup> The revaluation of third party investments is included in the Group's financial result (see note 13).

<sup>2)</sup> The revaluation of investment companies is separately presented on the face of the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**19. OTHER INVESTMENTS (CONTINUED)**

At the relevant balance sheet dates the Group was holding the following third party investments:

*In thousands of Swiss francs*

<b>Name</b>	<b>Struct. <sup>1)</sup></b>	<b>Dom.</b>	<b>Type <sup>2)</sup></b>	<b>Owned in % <sup>3)</sup></b>	<b>Diluted ownership</b>	<b>Currency</b>	<b>FV 2007</b>	<b>FV 2006</b>
<b>Private Equity</b>								
Luna 2000 Cell Partners Group	PCC	Guernsey	Cell-Shares	16.599	16.599	USD	311	334
Global Opportunities	Corp	Guernsey	Shares	2.377	2.377	EUR	5'681	6'370
Partners Private Equity LP	LP	Cayman Isl.	LP	0.067	0.067	CHF	56	17
PG Asia Pacific 2005	LP	UK	GP	0.610	0.610	USD	1'981	851
PG Asia Pacific 2007	LP	UK	GP	1.000	1.000	USD	757	-
PG Direct Investments 2006	LP	UK	GP	0.739	0.739	EUR	25'589	1'224
PG Emerging Markets 2007	LP	UK	GP	0.372	0.372	USD	168	-
PG Europe 2002	LP	USA	GP	1.000	1.000	EUR	3'084	2'167
PG European Buyout 2005 (A)	LP	UK	GP	0.299	0.299	EUR	1'457	549
PG European Buyout 2005 (B)	LP	UK	GP	0.290	0.290	EUR	830	334
PG European Buyout 2008 (A)	LP	UK	GP	1.000	1.000	EUR	33	-
PG European Buyout 2008 (B)	LP	UK	GP	0.434	0.434	EUR	78	-
PG Global Value 2006	LP	UK	GP	1.000	1.000	EUR	1'932	765
PG Global Value SICAV	Corp	Luxembourg	Shares	36.436**	36.436	EUR	8'338	-
PG Maple Leaf	LP	UK	GP	0.990	0.990	EUR	1'402	537
PG Real Estate SICAV	Corp	Luxembourg	Shares	100.000*	100.000	EUR	51	-
PG Global Real Estate 2008	LP	UK	GP	0.721	0.721	EUR	-	-
PG Secondary 2004	LP	USA	GP	1.000	1.000	EUR	4'485	4'826
PG Secondary 2006	LP	UK	GP	0.970	0.970	EUR	9'642	4'493
PG Secondary 2008	LP	UK	GP	1.000	1.000	EUR	704	-
PG Secondary 2008 SICAR	Corp	Luxembourg	GP	100.000*	100.000	EUR	55	-
PG Secondary Syndicate	LP	USA	GP	0.873	0.873	EUR	103	66
PG US Buyout 2007	LP	UK	GP	0.643	0.643	EUR	196	-
PG US Venture 2004	LP	USA	GP	0.358	0.358	USD	373	224
PG US Venture 2006	LP	UK	GP	0.350	0.350	USD	390	48
Princess Private Equity Holding	Corp	Guernsey	Shares	0.565	0.565	EUR	1'390	1'358
<b>Total Private Equity</b>							<b>69'086</b>	<b>24'163</b>
<b>Private Debt</b>								
Global Mezzanine Invest SICAR	Corp	Luxembourg	Shares	100.000*	100.000	EUR	55	-
Penta CLO 1	Corp	Luxembourg	Shares	1.000	1.000	EUR	6'298	-
PG European Mezzanine 2005	Corp	Luxembourg	Shares	0.578	0.578	EUR	1'848	1'329
PG Global Mezzanine 2005	Corp	Luxembourg	Shares	0.911	0.911	EUR	3'307	2'175
PG Global Mezzanine 2007	Corp	Luxembourg	Shares	1.000	1.000	EUR	2'310	53
<b>Total Private Debt</b>							<b>13'818</b>	<b>3'557</b>
<b>Hedge Funds</b>								
PG Alternative Investment Fund	Corp	Guernsey	Shares	23.855**	23.855	EUR	26'006	-
PGAS Green Vega Cell	PCC	Guernsey	Cell-Shares	1.910	1.910	USD	-	13'067
PGAS Inactive Cells	PCC	Guernsey	Cell-Shares	100.000	100.000	USD	-	2
PGAS White Vega Cell	PCC	Guernsey	Cell-Shares	100.000**	100.000	USD	5'680	-
PGAS Yellow Vega Cell	PCC	Guernsey	Cell-Shares	26.065**	26.065	USD	11'035	-
<b>Total Hedge Funds</b>							<b>42'721</b>	<b>13'069</b>
<b>Other</b>								
b-to-v Private Equity SICAR	Corp	Luxembourg	Shares	3.622	3.622	EUR	562	-
Perennius Capital Partners S.A.	Corp	Luxembourg	Shares	15.000	15.000	EUR	308	-
Vega Invest Plc	Corp	Ireland	Shares	0.001	0.001	EUR	16	15
<b>Total Other</b>							<b>886</b>	<b>15</b>
<b>Total third party investments</b>							<b>126'511</b>	<b>40'804</b>

\* as at year-end only the share capital to set-up the company was paid in

\*\* temporary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

## 19. OTHER INVESTMENTS (CONTINUED)

At the relevant balance sheet dates the Group was holding the following investments in investment companies:

*In thousands of Swiss francs*

Name	Struct. <sup>1)</sup>	Dom.	Type <sup>2)</sup>	Owned in % <sup>5)</sup>	Diluted ownership	Currency	FV 2007	FV 2006
<b>Private Equity</b>								
Luna PCC	PCC	Guernsey	Core-Shares	0.370	0.005	USD	-	-
Partners Group Investment PCC	PCC	Guernsey	Core-Shares	50.000	0 <sup>3)</sup>	USD	-	-
Partners Group Private Equity								
Perf. Holding	Corp	Guernsey	Shares	100.000	30 <sup>3)</sup>	EUR	17	16
Pearl Holding	Corp	Guernsey	Shares	100.000	0.002 <sup>4)</sup>	EUR	20	17
PG Secondary GmbH & Co. KG	KG	Germany	GP	-	-	EUR	-	-
<b>Hedge Funds</b>								
Partners Group								
Alternative Strategies PCC Ltd.	PCC	Guernsey	Core-Shares	-	-	USD	-	-
<b>Total investments in investment companies</b>							<b>37</b>	<b>33</b>

### Legend

<sup>1)</sup> PCC = Protected Cell company; LP = Limited Partnership; Corp = Corporation

<sup>2)</sup> GP = General partner commitment; LP = Limited partner commitment

<sup>3)</sup> Interest serves only to constitute a sponsorship established by the Group, thus no substantial ownership results from such investment

<sup>4)</sup> Dilution due to convertible bond issued

<sup>5)</sup> Based on contractual agreements

## 20. OTHER FINANCIAL ASSETS

*In thousands of Swiss francs*

	2007	2006
Assets in insurance trust / experience account:	93'493	82'755
<i>Restricted cash and cash equivalents</i>	93'493	82'755
<i>Restricted securities classified as held for trading</i>	-	-
Loans to third parties and related parties	299	451
Loans to directors and officers of the Group	819	-
Other financial assets	119	163
<b>Total</b>	<b>94'730</b>	<b>83'369</b>

As discussed above the insurance trust with regards to Princess has been liquidated and its proceeds distributed to Princess Management Limited.

Since the Group cannot access the assets held in the experience account, which serve as first level coverage for the repayment of the convertible bond issued by Pearl Holding Limited, Guernsey, the assets are disclosed as non-current financial assets and stated at fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

### 20. OTHER FINANCIAL ASSETS (CONTINUED)

The average interest earned on the assets of the experience account (2006: experience account and insurance trust) was as follows:

	2007	2006
Average interest rate of restricted cash and cash equivalents	4.33%	1.93%
Average interest rate of restricted securities	-	3.27%

Once the aforesaid convertible bond for Pearl is fully repaid and a balance in the experience account remains, Pearl Management Limited is entitled to this amount.

Pearl Management Limited is fully consolidated (see note 36). According to SIC 12, the company has to consolidate its beneficial ownership in the experience account. The total figure disclosed is broken down as follows:

*In thousands of Swiss francs*

	2007	2006
Pearl experience account	93'493	82'755
<b>Total</b>	<b>93'493</b>	<b>82'755</b>

The assets in the experience account are held in Euro. The assets increase over the duration of the convertible bond via:

- Fund transfers by the Group and the issuer
- Interest income on the funds held
- Net gains on disposal of held for trading instruments
- Net gains on fair value remeasurement of held for trading instruments

Restricted securities are classified as at fair value through profit or loss. The loans to third and related parties include loans of CHF 818'648 (2006: CHF 450'562) to directors and officers of the Group and bear interest at market conditions.

### 21. DEFERRED TAX ASSETS AND LIABILITIES

Taxable temporary differences arise from the application of IAS 39 and the stating of the assets valued at "fair value through profit or loss" at fair value. The revaluation is included in the net financing result (see note 13). The Group companies holding these investments are treated as holding companies under Swiss tax regulation and under certain conditions do not have to pay taxes on the disposal of these assets. In such circumstances the Group applies a tax rate of 0%, which results in no deferred tax liability, although a temporary difference arises.

In connection with the Group's granting of options to its employees based in Switzerland, the Group recognized an expense in its statutory accounts, which is deductible for tax purposes. This expense led to a tax loss which may be carried forward. In accordance with IAS 12.68 C, the relating tax asset was recognized directly in equity. In addition the Group recognizes deferred tax assets in connection with its liabilities arising out of the application of IAS 19.

## 21. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The deferred tax assets developed as follows:

*In thousands of Swiss francs*

	2007	2006
Balance at 1 January	16'318	408
Additions recognized in the income statement	220	55
Adjustments recognized directly in equity	-999	15'855
Used during reporting period	-14'639	-
Value adjustments	-	-
<b>Balance at 31 December</b>	<b>900</b>	<b>16'318</b>

### **Tax loss carry-forwards**

Some Group companies generated net losses during the years under review, resulting in potential future deductions, once the company generates a net profit. The analysis of the net operating losses carried forward is as follows:

*In thousands of Swiss francs*

	2007	2006
Tax relevant losses carried forward on 1 January	7'562	10'306
Effect of movements in foreign exchange rates	-430	-481
Additional losses in the current reporting period	-	531
Expired losses carried forward	-	-
Utilized losses carried forward	-1'286	-2'795
<b>Balance at 31 December</b>	<b>5'846</b>	<b>7'561</b>

The losses carried forward expire within the following time frame:

*In thousands of Swiss francs*

	2007	2006
1 year	-	-
2 years	-	-
3 years	-	919
4 years	-	141
5 years	-	-
6 years	-	6
7 years	-	7
8 years	-	-
9 years	-	-
10 years	-	-
11 to 20 years	5'846	6'488
<b>Total losses carried forward</b>	<b>5'846</b>	<b>7'561</b>

Since the future utilization of the losses carried forward is uncertain, the Group does not recognize any deferred tax assets in respect of these amounts.

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments, branches, associated companies and interests in joint ventures due to the tax status of the companies holding such investments, since upon realization of such differences no deferred tax would arise.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**22. RECEIVABLES**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Derivative assets	3'154	14
Other prepaid expenses	3'417	2'205
Trade receivables due from investment companies	4'007	12'134
Other trade receivables	69'357	25'163
Other receivables	5'078	455
<b>Total</b>	<b>85'013</b>	<b>39'971</b>

No allowances were recognized during and at the end of the years under review. As of the reporting date no receivables are overdue.

**23. MARKETABLE SECURITIES**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Equity securities held for trading	19'711	22'888
Fixed deposits > 3 months, less than 12 months	201	207
<b>Balance at 31 December</b>	<b>19'912</b>	<b>23'095</b>
Average effective interest rate on fixed deposits	4.04%	3.44%

**24. CASH AND CASH EQUIVALENTS**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Bank balances	80'684	15'188
Call deposits	-	106'500
Petty cash	5	9
Other cash and cash equivalents	-	1
<b>Total</b>	<b>80'689</b>	<b>121'698</b>

**25. CAPITAL AND RESERVES**

*In effective number of shares*

	<b>2007</b>	<b>2006</b>
Issued at 1 January	26'700'000	26'700'000
Issued during year	-	-
<b>Issued at 31 December - fully paid in</b>	<b>26'700'000</b>	<b>26'700'000</b>

The issued share capital comprises 26'700'000 registered shares (2006: 26'700'000) at CHF 0.01 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**25. CAPITAL AND RESERVES (CONTINUED)*****Legal reserve***

The legal reserve comprises the reserves, which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The legal reserve cannot be distributed. The Group's legal reserves amounted to CHF 218'100 as of 31 December 2007 (2006: CHF 218'100).

***Own equity instruments***

Own equity instruments include treasury shares and share options of the Company. They are recognized at cost and presented separately within equity. At the balance sheet date the Group held 1'776'582 (2006: 1'190'915) of the Company's own shares.

In 2007 the Group transferred a total cost of CHF 10'855'078 relating to the re-purchase of share options in 2004, which were subsequently cancelled into other retained earnings. The Group holds treasury shares to provide for shares for the existing stock option program.

As of 24 March 2006 the Group held its initial public offering (IPO). Immediately preceding the IPO the restriction period for 5'667'075 options has been shortened of which 5'653'725 have been exercised into shares of the Company against cash.

***Translation reserves***

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities included in the consolidation.

***Hedging reserve***

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

***Dividends***

After the balance sheet date the Directors proposed a dividend distribution of CHF 113'475'000 (CHF 4.25 per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

25. CAPITAL AND RESERVES (CONTINUED)

**Outstanding shares**

The computation of the weighted average number of ordinary shares outstanding during the period is based on the following figures:

<i>In effective number of shares</i>	<b>Shares issued</b>	<b>Treasury shares</b>	<b>Out- standing</b>
<b>2006</b>			
Balance at 1 January 2006	26'700'000	6'244'800	20'455'200
Purchase of treasury shares for cash		479'219	-479'219
Sale of treasury shares for cash		-5'533'104	5'533'104
<b>Balance at 31 December 2006</b>	<b>26'700'000</b>	<b>1'190'915</b>	<b>25'509'085</b>
Weighted average number of shares outstanding during the year (360 days)			24'357'105
<b>Shareholders above 5 % (in % of shares issued)</b>		<b>Shares held</b>	<b>in %</b>
Gantner Alfred		3'767'119	14.11%
Erni Marcel		3'767'119	14.11%
Wietlisbach Urs		3'767'119	14.11%
<i>In effective number of shares</i>	<b>Shares issued</b>	<b>Treasury shares</b>	<b>Out- standing</b>
<b>2007</b>			
Balance at 1 January 2007	26'700'000	1'190'915	25'509'085
Purchase of treasury shares for cash		955'932	-955'932
Sale of treasury shares for cash		-370'265	370'265
<b>Balance at 31 December 2007</b>	<b>26'700'000</b>	<b>1'776'582</b>	<b>24'923'418</b>
Weighted average number of shares outstanding during the year (360 days)			25'146'757
<b>Shareholders above 5 % (in % of shares issued)</b>		<b>Shares held</b>	<b>in%</b>
Gantner Alfred		3'781'076	14.16%
Erni Marcel		3'781'076	14.16%
Wietlisbach Urs		3'781'076	14.16%

In the IPO the three main shareholders sold a total of 6'584'643 shares of the Company to the public market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

## 26. EARNINGS PER SHARE

*Basic and diluted earnings per share*

	2007	2006
Net profit for the year (in thousands of Swiss francs)	255'039	154'159
Weighted average number of ordinary shares outstanding	25'146'757	24'357'105
Average fair value of one ordinary share during the year (in Swiss francs)	149.50	93.95
Weighted average number of shares under option during the year	3'281'727	3'904'835
Exercise price for shares under option during the year (in Swiss francs)	50.97	24.63

	per share	earnings	shares
<b>2006</b>			
Net profit for the year (in thousands of Swiss francs)		154'159	
Weighted average number of ordinary shares outstanding			24'357'105
<b>Basic earnings per share (in Swiss francs)</b>	<b>6.33</b>		
Weighted average number of shares under option during the year			3'904'835
Number of shares that would have been issued at fair value *			-825'605
<b>Diluted earnings per share (in Swiss francs)</b>	<b>5.62</b>		<b>27'436'335</b>
<b>2007</b>			
Net profit for the year (in thousands of Swiss francs)		255'039	
Weighted average number of ordinary shares outstanding			25'146'757
<b>Basic earnings per share (in Swiss francs)</b>	<b>10.14</b>		
Weighted average number of shares under option during the year			3'281'727
Number of shares that would have been issued at fair value *			-1'364'122
<b>Diluted earnings per share (in Swiss francs)</b>	<b>9.42</b>		<b>27'064'362</b>

\* calculated on the basis of each individual share option grant

## 27. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk see note 4.

*In thousands of Swiss francs*

	2007	2006
<b>Non-current liabilities</b>		
Finance lease liabilities	-	22
<b>Balance as of 31 December</b>	<b>-</b>	<b>22</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**28. ACCRUED EXPENSES**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Bonus accruals – to be paid out in the following year	17'492	10'644
Third party fees	6'346	1'910
Outstanding invoices	819	2'015
Derivative liabilities	138	56
Other accrued expenses	3'718	309
	<b>28'513</b>	<b>14'934</b>

**29. EMPLOYEE BENEFITS**

**(a) Pension fund liabilities**

**Liability for defined benefit obligations**

The Group's only defined benefit plan is the plan for its Swiss employees. The plan is maintained by Gemini Sammelstiftung, Zurich. The plan covers the minimum legal requirement under Swiss law including the legal coordination charge, which is also insured. The monthly premium is split equally between employer and employees.

**Net liability recognized**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Fair value of plan assets	17'563	15'400
Defined benefit obligation	-21'380	-16'969
Funded status	-3'817	-1'569
Unrecognized actuarial (gains) and losses	25	-1'006
<b>Recognized liability for defined benefit obligations</b>	<b>-3'792</b>	<b>-2'575</b>

**Movements in the net liability for defined benefit obligations recognized in the balance sheet**

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Net liability for defined benefit obligations at 1 January	-2'575	-2'266
Expense recognized in the income statement (see below)	-1'980	-888
Employer's contribution	763	579
<b>Net liability for defined benefit obligations at 31 December</b>	<b>-3'792</b>	<b>-2'575</b>

## 29. EMPLOYEE BENEFITS (CONTINUED)

### (a) Pension fund liabilities (continued)

#### Development of obligations and assets

*In thousands of Swiss francs*

	2007	2006
Present value of benefit obligation at 1 January	-16'969	-16'257
Service cost	-2'091	-1'716
Past service cost	-920	-
Interest cost	-233	-447
Curtailments, settlements, plan amendments	-	-
Benefits paid	-279	62
Actuarial gain (loss) on benefit obligation	-888	1'389
<b>Present value of benefit obligation at 31 December</b>	<b>-21'380</b>	<b>-16'969</b>

*In thousands of Swiss francs*

	2007	2006
Fair value of plan assets at 1 January	15'400	12'648
Expected return on plan assets	501	696
Employer's contributions	763	579
Employee's contributions	763	579
Curtailments, settlements, plan amendments	-	-
Benefits paid	279	-62
Actuarial gain (loss) on plan assets	-143	960
<b>Fair value of plan assets at 31 December</b>	<b>17'563</b>	<b>15'400</b>

#### Expense recognized in the income statement

*In thousands of Swiss francs*

	2007	2006
Current service costs	-2'091	-1'716
Interest on obligation	-233	-447
Expected return on plan assets	501	696
Past service cost	-920	-
Net periodic pension cost	-2'743	-1'467
Employees' contributions	763	579
<b>Expense recognized in the income statement</b>	<b>-1'980</b>	<b>-888</b>

The expense is recognized in personnel expenses (see also note 12).

#### Return

	2007	2006
Actual return on plan assets	1.48%	8.34%

#### Principal actuarial assumptions at 31 December

*In thousands of Swiss francs*

	2007	2006
Discount rate	3.25%	2.75%
Expected net return on plan assets	5.50%	6.50%
Average future salary increases	2.00%	1.50%
Future pension increases	0.50%	0.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

29. EMPLOYEE BENEFITS (CONTINUED)

(a) Pension fund liabilities (continued)

Asset allocation at 31 December

<i>In thousands of Swiss francs</i>	2007	2006	Expected long term rate of return	Contribution to rate of return
Cash	1.60%	1.20%	2.00%	0.03%
Bonds	36.40%	28.80%	3.30%	1.18%
Equities	27.60%	31.40%	8.00%	2.21%
Property	0.00%	0.00%	4.00%	0.00%
Other	34.40%	38.60%	7.00%	2.41%
Total	100%	100%		5.83%
			Cost, rounding	-0.33%
			Net return	5.50%
Entity's own transferable bonds	n/a	n/a		
Entity's own transferable equities	n/a	n/a		
Property occupied by entity	n/a	n/a		
Other assets used by entity	n/a	n/a		

Development of defined benefit plan

<i>In thousands of Swiss francs</i>	2004	2005	2006	2007
Fair value of plan assets	11'091	12'648	15'400	17'563
Present value of benefit obligation	-13'821	-16'257	-16'969	-21'380
Funded (unfunded) status	-2'730	-3'609	-1'569	-3'817
Experience adjustment on plan liabilities				-1'803
Change in assumptions adjustment on plan liabilities				914
Experience adjustment on plan assets				-143
<b>Total actuarial gain / (loss)</b>				<b>-1'032</b>

The expected employer's contribution in 2008 amounts to TCHF 778.

(b) Share-based payments

Options

On 30 June 2000 the Group established a share option program that entitles key management personnel and certain employees to purchase shares in the entity. The program was modified as of 31 December 2002. The Group has granted further options under the program as of 31 December 2003 and 31 December 2004. Since all options granted are equity-settled instruments and have been fully vested either immediately at or before 31 December 2004, the Group has not applied IFRS 2 to these grants in accordance with the transitional provisions of IFRS 2. Options under the existing program have been granted in 2006 and 2007.



## 29. EMPLOYEE BENEFITS (CONTINUED)

### (b) Share-based payments (continued)

In 2007, the Group has granted further options. Options granted until 30 June 2006 followed the previous program. For options granted as from 1 July 2006, the Group implemented vesting conditions consisting of a five respectively six year service period.

<i>Options grants</i>	<b>Date</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Options	31.12.2002	4'779'300	none	30.06.2010
Options	31.12.2003	1'393'740	none	30.06.2010
Options	31.12.2004	1'229'535	none	30.06.2010
Options	31.12.2005	1'738'170	none	31.12.2015
Options	30.06.2006	26'700	none	30.06.2016
Options	16.08.2006	26'700	5 years service	16.08.2016
Options	09.10.2006	26'700	5 years service	09.10.2016
Options	30.11.2006	8'549	none	30.11.2016
Options	30.11.2006	324'720	5 years service	30.11.2016
Options	30.11.2006	507'300	6 years service	30.11.2016
Options	19.11.2007	921'140	5 years service	19.11.2017
<b>Total options granted</b>		<b>10'982'554</b>		
Options expired / forfeited since inception		-106'800		
Repurchase / redemption of options	2004	-1'201'500		
Exercised alongside IPO	2006	-5'493'525		
Exercised	2007	-160'200		
<b>Net options outstanding as of 31 December 2007</b>		<b>4'020'529</b>		

<i>Share grants</i>	<b>Date</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Shares	2006	10'930	1 year service	-
Shares	2006	2'195	1 year service	-
Restricted share units (RSUs)	2006	116	1 year service	-
Shares	2007	4'812	1 year service	-
<b>Total granted shares / RSUs as of 31 December 2007</b>		<b>18'053</b>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

29. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payments (continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
<i>In effective number of options</i>	2007	2007	2006	2006
Outstanding at the beginning of the period	CHF 57.26	3'291'629	CHF 9.68	7'901'865
Forfeited during the period	CHF 99.74	-32'040	CHF 25.95	-37'380
Exercised during the period	CHF 1.87	-160'200	CHF 2.21	-5'493'525
Granted during the period	CHF 159.00	921'140	CHF 135.89	920'669
Outstanding at the end of the period	CHF 82.44	<b>4'020'529</b>	CHF 57.26	<b>3'291'629</b>
Exercisable at the end of the period		<b>74'760</b>		<b>173'550</b>

The IPO of the Group as of 24 March 2006 resulted in a shortening of the restriction period for 5'667'075 options, of which 5'653'725 options were exercised during the reporting periods. Of the outstanding 4'020'529 options under the diverse programs of the Group 74'760 options are exercisable immediately and all other options are subject to a restriction period of at least until 31 December 2009.

The fair value of services in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. Instead of the contractual life of the option, the input to the model is based on the expected time of execution, taking into account the exercise restriction of the options.

**Fair value of share options granted in 2007, and related assumptions**

Date of grant	19.11.2007
Fair value per option at exercise price at measurement date	CHF 20.82
Share price	CHF 132.20
Exercise price	CHF 159.00
Expected volatility	27.00%
Expected term of execution	5 years
Expected dividend ratio	2.50%
Risk-free interest rate (based on Swap rates)	2.91%
Total options granted	921'140
Amount to be recognized as service expense	19'178'135
<b>Amount recognized in current year</b>	<b>3'196'356</b>

## 29. EMPLOYEE BENEFITS (CONTINUED)

### *(b) Share-based payments (continued)*

Expected volatility is estimated by considering historic average share price volatility. This historic average share price volatility has been adjusted to reflect the Group's earnings stability based on its long-term contractual relationships. Although the options imply a service period of five or six years, the Group already as of granting date recognized a sixth of the corresponding amount in the income statement since part of the option granting is deemed to be part of the compensation for past services rendered by the option holders.

#### *Shares / Restricted share units*

In the light of the IPO of the Company as of 24 March 2006, 10'930 shares were granted to staff and junior professionals of the Group. These shares are subject to a vesting period of one year since they were granted. The Group recognized a total expense of CHF 688'590 in its personnel expenses during the reporting period.

In 2007, the Group has further granted 4'812 (2006: 2'311) shares and restricted share units to staff and junior professionals of the Group. These shares are also subject to a vesting period of one year however the shares are in addition subject to a restriction period of maximum five years, which will be shortened if the employee resigns from the Group before this date. These shares are kept within the books of the Group and disclosed separately in the statement of changes in equity until the physical transfer of the shares to the individual employee after either five years or on the last working day of the individual employee.

## 30. PROVISIONS

The Group currently has no provisions.

## 31. DERIVATIVES ARISING FROM INSURANCE CONTRACTS

### *(a) Introduction*

#### *Princess Private Equity Holding Limited ("Princess")*

On 9 February 2006, Swiss Re informed the board of Princess about the exercise of its mitigation rights. Based on this, the board of Princess submitted a proposal to its bondholders regarding a re-launch of this product. For further details about the re-issue refer to note 16.

#### *Derivatives arising from insurance contracts*

The derivative liability arising from the Princess insurance contract was derecognized as no further liability exists due to the early conversion of the convertible bond. Thus the Group recognized a gain of TCHF 10'337 in the income statement under gain on settlement of insurance contracts, net; refer to note 31 (c & f).

The derivative asset arising from the Princess insurance contract was also derecognized as no further asset exists due to the termination of the reinsurance agreement between Princess Management Limited and Swiss Re. Thus the Group recognized a loss of TCHF 467 in the income statement under gain on settlement of insurance contracts, net; refer to note 31 (d & f).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**31. DERIVATIVES ARISING FROM INSURANCE CONTRACTS (CONTINUED)**

**(a) Introduction (continued)**

**Other liabilities in connection with insurance contracts**

The agreement entered into by the Group with a third party providing services in connection with the ongoing management of the insurance contract relating to Princess was also settled by the Group. As the remuneration was dependant on the development of the net asset value of the convertible bond (based on a certain percentage of the deemed value of the insurance trust at 31 December 2010), the Group derecognized its liability of TCHF 1'396, recognizing a corresponding gain in the income statement under gain on settlement of insurance contracts, net, and settled the remaining amount of TCHF 4'412 in cash; refer to note 31 (e & f).

**Pearl Holding Limited**

As discussed in note 16, the Group entered an agreement regarding the extension of the term of and the increase of the redemption amount of the convertible bond issued by Pearl Holding Limited as of 1 January 2006. Thus the input parameters for the strike price and the term of the option used for the Black-Scholes model to calculate the put option values have been amended in comparison to the parameters applied as of 31 December 2005, in order to reflect the contractual changes. The liability has been increased by the initial put option value of EUR 28.5 million reflecting the further payment of the Group into the experience account as of 20 December 2006.

Pearl Management Limited only acts as policyholder and pays certain amounts into the experience account, its exposure is limited to the sum of the balance paid into the experience account, although the actual insurance liability resulting from the transaction may be higher.

**(b) Basic assumptions**

As referred to in note 2.17 the Group recognizes a liability arising from the insurance contract with regards to Pearl Holding Ltd. ("Pearl"). The liability is valued applying a Black-Scholes model. The following assumptions have been made for the input parameters of the model:

	Pearl		Princess	
	2007	2006	2007	2006
Share price (in relation to bond notional)	124%	105%	n/a	n/a
Strike price (in millions)	EUR 712.8	EUR 712.8	n/a	n/a
Dividend yield	4.39%	4.24%	n/a	n/a
Risk free interest rate (government bonds)	4.60%	4.16%	n/a	n/a
Implicit volatility	12%	12%	n/a	n/a
Term of option	30.09.2014	30.09.2014	n/a	n/a

**Share price**

The share price is a reflection of the net asset value of the investment company as of the relevant balance sheet date.

**Strike price**

The strike price reflects the redemption amount of the bond.

### 31. DERIVATIVES ARISING FROM INSURANCE CONTRACTS (CONTINUED)

#### (b) Basic assumptions (continued)

##### Dividend yield

The dividend yield reflects the outflows of the investment company with regards to investment management fee, insurance premium and administration fees. The investment management fees as well as the insurance premium take into account a potential over-commitment of the product, as the fees are based on the higher of "net asset value of the investment company" or "net asset value of private equity assets invested plus unfunded commitments". Since the second base may be higher than the net assets of the company, the dividend yield has to be adjusted accordingly to reflect it.

##### Implicit volatility

The implicit volatility is based on the historic volatility for a comparable private equity portfolio, reflecting the given level of diversification in terms of stages, vintage years, industries and geographies.

#### (c) Derivative liabilities arising from insurance contracts

In thousands of Swiss francs

	Pearl		Princess	
	2007	2006	2007	2006
Balance at beginning of year	82'755	30'594	-	31'724
Recognition of initial put option value	-	44'770	-	-
Changes in fair value	-27'785	5'235	-	-19'880
Effect of settlement of insurance contract	-	-	-	-10'337
Effects of movement in FX	2'258	2'156	-	-1'507
<b>Balance at end of year</b>	<b>57'228</b>	<b>82'755</b>	<b>-</b>	<b>-</b>

#### (d) Derivative assets arising from insurance contracts

In thousands of Swiss francs

	Princess	
	2007	2006
Balance at beginning of year	-	2'266
Changes in fair value	-	-1'692
Effect of settlement of insurance contract	-	-467
Effects of movement in FX	-	-107
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

#### (e) Other liabilities in connection with insurance contracts

In thousands of Swiss francs

	Princess	
	2007	2006
Balance at beginning of year	-	6'063
Changes in fair value	-	190
Effect of settlement of insurance contract	-	-1'396
Settlement of liability	-	-4'412
Effects of movement in FX	-	-445
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**31. DERIVATIVES ARISING FROM INSURANCE CONTRACTS (CONTINUED)**

**(e) Other liabilities in connection with insurance contracts (continued)**

The Group entered into an agreement with a third party provider providing services in connection with the on-going management of the insurance contract relating to Princess. The remuneration was dependant on the development of the net asset value of the Princess bond, as a certain percentage of the final insurance trust has been agreed as remuneration. In connection with the dissolution of the insurance trust, the other liabilities in connection with insurance contracts have been settled as of 20 December 2006.

**(f) Gain on settlement of insurance contracts, net**

In addition to the transactions described in notes 16 and 31(a), the following amounts were recorded in connection with the settlement of the Princess insurance contract:

- TCHF 12'002 paid to Swiss Re on 22 December 2006 for the settlement of the insurance contract.
- TCHF 6'297 received from Swiss Re for the settlement of a dividend assignment agreement between Swiss Re and Partners Group Holding, entered in 2004 to address a retrospective adjustment of the reinsurance fee.

As a summary, the settlement of the Princess insurance contract had the following total effect on the Group's income statement:

*In thousands of Swiss francs*

	<b>2007</b>	<b>2006</b>
Derecognition of the initial put option with regards to Princess	-	-4'519
Derecognition of the derivative asset arising from the Princess insurance contract	-	-467
Derecognition of the derivative liability arising from the Princess insurance contract	-	10'337
Derecognition of third party liability with regards to Princess	-	1'396
Payment to Swiss Re for the settlement of the Princess re-insurance contract	-	-12'002
Payment from Swiss Re for the settlement of the dividend assignment agreement	-	6'297
<b>Total gain on settlement of insurance contracts, net</b>	<b>-</b>	<b>1'042</b>

In the cash flow statement net payments made to Swiss Re are included in cash from operating activities. The proceeds from the dissolution of the Princess insurance trust in the amount of TCHF 74'847 are presented as part of investing activities.

### 32. OPERATING LEASES

#### *Leases as a lessee*

Non-cancelable operating lease rentals are payables as follows:

*In thousands of Swiss francs*

	2007	2006
Less than one year	4'422	2'556
Between one and five years	15'812	8'782
More than five years	1'421	482
	<b>21'655</b>	<b>11'820</b>

The Group classifies its office rental liabilities and car leases under operating leases. The office leases typically run for an initial period of two to five years, with an option to renew the lease after that date. None of the leases include contingent rentals.

The Group has no existing subleases since 1 August 2007.

During the current year CHF 3'162'945 was recognized as an expense in the income statement in respect of operating leases and housekeeping costs in connection with operating leases (2006: CHF 2'317'935). The income of the sublease contract of CHF 46'637 (2006: CHF 79'239) is included in the lease expenses as a deduction.

### 33. CAPITAL COMMITMENTS

As of 31 December 2007 the Group had capital commitment contracts with private equity partnerships for TCHF 116'703 (2006: TCHF 52'609), whereof TCHF 50'453 (2006: TCHF 29'482) were not yet called by the relevant investment manager. The capital commitments are called over time, usually between one to five years since subscription for the commitment. In addition the Group may selectively enter into capital commitment contracts to bridge investments for investment products managed by the Group, refer also to note 19.

### 34. CONTINGENCIES

The Group currently has neither contingent assets nor liabilities.

### 35. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries (see note 36), associates (see note 17), joint-ventures (see note 18), investment companies (see note 19), with its pension funds (see note 29) and with its management and significant shareholders.

Associates purchased services from the Group in the amount of CHF 300'000 (2006: CHF 300'000) and at the balance sheet date associates owed the Group CHF 75'000 (2006: CHF 75'000). The Group received dividends of CHF 3'909'121 (2006: CHF 3'039'361) from associates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

**35. RELATED PARTY TRANSACTIONS (CONTINUED)**

Board members and shareholders employed by the Group and their immediate relatives control 69.8% (2006: 67.2%) of the voting shares of the Company. Loans to directors and officers of the Group amount to CHF 818'648 (2006: nil) and are included in "other financial assets" (see note 20).

The Group purchased treasury shares from its shareholders as follows (see also note 25):

<i>In effective number of shares</i>	<b>2007</b>	<b>2006</b>
From shareholders, which are employed by the Group	494'274	-
	<b>494'274</b>	<b>-</b>
Purchase price per share	CHF 150.21	-

The Group is managed by the board of directors of the Company and the executive board of the Group (herein-after referred to as "senior management"). The total personnel expenses of senior management included in personnel expenses (see note 12) amounts to:

<i>In thousands of Swiss francs</i>	<b>2007</b>	<b>2006</b>
Board members of Partners Group Holding:		
Short-term employment benefits	1'050	920
Post-employment benefits	115	137
Equity compensation benefits	-	130
	<b>1'165</b>	<b>1'187</b>
Executive board:		
Short-term employment benefits	4'770	3'480
Post-employment benefits	317	309
Equity compensation benefits	445	445
	<b>5'532</b>	<b>4'234</b>
<b>Total board members and executive board</b>	<b>6'697</b>	<b>5'421</b>

Senior management can also participate in the Group's share option program (see note 29). At the relevant balance sheet date, senior management was entitled to the following number of options and shares:

<i>In effective number of options</i>	<b>2007</b>	<b>2006</b>
Board members	8'549	8'549
Members of the executive board	534'000	534'000
Other Partners & Principals	1'568'250	974'550
Senior Vice Presidents	352'700	357'780
<b>Total</b>	<b>2'463'499</b>	<b>1'874'879</b>

**Outstanding shares**

<i>In effective number of shares</i>	<b>2007</b>	<b>2006</b>
Board members	11'355'228	11'313'357
Members of the executive board	2'126'950	2'332'913
Other Partners & Principals	3'350'944	3'473'455
<b>Total</b>	<b>16'833'122</b>	<b>17'119'725</b>



### 36. GROUP ENTERPRISES

#### (a) Significant subsidiaries (full consolidation)

	Country of incorporation	Ownership interest	
		2007	2006
Partners Group	Switzerland	100%	100%
Partners Group Trading (merged)	Switzerland	n/a	100%
Partners Group Investments (merged)	Switzerland	n/a	100%
Asset Management Partners	Switzerland	84%	84%
Partners Group (Luxembourg) Sarl	Luxembourg	100%	100%
Partners Group (Guernsey) Limited	Guernsey	100%	100%
Partners Group Management I Limited	Guernsey	100%	100%
Partners Group Management II Limited	Guernsey	100%	100%
Partners Group Management III Limited	Guernsey	100%	100%
Partners Group Management IV Limited	Guernsey	100%	100%
Partners Group Management V Limited	Guernsey	100%	100%
Partners Group Management VI Limited	Guernsey	100%	n/a
Partners Group Management VII Limited	Guernsey	100%	n/a
Partners Group Fund Services Limited	Guernsey	100%	n/a
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	n/a
Partners Private Equity Management Limited	Guernsey	100%	100%
Partners Group (Scotland) Limited	Scotland	100%	100%
Partners Group (UK) Limited	UK	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
PCA Real Estate Asset Management LLC	USA	100%	n/a
Partners Group (Deutschland) GmbH	Germany	100%	100%
Partners Private Equity Management Inc.	Cayman Islands	100%	100%
Partners Group (Altern. Invest. Asia-Pacific) Pte. Limited	Singapore	100%	100%
Princess Management Limited*	Guernsey	100%	100%

\*Until the end of 2006 the company was recognized by applying proportionate consolidation.

#### (b) Investments in associates (equity method)

	Country of incorporation	Ownership interest	
		2007	2006
LGT Private Equity Advisers	LI	40%	40%
Regional Investment Partners (liquidated)	USA	n/a	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**37. SUBSEQUENT EVENTS**

No events took place between 31 December 2007 and 27 February 2008 that would require adjustments to the amounts recognized in these consolidated financial statements or would need to be disclosed under this heading.

**INDEX TO THE FINANCIAL STATEMENTS  
PARTNERS GROUP HOLDING AND REPORT OF THE AUDITORS**

<b>1. Report of the Auditors on the Financial Statements of Partners Group Holding</b>	<b>106</b>
<b>2. Financial Statements of Partners Group Holding</b>	
– Income statement for the years ended 31 December 2007 and 2006	<b>107</b>
– Balance sheet as of 31 December 2007 and 2006	<b>108</b>
– Notes to the financial statements for the years ended 31 December 2007 and 2006	<b>109</b>
<b>3. Proposal by the board of Directors of Partners Group Holding     for the appropriation of available earnings as of 31 December</b>	<b>115</b>

# REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING



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## Report of the Statutory Auditors to the General Meeting of

### Partners Group Holding, Baar-Zug

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes / pages 107 to 114) of Partners Group Holding for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

We draw attention to Note 4 in the financial statements. The allocation to the reserve for treasury shares against retained earnings related to the acquisition of treasury shares in 2007 presents a violation of Article 659 CO.

KPMG Ltd

Swen Wyssbrod  
Auditor in Charge

Patrizio Aggio

Zurich, 27 February 2008

**INCOME STATEMENT  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
	CHF	CHF
Income from financial investments	261'776'239	143'593'229
Value adjustment on financial investments	1'231'134	56'660
Reversal of provision on subordinated loans	1'100'000	3'871'001
Other financial income	8'881'959	3'461'535
<b>Total income</b>	<b>272'989'332</b>	<b>150'982'425</b>
Personnel expenses	-31'097	-26'990
Insurance premium	-	-45'143'112
General & administrative expenses	-1'187'237	-339'074
Other financial expenses	-17'750'308	-7'719'136
<b>Profit before taxes</b>	<b>254'020'690</b>	<b>97'754'113</b>
Taxes	-1'392'336	-337'142
<b>Net profit for the year</b>	<b>252'628'354</b>	<b>97'416'971</b>

**BALANCE SHEET**  
**AS OF 31 DECEMBER 2007 AND 2006**

	Note	2007 CHF	2006 CHF
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		77'206'799	66'338'608
Securities		19'711'626	5'732'843
Treasury shares	3	152'329'602	9'926'290
Other receivables:			
- third parties		430'990	316'765
- group companies		156'509'955	50'588'057
Deferred expenses and accrued income		2'050'233	86'357
<b>Total current assets</b>		<b>408'239'205</b>	<b>132'988'920</b>
<b>Non-current assets</b>			
Financial investments:			
- participations	2	52'359'365	45'283'828
- loans to group companies	5	-	8'923'501
- loans to employees		1'117'809	433'974
- other financial investments		11'085'729	1'707'239
<b>Total non-current assets</b>		<b>64'562'903</b>	<b>56'348'542</b>
<b>Total assets</b>		<b>472'802'108</b>	<b>189'337'462</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Other short-term liabilities:			
- third parties		759'720	38'939
- group companies		103'142'577	4'371'940
Accrued expenses		284'413	141'726
Provision for subordinated loans	5	-	1'100'000
<b>Total liabilities</b>		<b>104'186'710</b>	<b>5'652'605</b>
<b>Shareholders' equity</b>			
Share capital		267'000	267'000
Legal reserves:			
- legal reserve		218'100	218'100
- reserves for treasury shares	3	170'715'959	48'619'937
Available earnings:			
- retained earnings	4	-55'214'015	37'162'849
- net profit for the year		252'628'354	97'416'971
<b>Total shareholders' equity</b>		<b>368'615'398</b>	<b>183'684'857</b>
<b>Total liabilities and shareholders' equity</b>		<b>472'802'108</b>	<b>189'337'462</b>

NOTES TO THE FINANCIAL STATEMENTS  
OF PARTNERS GROUP HOLDING

**1. Commitments and contingent liabilities**

**Commitments**

Not paid in capital (other investments)  
(Luna shares USD 51'250, prior year USD 51'250)

58'245

62'515

**Contingencies**

Not paid in capital (participations)  
(Princess Management Limited, Guernsey;  
USD 0, prior year: USD 950'076)

-

1'158'903

**Guarantees**

Guarantees for subsidiaries

30'971'836

10'430'752

**2. Participations**

**Partners Group, Baar**

(Financial company)  
Share capital CHF 100'000  
Share 100%

1'914'100

1'914'100

**Partners Group Trading, Baar**

(Investment company)  
Share capital CHF 100'000  
Merged with Partners Group Holding

-

100'000

**Princess Management Limited, Guernsey**

(Private equity management)  
Share capital USD 600'000  
(prior year: USD 1'250'000, paid in 24%)  
Share 100%

840'148

475'743

**Partners Group (USA) Inc, New York**

(Investment advisory or management)  
Share capital USD 75'000  
Share 100%

6'109'951

1

**Partners Group (Guernsey) Limited, Guernsey**

(Investment advisory or management)  
Share capital GBP 40'000  
Share 100%

100'400

100'400

**Partners Group (UK) Limited**

(Investment advisory or management)  
Share capital GBP 450'000 (prior year: GBP 250'000)  
Share 100%

1'039'418

558'785

NOTES TO THE FINANCIAL STATEMENTS  
OF PARTNERS GROUP HOLDING

**2. Participations (continued)**

**Partners Group (Luxembourg) Sarl**

(Investment advisory or management)

Share capital EUR 31'000

Share 100%

**2007**  
CHF

**2006**  
CHF

3'435'972

3'435'972

**Partners Group (Alternative Investments Asia Pacific) Pte Limited**

(Investment advisory or management)

Share capital SGD 2

Share 100%

p.m.

p.m.

**Pearl Management Limited, Guernsey**

(Investment advisory or management)

Share capital EUR 20'000

Share 100%

30'450

30'450

**Partners Group Fund Services Limited**

(Hedge fund management and administration)

Share capital USD 205'972

Share 100%

232'623

-

**Penta Management Limited**

(Private debt management)

Share capital EUR 20'000

Share 100%

32'352

-

**Partners Private Equity Management Inc, Cayman Islands**

(Private equity management)

Share capital USD 100

Share 100%

p.m.

p.m.

**Partners Private Equity Management Limited, Guernsey**

(Private equity management)

Share capital CHF 5

Share 100%

p.m.

p.m.

**LGT Private Equity Advisers AG, Vaduz**

(Private equity management)

Share capital CHF 1'000'000

Share 40%

400'000

400'000

**Partners Group Private Equity Performance  
Holding Limited, Guernsey**

(Investment company)

Share capital EUR 10'000

Share 100%

15'712

15'712



NOTES TO THE FINANCIAL STATEMENTS  
OF PARTNERS GROUP HOLDING

**2. Participations (continued)**

**Pearl Holding Limited, Guernsey**

(Investment company)

Share capital EUR 10'000

Share 100%

**Partners Group Management I Limited, Guernsey**

(Investment management)

Share capital EUR 20'000

Share 100%

**Partners Group Management II Limited, Guernsey**

(Investment management)

Share capital EUR 20'000

Share 100%

**Partners Group Management III Limited, Guernsey**

(Investment management)

Share capital EUR 20'000

Share 100%

**Partners Group Management IV Limited, Guernsey**

(Investment management)

Share capital EUR 20'000

Share 100%

**Partners Group Management V Limited, Guernsey**

(Investment management)

Share capital USD 20'000

Share 100%

**Partners Group Management VI Limited, Guernsey**

(Investment management)

Share capital EUR 20'000

Share 100%

**Partners Group Management VII Limited, Guernsey**

(Investment management)

Share capital EUR 0

Share 100%

**Partners Group Management I Sarl, Luxembourg**

(Investment management)

Share capital EUR 31'000

Share 100%

**Partners Group Investments, Baar**

(Investment company)

Share capital CHF 100'000

Merged with Partners Group Holding

**2007**

CHF

**2006**

CHF

1

1

22'794'439

22'794'439

10'953'657

10'953'657

4'023'189

4'023'189

31'861

31'861

24'361

-

33'530

-

p.m.

p.m.

51'213

-

-

100'000

# NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING

## 2. Participations (continued)

### Partners Group (Deutschland) GmbH, Frankfurt

(Investment advisory or management)

Share capital EUR 25'000

Share 100%

### Asset Management Partners, Baar

(Wealth management advisory or management)

Share capital CHF 200'000

Share 84%

### Regional Investment Partners L.L.C., Dallas, TX

(Private equity investment research)

Company liquidated

### Total value at cost

### Total book value

2007	2006
CHF	CHF
127'988	127'988
168'000	168'000
-	53'530
<b>52'359'365</b>	<b>45'283'828</b>
<b>52'359'365</b>	<b>45'283'828</b>

## 3. Number of treasury shares as of 31 December

	Number of shares	Average price CHF	Total value CHF
Balance as of 1 January 2006	1'542'800		
Purchase of treasury shares for cash	479'219	87.42	41'893'948
Exercised options	-791'525	4.24	-3'356'495
Sale of treasury shares for cash	-39'579	112.86	-4'466'949
<b>Balance as of 31 December 2006</b>	<b>1'190'915</b>		
Purchase of treasury shares for cash	1'078'070	148.20	159'768'956
Exercised options	-160'200	1.87	-299'574
Sale of treasury shares for cash	-332'203	146.58	-48'692'690
<b>Balance as of 31 December 2007</b>	<b>1'776'582</b>		

The shares are valued at the respective transaction prices. The average value per share amounts to CHF 85.74 (31 December 2006: CHF 40.83).

The company has 4'020'529 outstanding employee options which are expected to vest over the coming years (see also note 29 of the consolidated financial statements) (31 December 2006: 3'291'629).

**4. Retained earnings**

	<b>2007</b>	<b>2006</b>
	CHF	CHF
Balance as of 1 January	37'162'849	10'321'994
Allocation of previous year's result	97'416'971	57'763'911
Payment of dividend	-66'623'851	-
Net treasury shares bought in period/ reallocation to reserve for treasury shares	-122'096'022	-29'658'209
Merger with subsidiary companies	-1'073'962	-1'264'847
<b>Balance as of 31 December</b>	<b>-55'214'015</b>	<b>37'162'849</b>

Partners Group Holding purchased treasury shares in the net amount of CHF 122'096'022 in 2007. Due to a lack of free reserves the required reserve for treasury shares has been set up against retained earnings resulting in a loss carried forward of CHF 55'214'015.

**5. Subordinated loans**

The position "loans to group companies" includes one subordinated loan:

	<b>2007</b>	<b>2006</b>
	CHF	CHF
Partners Group Trading	-	3'900'000
<b>Total</b>	<b>-</b>	<b>3'900'000</b>

**6. Conditional capital**

The annual general meeting on 27 April 2007 approved the increase of the conditional capital for employee options to:

	<b>2007</b>	<b>2006</b>
- Number of registered shares	4'005'000	1'335'000
- Par value (in Swiss francs)	40'050	13'350

**7. Shareholders above 5% (in % of shares issued)**

	<b>2007</b>	<b>2006</b>
Gantner Alfred	14.16%	14.11%
Erni Marcel	14.16%	14.11%
Wietlisbach Urs	14.16%	14.11%

There are no other issues to be disclosed regarding Art. 663b of the Swiss Code of Obligations.

## NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING

### 8. Management compensation in accordance with Art. 663b<sup>bis</sup> Swiss Code of Obligations

All amounts in Swiss francs

	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Total 2007
<b>Board of directors</b>				
Erni Marcel	236'700	63'300	37'832	337'832
Gantner Alfred	223'500	76'500	50'468	350'468
Wietlisbach Urs	223'500	76'500	42'395	342'395
Fehring Ulrich	50'000	-	2'228	52'228
Schenker Robert	50'000	-	35'272	85'272
Zürcher Wolfgang	50'000	-	5'397	55'397
<b>Total board of directors</b>	<b>833'700</b>	<b>216'300</b>	<b>173'592</b>	<b>1'223'592</b>
<b>Executive board</b>				
Meister Steffen	198'000	702'000	43'882	943'882
Birchler Kurt	198'000	372'000	41'332	611'332
Wenger Jürg	217'800	392'200	49'598	659'598
Gysler Philipp	217'800	512'200	46'704	776'704
Haldner Felix	198'000	532'000	46'390	776'390
Jacquemai Michel	217'800	282'200	43'882	543'882
Kaas Erik	198'000	532'000	45'591	775'590
<b>Total executive board</b>	<b>1'445'400</b>	<b>3'324'600</b>	<b>317'378</b>	<b>5'087'378</b>

<sup>1)</sup> Amounts include payments by the Group for pension and other benefits (including fee rebates on personally held Partners Group products).

### 9. Management share ownership in accordance with Art. 663c Swiss Code of Obligations

Number of shares/options held as of 31 December 2007

	Share ownership	Options
<b>Board of directors</b>		
Erni Marcel, executive vice chairman	3'781'076	-
Gantner Alfred, executive chairman	3'781'076	-
Wietlisbach Urs, executive vice chairman	3'781'076	-
Fehring Ulrich	5'000	3'288
Schenker Robert	5'500	3'288
Zürcher Wolfgang	1'500	1'973
<b>Executive board</b>		
Meister Steffen, chief executive officer	534'000	160'200
Birchler Kurt, chief financial officer	151'300	80'100
Wenger Jürg, chief operating officer	178'900	26'700
Gysler Philipp	222'500	80'100
Haldner Felix	347'100	80'100
Jacquemai Michel	409'400	26'700
Kaas Erik	283'750	80'100
<b>Total board of directors and executive board</b>	<b>13'482'178</b>	<b>542'549</b>

# PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

## Proposal by the board of directors of Partners Group Holding for the appropriation of available earnings as of 31 December

	2007	2006
	CHF	CHF
Profit for the year	252'628'354	97'416'971
Retained earnings	-55'214'015	37'162'849
<b>Available earnings</b>	<b>197'414'339</b>	<b>134'579'820</b>
<b>Proposal by the board of directors to the general meeting:</b>		
To be distributed to shareholders	-113'475'000	-66'623'851
<b>To be carried forward</b>	<b>83'939'339</b>	<b>67'955'969</b>



**“Passion for powerful resources”**

Partners Group Holding is committed to meeting high standards of corporate governance, with the aim of guiding our company to further success. Partners Group Holding bases its corporate governance on the "Swiss Code of Best Practice for Corporate Governance" and the "Directive on Information relating to Corporate Governance" issued by the SWX Swiss Exchange.

The Corporate Governance section contains information on the following:

- Group structure and shareholders
- Capital structure
- Board of directors
- Executive board
- Compensation, shareholdings and loans
- Shareholders' participation
- Changes of control and defense measures
- Auditors
- Information policy

In this corporate governance report, references to "Partners Group", the "firm", the "company", "we", "us" and "our" are to Partners Group Holding together with its consolidated subsidiaries, unless the context requires otherwise.

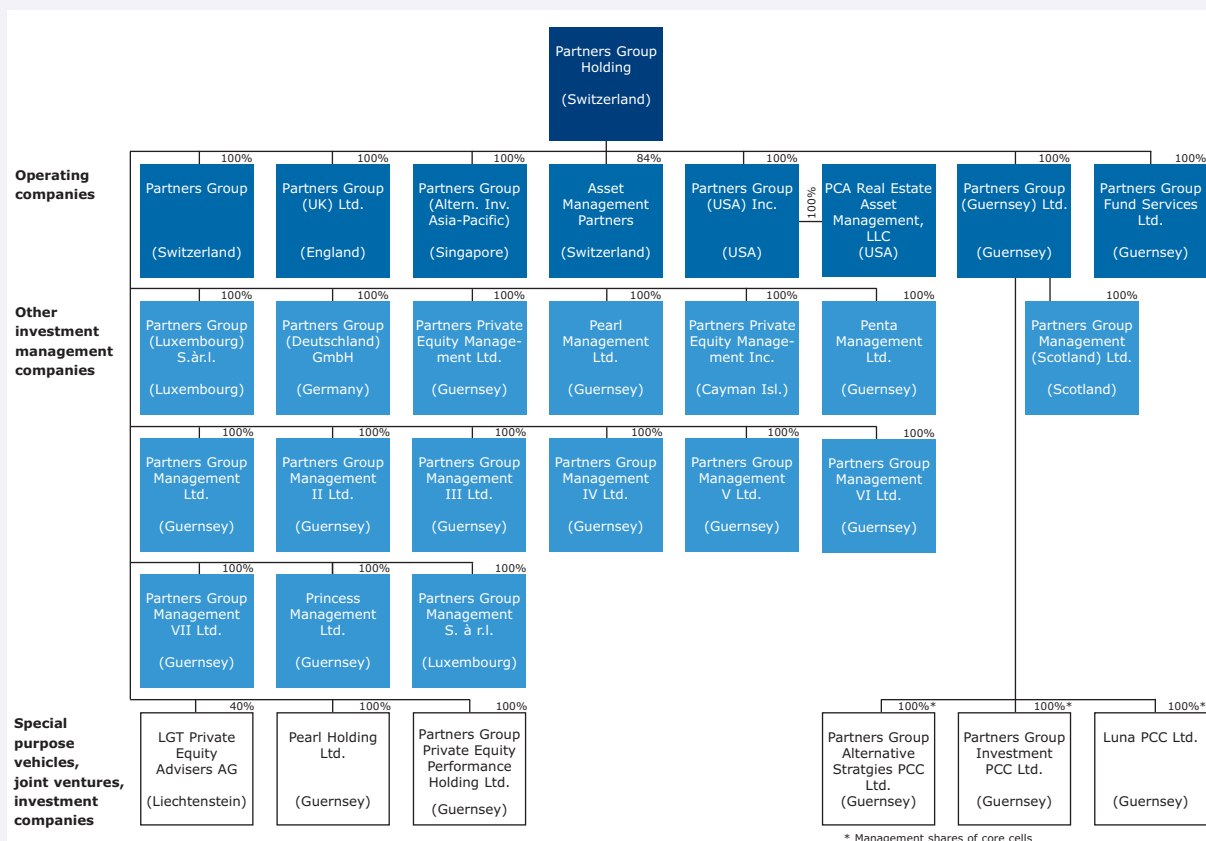
## 1. Group structure and shareholders

### 1.1 Group structure

Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United Kingdom, the United States, Singapore, Guernsey and other jurisdictions. The chart below provides an overview of the group structure as of 31 December 2007.

#### 1.1.1 Listed companies belonging to the Group

Partners Group Holding is a stock corporation incorporated under Swiss law with its registered office and headquarter at Zugerstrasse 57, 6341 Baar - Zug. Partners Group Holding is listed on the SWX Swiss Exchange under Swiss Security Number 002460882 and ISIN number CH0024608827. The



## CORPORATE GOVERNANCE

market capitalization of the company as of 31 December 2007 is CHF 4.1 billion. All other group companies are privately held.

#### *1.1.2 Unlisted companies belonging to the Group*

For more detailed information on the unlisted subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see note 36 to the consolidated financial statements and note 2 to the statutory financial statements in the annual report 2007.

#### *1.2 Significant shareholders*

Partners Group Holding has one group of shareholders holding more than 3% of the shares and voting rights of the company. This group is composed of Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach along with 26 other partners and principals of Partners Group. All members of this group have entered into a lock-up agreement which imposes certain selling restrictions and/or individual non-compete arrangements on the members of the group for a time period of up to March 2013. As of 31 December 2007, this group holds 7'778'409 shares or 29.13% of the total share capital. Within this group, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach each hold 1'097'119 shares, or 4.11% of the total share capital. Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach each additionally hold 2'683'957 shares outside of the group, corresponding to 10.05% of the total share capital.

At year-end, Partners Group Holding also held 1'776'582 treasury shares, corresponding to 6.65% of the total share capital.

#### *1.3 Cross-shareholdings*

Partners Group Holding has no cross-shareholdings with another company or group of companies.

## **2. Capital structure**

#### *2.1 Capital*

The issued nominal share capital of Partners Group Holding amounts to CHF 267'000, comprising 26'700'000 fully paid in registered shares with a nominal value of CHF 0.01 each.

#### *2.2 Authorized and conditional share capital*

Partners Group Holding currently has no authorized capital. The extraordinary general meeting of shareholders held on 14 December 2005 approved the creation of a conditional capital of a maximum of CHF 13'350, divided into 1'335'000 fully paid-in registered shares of a nominal value of CHF 0.01 each. Furthermore, the annual general meeting of shareholders held on 27 April 2007 approved the increase of the conditional capital to a maximum of CHF 40'050, divided into 4'005'000 fully paid-in registered shares of a nominal value of CHF 0.01 each.

The share capital may be increased through the exercise of options granted to the members of the board of directors and employees of Partners Group in the aggregate amount of the conditional capital. Pre-emptive rights as well as the shareholders' advance subscription rights are excluded in favor of the option holders. The board of directors will determine the details of any issue of conditional capital according to the terms of the related option rights. The acquisition of the registered shares by exercising the option rights and the further transfer of the shares are subject to the transfer restrictions set forth in section 2.6 below.

#### *2.3 Changes in capital*

Apart from the creation and increase of the conditional capital as described in section 2.2 above, no further changes in capital have occurred during the last three years.

#### *2.4 Shares and participation certificates*

Partners Group Holding has issued 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each and transferability in accordance with our articles of association, as described in section 2.6 below. Shareholders do not have the right to ask for printing and delivery of share certificates. A shareholder may, however, at any time demand that Partners Group Holding issue a confirmation of such shareholder's shareholding.

Each share carries one vote at the shareholders' meetings. All shares have equal rights. Voting rights and certain other non-economic rights attached to the shares, including the right (subject to certain conditions) to call and to attend shareholders' meetings, may be exercised only after a shareholder has been registered in the share register of Partners Group Holding as a shareholder with voting rights. Such registration requires the approval of the board of direc-



tors and is restricted, see section 2.6 below. All shares are entitled to full dividend rights.

Partners Group Holding has not issued (non-voting) participation certificates.

#### *2.5 Profit sharing certificates*

Partners Group Holding has not issued any profit sharing certificates.

#### *2.6 Limitations on transferability and nominee registration*

Any transfer of shares will not be recognized for purposes of having voting rights with respect to such shares unless a transfer is approved by the board of directors. This limitation also applies to the establishing of an usufruct. If the application of a transferee for recognition is not declined by the board of directors within 20 days, this transferee is deemed to have been recognized as a shareholder. According to art. 6 of the articles of association, the board of directors may refuse to register a transferee as a shareholder with voting rights to the extent that said transferee's total shareholding would exceed 10% of the total share capital as registered in the commercial register. The board of directors may also refuse to register a transferee as a shareholder with voting rights if the transferee does not expressly declare that it has acquired the shares in its own name and for its own account. If the shares pass by inheritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be cancelled if they are based on false information on the part of the transferee.

Partners Group Holding has issued special provisions for the registration of nominees. Nominees may be entered in the share register with voting rights for a maximum of 5% of the total share capital as set forth in the commercial register. The board of directors may allow a nominee to exceed this limit if such nominee discloses the name, address and shareholding of any person for whose account it is holding 0.5% or more of the share capital as set forth in the commercial register. The board of directors shall conclude agreements with such nominees concerning disclosure requirements, representation of shares and exercise of voting rights.

Any reversal or amendment of the statutory rules governing

the transfer limitation require a quorum of at least two-thirds of the represented votes at the shareholders' meeting and the absolute majority of the represented nominal value of shares.

#### *2.7 Convertible bonds and options*

Partners Group Holding currently has no convertible bonds outstanding.

Since 30 June 2000, Partners Group Holding has established regular share option programs that entitle key management personnel as well as a large number of other employees to purchase shares in the entity. The options can be settled either by the issuance of conditional capital or by the delivery of existing shares. Please see note 29 (b) to the consolidated financial statements in the annual report 2007 for comprehensive information on the employee options.

### **3. Board of directors**

The board of directors of Partners Group Holding is entrusted with the ultimate strategy and direction of the company and the supervision of the management. As of 31 December 2007, the board of directors consists of six members, of which three are executive members.

#### *3.1 Members of the board of directors*

The executive members of the board of directors, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach, do not hold any material management positions or any board membership outside the Partners Group Holding group. The texts below provide information on the professional history and education of each member of the board of directors, including other activities and functions such as mandates on boards of important corporations, organizations and foundations, or permanent functions for important interest groups.

*Alfred Gantner* is a founding Partner of Partners Group, chairman of the business development committee and a member of both the nomination and compensation committee as well as the risk and audit committee. As the firm's executive chairman, he leads the business strategy and corporate development of the firm. As a member of the private equity investment committee, he has been instrumental in building the firm's private equity investment management

## CORPORATE GOVERNANCE

The table below shows the current composition of the board of directors:

Name	Director since	Term expires	Nationality	Age	Committee membership <sup>1</sup>	Function
Alfred Gantner	1997	2010	Swiss	39	RAC, NCC, BDC <sup>2</sup>	Director, Executive Chairman
Dr. Marcel Erni	1997	2008	Swiss	42	BDC	Director, Executive Vice Chairman
Urs Wietlisbach	1997	2009	Swiss	46	NCC, BDC	Director, Executive Vice Chairman
Ulrich Fehring	1998	2008	German	66	NCC <sup>2</sup>	Director
Robert Schenker	1998	2010	Swiss	65	RAC <sup>2</sup>	Director
Dr. Wolfgang Zürcher	2005	2009	Swiss	43	RAC	Director

<sup>1</sup> Detailed information on committees is provided in section 3.3 below

RAC: Risk and audit committee

NCC: Nomination and compensation committee

BDC: Business development committee

<sup>2</sup> Committee chair

business and participated in a large number of private equity investments in Europe and the USA. Prior to founding Partners Group, he worked for Goldman Sachs & Co. where, after stays in New York and London, he built up an institutional client base in Switzerland. He started his career in the securities trading department of the UBS Private Banking Group (Cantrade) in Zurich and Geneva. He holds an MBA degree from the Marriott School of Management at Brigham Young University.

*Dr. Marcel Erni* is a founding Partner of Partners Group and a member of the business development committee. He serves as executive vice chairman and is responsible for the firm's investment strategy and development. In addition he is a member of the hedge funds, the private equity and the private real estate investment committees. He has been pivotal in building the firm's direct investment business and has extensive investment experience both in direct and fund investments. Prior to founding Partners Group, he was a private banker at Goldman Sachs & Co. in Zurich. Previously, he was a management consultant at McKinsey & Co. He holds an MBA degree from the University of Chicago and a doctorate and master's degree in finance and banking from the University of St. Gallen (HSG).

*Urs Wietlisbach* is a founding Partner of Partners Group, a member of the business development committee and nomination and compensation committee, serves as an executive

vice chairman and is responsible for the firm's marketing strategy. He is additionally a member of the private equity investment committee. He was initially responsible for the firm's partnership investment activities and instrumental in building Partners Group's private equity funds portfolio and a global industry network. Later, he also focused on business development responsibilities, first in Europe, and subsequently in the USA and the Asia-Pacific region. Prior to founding Partners Group, he was an executive director at Goldman Sachs & Co. where, after assignments in London and New York, he was appointed head of the firm's institutional clients business in Switzerland. Previously, he was a relationship manager for multinational corporate clients at Credit Suisse in New York and Zurich. He holds a master's degree in business administration from the University of St. Gallen (HSG).

*Ulrich Fehring* has been an advisor to and member of the board of directors of Partners Group since 1998 and is chairman of the nomination and compensation committee. Additionally, Mr. Fehring has acted as manager of Partners Group (Deutschland) GmbH since June 2005. Previously, he served in various capacities with the Warburg Group, Schröder Münchmeyer Hengst, Bank in Liechtenstein and Credit Suisse Deutschland. His last assignment with Credit Suisse Deutschland was as chief executive officer of the group's activities in Germany. His assignments were in Switzerland, Germany, New York and London. Ulrich Fehring

holds other board mandates (Aufsichtsratsvorsitzender) with Lupus alpha KAG, Frankfurt (asset management firm) and with the Pensionskasse für die Deutsche Wirtschaft, Duisburg. Mr. Fehring holds a commercial apprenticeship degree. Apart from his advisory capacity and function at Partners Group (Deutschland) GmbH as mentioned above, neither Mr. Fehring nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Mr. Fehring does not exercise any official functions or hold a political post. Mr. Fehring does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.

*Robert Schenker* has been an advisor to and member of the board of directors of Partners Group since 1998 and is chairman of the risk and audit committee. Previously he held various positions at the former Swiss Bank Corporation – now part of UBS – in New York and Switzerland. His last assignments with Swiss Bank Corporation were in Zurich as chief executive manager from 1990 to 1996 and in Basle as a member of the executive board of Swiss Bank Corporation in Switzerland in 1997. Robert Schenker holds board mandates with SAM Sensory and Marketing International AG, Cham; ADECHSA GmbH, Zug (subsidiary of GlaxoSmithKline plc, London); Corporate Management Solutions C.M.S. AG, Zurich; Stawin AG, Winterthur; is on the board of trustees of Zoo Zurich and chairman of WWF Switzerland. Mr. Schenker holds a Swiss Commercial Diploma and a Standard and Advanced Certificate of the American Institute of Banking, New York. Apart from his advisory capacity as mentioned above, neither Mr. Schenker nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Apart from those mentioned above, Mr. Schenker does not exercise any official functions, hold a political post or have any permanent management/consultancy functions for significant domestic and foreign interest groups.

*Dr. Wolfgang Zürcher*, a member of the board of directors of Partners Group since 2005, is a member of the risk and audit committee, and a partner of Wenger & Vieli, Attorneys-at-Law. He advises Partners Group as well as further national

and international clients with respect to mergers and acquisitions, capital markets and banking law. Before joining Wenger & Vieli in 1996, Dr. Zürcher worked as an assistant at the chair of corporate and banking law at the University of Zurich and with an international law firm in the United States. Wolfgang Zürcher holds a doctorate in law from the University of Zurich as well as an LL.M. degree from the University College, London. Apart from his advisory capacity as mentioned above, neither Dr. Zürcher nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Zürcher does not exercise any official functions or hold a political post. Dr. Zürcher does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.

### 3.2 Elections and terms of office

The board of directors consists of at least three members, all of which are elected individually (staggered renewal) by the shareholders' meeting, usually for a term of three years, unless the shareholders' meeting establishes different terms of office for individual members. The year of first appointment to the board of directors and the expiry of the current term of each member are listed in the table at the beginning of section 3.1. There are no limits on terms of office.

### 3.3 Internal organizational structure

The board of directors has adopted written internal regulations, the rules of the organization and of operations (ROO), for the management of the company and of its subsidiaries pursuant to article 716b of the Swiss Code of Obligations (Company Law), the rules of the SWX Swiss Exchange and the company's articles of association.

The board of directors has ultimate responsibility for the management of Partners Group Holding. While three members are non-executive, the three executive members of the board of directors also assume management responsibilities.

Once a year, during the first board meeting following the annual general meeting of shareholders, the board of directors appoints its chairman from amongst its members, and appoints its secretary, who need not be a member of the board of directors. The board of directors meets as often as business requires, but no less than once a year; in 2007,

## CORPORATE GOVERNANCE

five meetings were held, which each lasted approximately three hours. The board of directors can deliberate if the majority of its members are present. Resolutions are adopted with the majority of the votes of the members present. In the event of a tie, the chairman casts the deciding vote. Resolutions by circular letter require the absolute majority of all members of the board of directors.

The board of directors has established three sub-committees: the risk and audit committee, the nomination and compensation committee and the business development committee. Each committee advises the board of directors on the matters specified below, often with the assistance of the executive board and others involved in the management of Partners Group Holding. The members and chairmen of these committees are determined by the board of directors.

Any of the committee members may call committee meetings. In order for resolutions to be valid, the majority of a committee's members must be present (physically or by phone / video conference) at the meeting or the resolution must be adopted by way of a circular resolution.

#### *Risk and audit committee*

The risk and audit committee is in charge of ensuring diligent performance of internal and external auditing as well as financial controlling in addition to performing other tasks related to risk management. In particular, the risk and audit committee (i) approves internal audit's organization and tasks, (ii) orders the performance of specific audits, (iii) supervises internal audit's activities, (iv) ensures the execution of the external audit, (v) monitors the financial reporting processes and (vi) ensures the review of the management and internal control processes. The role of the risk and audit committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role (see also section 3.5.1.2). As of 31 December 2007, the members of the risk and audit committee were Messrs. Robert Schenker (chair), Alfred Gantner and Dr. Wolfgang Zürcher. The risk and audit committee held four meetings in 2007, which each lasted approximately two hours and were all also attended by internal audit. In addition, the external auditors attended two meetings of the risk and audit committee in 2007. The chief executive officer, chief financial officer and chief risk officer regularly attend

risk and audit committee meetings. The majority of the committee members were present at all meetings.

#### *Nomination and compensation committee*

The nomination and compensation committee advises the board of directors and the executive board regarding: (i) the composition of the board of directors and (ii) the remuneration policy and strategy for directors and personnel. As of 31 December 2007, the members of the nomination and compensation committee were Messrs. Ulrich Fehring (chair), Alfred Gantner and Urs Wietlisbach. The nomination and compensation committee met once in November 2007 for approximately four hours to discuss the annual compensation for the board of directors and the executive board as well as to confirm the overall compensation policy.

#### *Business development committee*

The business development committee advises the board of directors on strategic matters and decides on general policy and strategies within the current set guidelines and practices. The business development committee instructs and directs the executive board on these issues and their implementation. As of 31 December 2007, the members of the business development committee were Messrs. Alfred Gantner (chair), Urs Wietlisbach and Dr. Marcel Erni. The chief executive officer, chief operating officer and the co-head of the markets team are advisers to and participate in meetings of the business development committee, although they do not have voting rights. The business development committee meets bi-weekly for approximately two hours to discuss strategic matters of the firm. The majority of the meetings throughout the year were attended by all committee members, as well as by the non-voting advisers.

#### *3.4 Definition of areas of responsibility*

The board of directors has delegated the day-to-day management to the executive board unless provided otherwise by law, the articles of association or as described below. The board of directors has the right to issue specific rules for this purpose and to form the respective committees to determine the principles of business policy, the risk policy of the various business sectors as well as the authority and responsibilities of each of the company's bodies.

The positions of the chairman of the board of directors and the chief executive officer are held by two separate persons, thus ensuring a system of internal checks and balances and an independence of the board of directors from the day-to-day management of the company.

Apart from the non-transferable functions mentioned in the law and in the articles of association, the board of directors has a number of additional duties and powers, including (among other things) resolutions regarding the establishment of branch offices, all transactions in connection with real estate (outside of investment activities), establishment of employment policies, all activities pertaining to the shareholder register, acceptance of audit reports and budgets and the periodic review of internal organization structures. Responsibilities delegated to the executive board of Partners Group Holding include the following:

1. direct management and conduct of the company's business, ongoing monitoring of transactions within the scope of and with reference to the rules, directives, authority and responsibilities, individual resolutions and limits issued by the board of directors;
2. entering into business transactions to the extent these are within the limits established by rules, directives, authority and responsibilities, individual resolutions and limits set by the board of directors;
3. preparation and activation of directives, policies and job descriptions for employees to the extent this responsibility is not reserved to the board of directors;
4. employment and termination of employees within the scope of the limits established in the rules on authority and responsibilities;
5. organization, management and implementation of accounting, financial planning and reporting including preparation of the management report and the annual financial statements for the attention of the board of directors;
6. preparation of the budget for approval by the board of directors;
7. execution of the resolutions adopted by the board of directors;
8. organization, attendance and coordination of pension benefit institutions;

9. organization of insurance management;
10. organization of risk management;
11. informing all executives regarding resolutions adopted by the board of directors and by the executive board concerning them; and
12. introduction of motions regarding any business to be submitted to the board of directors.

### *3.5 Information and control instruments vis-à-vis the senior management*

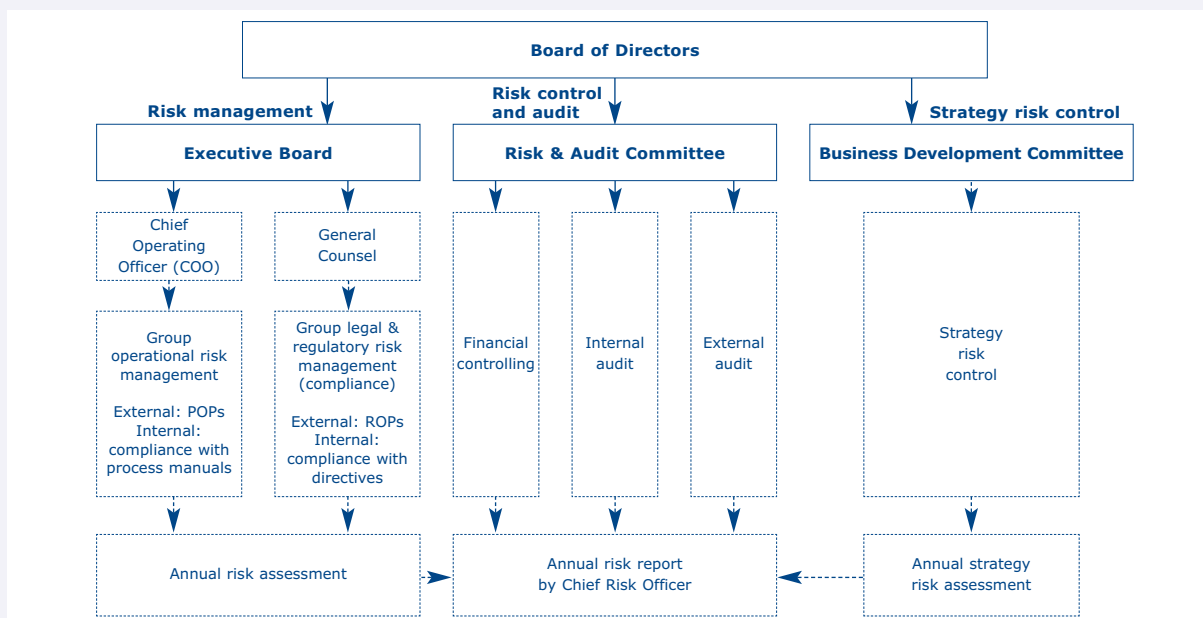
The board of directors is kept informed of the activities of the executive board through a number of information and control instruments. The executive board is in a constant dialogue with the executive members of the board of directors (at least bi-weekly through the business development committee) about the general course of business, the financial situation of the company and any developments or events of importance to the company and its business. In the event of extraordinary incidents or developments, the executive board will notify the chairman without delay. In addition, the three executive members of the board of directors receive the weekly executive board meeting documentation including the meeting minutes and are thus kept aware of all current events.

The executive board must submit decisions beyond the ordinary management or decisions that carry major implications to the business development committee or the board of directors, including (but not limited to) decisions specifically reserved to the business development committee or the board of directors.

The general counsel attends executive board meetings and takes an advisory role in order to ensure the compliance with all legal and regulatory requirements. The general counsel is in particular responsible for the internal control of and compliance with third-party or regulatory obligations of the group entities as well as products and mandates.

### 3.5.1 Group risk management

Partners Group Holding is aware that the proper assessment and control of risk are critical for the continued success of the company. The board of directors holds the ultimate responsibility for the establishment of a framework relating to the group risk management, which comprises the following elements, (i) risk management, (ii) risk control and audit, and (iii) strategy risk control. The overall risk management of Partners Group Holding is illustrated below:



#### 3.5.1.2 Risk control and audit

The risk control and audit of Partners Group Holding is delegated to the risk and audit committee, which establishes appropriate processes regarding financial controlling, internal and external audit.

The internal audit department established by the board of directors is an independent, objective assurance and consulting entity designed to add value and improve the firm's operations. Internal audit conducts a periodic review and prepares written reports on audit findings and the status of corrective actions. The head of internal audit reports administratively to the chief executive officer and functionally to the risk and audit committee of the board of directors.

#### 3.5.1.1 Risk management

The ongoing risk management is delegated to the executive board, which provides an annual report to the risk and audit committee. In establishing appropriate processes regarding the risk management, a distinction is made between group operational risk management and group legal and regulatory risk management. In these areas, Partners Group has created internal task control systems for product obligations and procedures (POPs) and regulatory obligations and procedures (ROPs).

#### 3.5.1.3 Strategy Risk Control

The business development committee within the board of directors has the responsibility to establish appropriate processes regarding the group strategy risk control.

#### 3.5.1.4 Risk Report

On an annual basis the chief risk officer provides a risk report to the board of directors based on a risk assessment of the executive board, risk and audit committee and the business development committee.

### 3.5.2 Management Information System

Partners Group Holding has a management information system (MIS) in place to further support internal controls and information procedures as well as the financial control-

ling of the firm. A comprehensive report is provided to the chief executive officer and chief operating officer on a monthly basis and to the board of directors on a quarterly basis while ad-hoc reports can be generated as needed.

### 3.5.3 Conflict resolution

Partners Group strives to avoid situations that result in conflicts of interest. However, in certain situations conflicts cannot be avoided and for such instances the conflict resolution board has been appointed by the group companies as the governing committee for handling all conflicts of interest within the group. The members of the conflict resolution board are the executive chairman (chair), the chief executive officer, the chief financial officer and the general counsel.

## 4. Executive Board

In accordance with the articles of association and the rules of the organization and of operations enacted by the board of directors on 25 November 2005, the board of directors has delegated the operational management of the company to the executive board, unless otherwise required by law, the articles of association or the ROO. The general counsel attends executive board meetings and takes an advisory role in order to ensure the compliance with all legal and regulatory requirements.

### 4.1 Members of the executive board

The table below shows the composition of the executive board as of 31 December 2007:

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	37	Chief Executive Officer
Kurt Birchler	1997	Swiss	39	Chief Financial Officer
Philipp Gysler	1998	Swiss	40	Head Private Alternative Investment Strategies
Felix Haldner	2001	Swiss	44	Head Investment Solutions
Michel Jacquemai	2001	Swiss	41	Head Public Alternative Investment Strategies
Erik Kaas	2001	German	38	Head Markets
Jürg Wenger	1999	Swiss	48	Chief Operating Officer

As of 1 January 2008, certain changes were made in the executive board of the company. Erik Kaas joined the business development committee as a non-voting member and will focus on key accounts as well as on the build-up of new investor segments, with Stefan Näf replacing him in the exe-

cutive board to oversee the day-to-day markets operations. Additionally, Philipp Gysler assumed a new role as head Asia and Dr. Stephan Schäli joined the executive board as head private alternative investment strategies. The new composition is shown in the table below:

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	37	Chief Executive Officer
Kurt Birchler	1997	Swiss	39	Chief Financial Officer
Philipp Gysler	1998	Swiss	40	Head Asia
Felix Haldner	2001	Swiss	44	Head Investment Solutions
Michel Jacquemai	2001	Swiss	41	Head Public Alternative Investment Strategies
Stefan Näf	2000	Swiss	34	Co-Head Markets
Dr. Stephan Schäli	1999	Swiss	39	Head Private Alternative Investment Strategies
Jürg Wenger	1999	Swiss	48	Chief Operating Officer

## CORPORATE GOVERNANCE

None of the members of the executive board is a member of governing and supervisory bodies of important Swiss or foreign organizations outside of Partners Group. None of the members holds permanent management and consultancy functions for important Swiss or foreign interest groups, and none of the members has official functions or holds political posts. None of the members of the executive board has carried out tasks for Partners Group prior to joining the firm, except Felix Haldner, who acted for Partners Group in a consultant capacity during his employment at PricewaterhouseCoopers.

*Steffen Meister* is a Partner, the chief executive officer of Partners Group and leads the executive board. He is also a non-voting member of the board of directors' business development committee. Previously, he served as deputy chief executive officer of Partners Group, and prior to that, he was head of the investment solutions team, where he was responsible for developing and structuring the firm's transactions and investment products. Furthermore, he was a member of Partners Group's investment committee for listed private equity investments. As a member of the hedge funds investment committee, he is materially involved in defining the firm's hedge funds strategy. Prior to joining Partners Group, he spent five years at Credit Suisse Financial Products (CSFP) in London and Zurich. At CSFP, he worked as a derivatives specialist focusing on structured solutions for corporate finance transactions. Previously, he had several assignments at Swiss Reinsurance Company and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH). He holds a master's degree in mathematics from the Swiss Federal Institute of Technology, Zurich.

*Kurt Birchler* is a Partner, chief financial officer and a member of the executive board. He joined the firm shortly after its inception. In his role as the firm's chief financial officer, he was instrumental in building the group-wide finance department of Partners Group and all its relevant processes and systems, including reporting and controlling. Prior to joining Partners Group, he worked for KPMG in the audit team serving US and Japanese banks. Previously, he worked as a credit officer and recovery manager for mid-size companies in the real estate and trading sector at UBS and the Cantonal Bank of Zurich. He holds a Swiss Federal Diploma in banking and an executive master's degree in corporate finance from the University of Central Switzerland.

*Philipp Gysler* is a Partner, responsible for Partners Group's Asian activities and a member of the executive board. In addition he is a member of both the private equity and the private real estate investment committee. Previously, he held various private equity investment management positions at Partners Group and was instrumental in building Partners Group's portfolio of venture capital investments in Europe and the USA. Later, he established and subsequently managed Partners Group's New York based investment practice before relocating to Zug and assuming responsibility for the firm's private equity investment team. Prior to joining Partners Group, he worked for UBS Investment Bank in Zurich, where he advised institutional clients regarding equities, derivatives and risk optimization strategies. He holds a master's degree in business administration from the University of St. Gallen (HSG).

*Felix Haldner* is a Partner, head of the investment solutions department and a member of the executive board. He is materially involved in private equity deal structuring and execution, respectively for advice on tax, legal, regulatory and structural matters, relating to direct and fund investments. He has developed and launched many major alternative investment products for Partners Group's institutional and private clients in Europe and overseas. Prior to joining Partners Group, he was a Partner at PricewaterhouseCoopers where he advised multinational insurance companies, investment management and banking clients on strategic tax planning matters and investment products. He holds a master's degree in business law from the University of St. Gallen (HSG), is admitted to the Swiss Bar and is a Certified Swiss Tax Expert.

*Michel Jacquemai* is a Partner, head of the public alternative investment strategies department, member of the executive board and a member of the hedge funds investment committee. Over the last decade, he has established a global network within the hedge funds industry and is a pioneer in the managed accounts approach in hedge funds investing. Prior to joining Partners Group, he co-founded and was the CEO of saisGroup, which was acquired by Partners Group in 2001. Previously, he managed institutional derivative portfolios and mutual funds at Credit Suisse Asset Management (CSAM). He also developed and managed CSAM's first alternative investment strategies product. Previously, he was a derivatives and equities trader and interim CFO at OZ Zurich



AG, after being with Eastman Chemical (Europe). He holds an economics and business administration degree from the Lucerne School of Economics and Business Administration and the Certified European Financial Analyst (CEFA) designation.

*Erik Kaas* is a Partner, co-head of the markets department, a non-voting member of the board of directors' business development committee and responsible for strategic client relationship development. The markets team is globally responsible for investment origination, business development and client relationship management. Erik Kaas was pivotal in building up the markets team to its global reach and expanding Partners Group's client base in Northern Europe. He has previously been a member of the firm's investment committee for listed private equity investments. Based on his relationships to selected hedge fund managers in Europe and the USA, he also contributes to Partners Group's manager origination process. Prior to joining Partners Group, he worked for eight years at Goldman Sachs & Co. He spent his first five years at Goldman Sachs in London, New York and Tokyo before relocating to Zurich, where he was responsible for the institutional products business in Switzerland and Austria. He started his career in finance in the swaps and OTC bond options group at Liberty Eurobrokers in London. He holds a dual degree in business administration from the European Partnership of Business Schools in London and Reutlingen.

*Jürg Wenger* is a Partner, chief operating officer, a member of the executive board and a non-voting member of the board of directors' business development committee and head of the resources department. He has been instrumental in building Partners Group's alternative investment administration, accounting and reporting systems and operations. Prior to joining Partners Group, he spent 11 years with UBS, where he was head of the Central Switzerland resources division. Previously, he managed the private clients and management support unit at UBS in Zug. He holds a master's degree in business law from the University of Zurich.

*Stefan Näf* is a Partner, co-head of the markets team with a special focus on Northern Europe and a member of the executive board. The markets team is globally responsible for investment origination, business development and client relationship management. Previously he worked in the firm's private equity investment management team with a focus on European investments. He holds a master's degree in finance from the University of St. Gallen (HSG) and a degree in economics from American River College.

*Dr. Stephan Schäli* is a Partner, head of the private alternative investment strategies department, a member of the executive board and chairman of the private equity investment committee. He played a key role in the firm's primary investment activities and was instrumental in building the firm's portfolio of secondary transactions and in establishing a network of deal sources. Prior to joining Partners Group, he worked for UBS, where he was a business and management associate with assignments in the firm's branch performance analysis and strategic project group. He holds an MBA degree from the University of Chicago and a doctorate and master's degree in business administration from the University of St. Gallen (HSG).

#### 4.3 Management contracts

Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group.

## 5. Compensation, shareholdings and loans

### 5.1 Content and method of determining the compensation

The compensation of the members of the board of directors as well as the members of the executive board is set by the board of directors, which is advised in these matters by the nomination and compensation committee. Please also see section 3.3 for further information regarding the nomination and compensation committee.

At its annual meeting, the nomination and compensation committee reviews the compensation for the members of the board of directors and of the executive board. As well as proposing compensation changes, if any, for the members of the board of directors, the committee proposes the coming year's fixed annual salary for the members of the executive board and the variable component (bonus and stock options) for the current year, with the performance assessment based on measurable qualitative criteria and further augmented by quantitative criteria where appropriate. This is based on a detailed and thorough review of the business unit, business group, business department and corporate goals for the year. The board of directors is also provided overall statistics on compensation payments and developments and is presented with and ratifies the compensation proposals for the rest of the firm.

The annual compensation for senior members of the firm is augmented by stock options. Partners Group stock options are awarded out of the money and are subject to a cliff vesting period of typically five or six years, followed by a two-year non-compete clause. The vesting parameters of equity incentives are rather stringent. Any option holder leaving the firm has the obligation to render his or her unvested interest back to the company. Stock options are awarded to the members of the executive board as well as other Partners Group employees at periodic intervals.

The executive members of the board of directors receive an annual fixed compensation of CHF 300'000 with no variable component. As co-founders of Partners Group, all three executive members of the board of directors hold significant shareholdings in the company and thus participate in the success of the company through dividend payments.

The remuneration of the non-executive members of the board of directors consists of a fixed annual compensation of CHF 50'000 with no variable component, which is paid in either cash or options.

The annual remuneration of the chief executive officer is proposed by the nomination and compensation committee, and approved by the board of directors. The chief executive officer's compensation consists of a base salary which is paid in cash on a monthly basis as well as a variable bonus and may also include stock options. The variable portion is performance-based and dependent on the defined corporate goals for the year being met while taking current market developments into consideration. The chief executive officer further participates in the success of the company through dividend payments on his shareholdings in the firm.

The annual compensation for the further members of the executive board is proposed by the nomination and compensation committee with the involvement of the chief executive officer, and approved by the board of directors. As with the chief executive officer's compensation, the remuneration consists of a base salary, which is paid in cash on a monthly basis as well as a variable bonus and may also include stock options. The variable portions are performance-based and dependent on the attainment of the defined corporate, business department and individual goals, considering contributions towards these achievements while taking the current market environment into consideration. The members of the executive board further participate in the success of the company through dividend payments on their shareholdings in the firm.

Pursuant to the new Art. 663b<sup>bis</sup> of the Swiss Code of Obligations (Company Law) (i) the total compensation paid in 2007 to the members of the board of directors and to the executive board, (ii) the shares and the options held or vested by the members of the board of directors and the executive board and (iii) the loans, if any, granted to the members of the board of directors and to the executive board, need to be disclosed in the notes to our financial statements. In this regard, please see notes 8 and 9 to our statutory financial statements included the annual report 2007.

## 6. Shareholders' participation

### 6.1 Voting rights & representation measures

Each share entitles to one vote. Entitled to attend shareholders' meetings and to exercise voting rights are shareholders recorded with voting rights in the shareholder register as of a qualifying date prior to the shareholders' meeting set by the board of directors. Registration in the shareholder register with the attached voting rights is restricted by the limits on transferability and nominee registration as set forth in section 2.6 above.

All registered shareholders are invited to attend shareholders' meetings. If they do not wish to attend, any shareholder may be represented at the shareholders' meeting by (i) a legal representative who needs not be a shareholder, (ii) a representative of the company, (iii) an independent proxy or (iv) their bank. The board of directors will decide as to whether the authority/proxy is recognized.

### 6.2 Statutory quorums

The articles of association for Partners Group Holding provide that, unless provided otherwise by mandatory provisions of law, the following resolutions of the shareholders' meeting require at least two-thirds of the represented votes and the absolute majority of the represented nominal value of shares:

- the cases provided for by law in Art. 704 para. 1 of the Swiss Code of Obligations;
- dissolution of the firm with liquidation;
- reversal or amendment of the transfer limitation as set forth in section 2.6 above.

Votes and elections in the shareholders' meeting are open unless provided otherwise by the chairman or decided otherwise by the shareholders' meeting.

### 6.3 Convocation of shareholders' meetings

The annual general meeting of shareholders (AGM) takes place within six months after the close of the financial year. All registered shareholders receive a written invitation to the AGM including detailed descriptions of the items to be discussed and the motions of the board of directors no later than 20 days before the date of the AGM. The complete meeting agenda is also published in the Swiss Official Gazette of Commerce (SHAB).

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request for calling a meeting must be submitted in writing at least 45 days ahead of the meeting by stating the item on the agenda and the motions to be introduced by the shareholders.

### 6.4 Placing of items on the agenda

Shareholders representing at least one-tenth of the share capital may submit proposals to be placed on the agenda at a shareholders' meeting, provided these items are received by the board of directors no later than 45 days prior to the meeting by stating the item on the agenda and the motions to be introduced by the shareholders.

### 6.5 Inscriptions into share register

The general rules for registration as a shareholder apply as described above in sections 2.4 and 2.6. The qualifying date for the registration of shares is defined by the board of directors for every shareholder meeting.

## 7. Changes of control and defence measures

### 7.1 Opting-out

Partners Group Holding has elected to opt out of the rule that an investor acquiring 33 ⅓% of all voting rights has to submit a public offer for all outstanding shares.

### 7.2 Clauses on change of control

The employment contracts with the members of both the board of directors and the executive board do not contain any clauses activated by a change in control. Partners Group Holding also has no provisions for "golden parachutes" in place.

## 8. Auditors

### 8.1 Duration of mandate and term of office

The consolidated financial statements and the statutory accounts of Partners Group Holding are audited by KPMG Ltd. The statutory and group auditors are elected for one year periods at the Annual General Meeting of shareholders. KPMG Ltd was first elected statutory and group auditor on 21 November 2001. The lead auditor, Swen Wyssbrod, has been in charge of the mandate since 3 March 2006.

### 8.2 Auditing Fees

For the financial year 2007, KPMG Ltd and other KPMG companies received a total of CHF 0.8 million for audit services.

### 8.3 Additional fees

In addition, KPMG Ltd and other KPMG companies received CHF 0.3 million in fees for tax advice and other services rendered to Partners Group Holding and its subsidiaries for the financial year 2007.

### 8.4 Supervision and control vis-à-vis the external auditors

The board of directors is responsible for the acceptance and processing of the reports from the statutory and group auditors. In this, the board of directors is supported by the risk and audit committee, which periodically monitors the qualification, independence and performance of the external auditors.

The risk and audit committee primarily bases its evaluation on a presentation of all audit findings by KPMG Ltd, which is presented on an annual basis. The assessment further includes documents such as the management letter as well as oral and written statements made by KPMG Ltd concerning individual aspects or factual issues in connection with the accounting and the audit. During the financial year 2007, the external auditors participated in two meetings of the risk and audit committee in order to discuss audit processes and issues. Among others, evaluated issues include risk factors, processes and the internal control system (see also section 3.5.1 above on group risk management).

Key factors in assigning the external audit mandate to KPMG Ltd were the quality of service provided combined with the international consulting expertise in regard to audit and accounting matters offered by the company. These factors are subject to a periodic review, in which the performance is assessed by applying the following criteria:

- weekly review meeting during audit process
- detailed audit budget proposal containing expected hours and the relevant hourly rate
- comprehensive debriefing after completion of audit, during which improvement suggestions on both sides are discussed
- experience, reputation, knowledge of the business environment and competitive fees

Please also refer to the sections concerning the risk and audit committee (3.3) as well as internal audit (3.5.1.2) above.

## 9. Information policy

As a company listed on the SWX Swiss Exchange, Partners Group Holding is committed to pursuing an open, transparent and consistent communication strategy vis-à-vis its shareholders as well as the financial community.

Key dates for 2008 are as follows:

Event	Date
Annual general meeting of shareholders	11 April 2008
Pre-close announcement interim AuM	8 July 2008
Publication interim report	2 September 2008

All registered shareholders receive our annual reports, which provide an overview of all Partners Group Holding activities. The semi-annual and annual reports are also available for download on our website at [www.partnersgroup.net](http://www.partnersgroup.net). Partners Group Holding also distributes all current news via regular press releases. Shareholders and other interested parties may subscribe to press releases at [www.partnersgroup.net](http://www.partnersgroup.net) to receive all information automatically upon publication via email. All this information can be found on our website at [www.partnersgroup.net](http://www.partnersgroup.net) in the "Investor Relations" and "News" sections.

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# Partners Group

Passion for Alternative Investments

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