

NAN LEAKE AND MARC WEISS, PRIVATE REAL ESTATE



PROVING THE STABILITY OF OUR BUSINESS

ANNUAL REPORT 2008



Partners Group
Passion for Alternative Investments



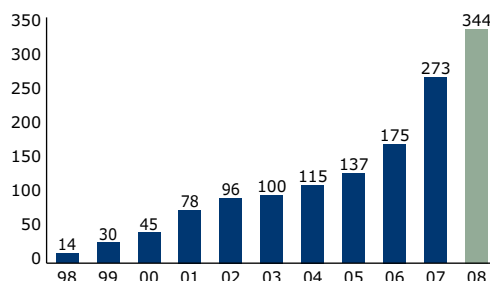
DISCUSSING THE SIGNIFICANT ASIAN INVESTMENT POTENTIAL

Kelvin Chan Private Equity Singapore, **Linda Cai** Head Beijing, **Philipp Gysler** Head Asia and **Junichiro Kawamura** Head Tokyo.

KEY FIGURES

344 employees

Number of employees



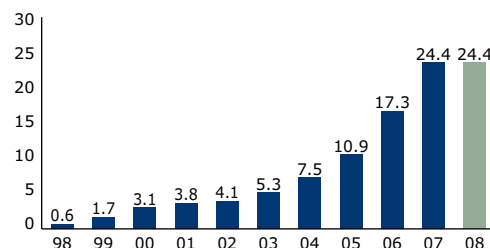
10 offices

around the world

CHF 24.4 billion

assets under management

Assets under management
(in CHF bn)



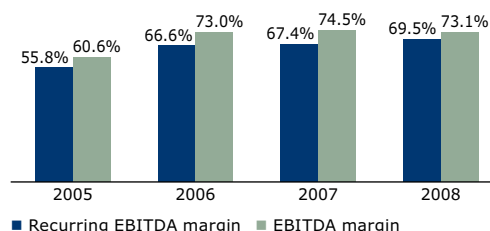
1.34%

net revenue margin

CHF 328 million

net revenues

EBITDA margin



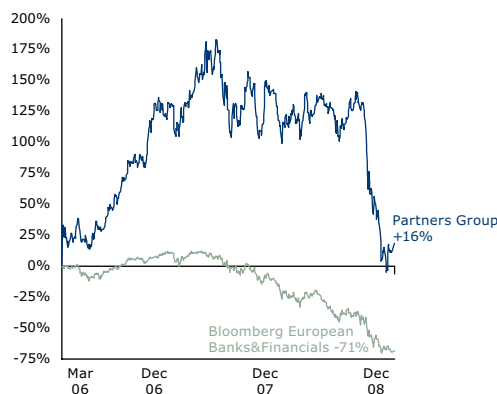
73.1%

EBITDA margin

CHF 240 million

EBITDA

Share price development



CHF 213 million

adjusted net profit

	2007	2008	
Average assets under management (in CHF bn)	21.1	24.4	+16%
Net revenue margin	1.48%	1.34%	
Net revenues (in CHF m)	311	328	+6%
EBITDA margin	74.5%	73.1%	
EBITDA (in CHF m)	232	240	+4%
Financial result (in CHF m)	16	-10	
Adjusted net profit (in CHF m) ¹	228	213	-6%
Net cash provided by operating activities (in CHF m)	220	285	+30%
Cash and cash equivalents at end of year (in CHF m)	81	187	+132%
Shareholders' equity (in CHF m)	363	357	-2%
Return on shareholder's equity (ROE) ¹	72%	59%	
Equity ratio ¹	85%	83%	

¹ adjustment made to exclude effects from derivatives arising from insurance contracts

Share information as of 31 December 2008

Share price	CHF 75
Total shares	26'700'000
Market capitalization	CHF 2 bn
Free float	34%
Diluted shares	26'464'703
Adjusted diluted earnings per share ¹	CHF 8.05
Dividend ²	CHF 4.25
Dividend yield ²	5.7%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

¹ adjustment made to exclude changes in fair value of derivatives arising from insurance contracts

² as per proposal to be submitted to the annual general meeting of shareholders

Forthcoming events

30 April 2009	Annual general meeting of shareholders
10 July 2009	Pre-close announcement assets under management as of 30 June 2009
1 September 2009	Interim report as of 30 June 2009

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ON THE ROAD IN SEARCH OF IRR

Steffen Meister Chief Executive Officer, **Alfred Gantner** Executive Chairman,
Urs Wietlisbach Executive Vice Chairman and **Marcel Erni** Executive Vice Chairman.

MESSAGE FROM THE PARTNERSHIP

Dear clients, business partners and shareholders

We look back on a year rife with challenges for all market participants, wherein Partners Group has also not been immune to the shockwaves that struck global financial markets. On the one hand, large setbacks have been experienced in the public markets business. The higher than expected redemptions triggered the re-thinking of the strategy and necessitated the repositioning of the public alternative investment strategies business. In addition, foreign exchange factors had a strong impact on the assets under management; in particular the significant strengthening of the CHF had an unforeseen effect Partners Group was not able to influence.

However, the profound strength of the private markets business fully offset these setbacks and CHF 6.2 billion was raised in the extremely challenging environment of 2008, corresponding to asset growth of 32% in this core business. Partners Group, with over 340 employees, ten offices around the globe and over CHF 24 billion in assets under management, is one of the few market participants today with a fully integrated investment practice in the private markets space, including primaries, secondaries and direct investments in private equity, private debt, private real estate and private infrastructure. This in-depth and specialized knowledge allows the firm to transact on a wide range of investments, bringing together its team of experts in the various fields to fully understand each individual underlying asset and to act on the opportunities arising out of the market dislocation.

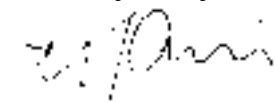
The state of the market is ultimately not without effect on current investment portfolios, and after value corrections of 10-15% in 2008 our clients know to expect further corrections in the magnitude of 15-25% in 2009. It is now imperative to continue to focus on the existing portfolio companies, and to spend time ensuring the large majority weather the economic downturn securely. Partners Group has always diversified its portfolios through all financing stages unlike others who focus exclusively on large buyout transactions. By the same token, Partners Group's portfolios have been built up over numerous years and the majority are predominantly exposed to vintages prior to the problematic years 2006/2007. In fact, total exposure to the large buyout investments of 2006/2007, on which we expect to see write-downs of 30-50% overall, only constitutes 7% of assets under management. Our clients continue to understand the importance of investing through the cycle as they have consistently done over the past years.

The current market crisis offers Partners Group excellent investment opportunities to buy high quality assets from distressed sellers and our innate capabilities in valuing and understanding these assets put us in an ideal position to profit from this environment. Whether we are currently buying senior debt paper of a non-cyclical cable company at a 50% discount and an expected IRR to maturity of 30% or purchasing a well-diversified mezzanine portfolio from a distressed seller at a 70% discount or alternatively a portfolio of non-performing mortgages projected to achieve an IRR of 25%, our clients understand that these transactions may prove to be "once-in-a-lifetime" opportunities. Our highly professional client base is not only long-term in focus, but is also ready to seize the possibilities currently arising and therefore Partners Group still has over CHF 7 billion in uninvested capital. We have no concerns and see no sign of clients not honoring their commitments to Partners Group's investment products, nor do we see any sellers of significant stakes in Partners Group products on the secondary market.


Partners Group is not only one of the largest but also a highly stable global private markets specialist, listed on the SIX Stock Exchange and with offices in ten locations around the world. These advantages, along with the transparency and stability consistently demonstrated by the firm will bear fruit in the current environment, where these factors, more than ever before, form a substantial part of decision-making on the part of investors.

We are convinced that Partners Group, unique in its expertise and understanding of private market assets, stands to profit from the current flight to quality and look forward to living up to our potential and position.

We thank you for your continued trust in our global team.



Dr. Marcel Erni
Executive Vice Chairman
Chief Investment Officer



Steffen Meister
Chief Executive Officer



UNDERSTANDING A VENTURE CAPITAL INVESTMENT

Hans-Ulrich Müller Venture Capital Direct Investments, **Scott Higbee** Investment Solutions and **Jennifer Haas** Venture Capital North America.

2008 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

A STABLE BUSINESS

In analyzing the development and success of our business, our main focus remains a superior performance for our clients in combination with uncompromising client service. This forms the base for our continued success. Beyond this, we continue to focus on the three strategic value drivers we have defined as being of central importance to the further evolution of our firm: (i) assets under management, (ii) profitability and (iii) earnings predictability. Our assets under management are defined to reflect our fee basis and profitability is analyzed by distinguishing between revenue margins and EBITDA margins, calculated for recurring and non-recurring income. The predictability of 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 as usual excludes the 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.

	2007	2008	
AuM as per end of the year	24.4	24.4	
Average AuM (in CHF bn, quarterly)	21.1	24.4	+16%
Net revenue margin	1.48%	1.34%	
Recurring net revenue margin	1.15%	1.18%	
Net revenues (in CHF m)	311	328	+6%
Recurring net revenues (in CHF m)	243	289	+19%
EBITDA margin	74.5%	73.1%	
Recurring EBITDA margin	67.4%	69.5%	
EBITDA (in CHF m)	232	240	+4%
Recurring EBITDA (in CHF m)	163	201	+23%
Financial result (in CHF m)	16	-10	
Adjusted net profit (in CHF m)	228	213	-6%

2008 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

A focus on clients

Stable long-term performance delivered to clients

Partners Group remains dedicated to the delivery of a stable long-term performance to clients. Private market investments are calculated since inception rather than on a calendar year basis and the firm has achieved a consistently attractive track record through the varying market cycles. As of 31 December 2008, the private equity and private debt IRR on all transactions stands at 15%, spanning over more than a decade in vintage years. This result includes all new investments which remain subject to the J-curve and are as yet unrealized, while a gross realized IRR of 40% was achieved overall. In the private real estate investment practice, clients benefit from an IRR of 16% as of 31 December 2008 despite the market corrections experienced. These double-digit performance numbers contrast against a flat stock market performance over the last ten years.

Although market downturns such as this will certainly moderate the long-term IRRs achieved in portfolios, the nature of private markets allows existing investments to be held through the cycle while additional new transactions can be completed at attractive prices. Partners Group is confident its client portfolios, which are well-diversified and long-term in nature, will uphold their significant outperformance over public markets throughout the cycles.

The secondary market currently offers attractive scope for investment. Partners Group has achieved a gross IRR of 27% on mature secondary transactions over the cycle, including the last market downturn. 2000-2002 also saw many distressed sellers in the market, offering the opportunity to capitalize on these possibilities to the advantage of clients.

Sustained demand seen from clients

Despite the current market downturn, a majority of institutional investors intend to increase or at least maintain their allocations to the private markets asset class, as found in studies by Almeida Capital and Preqin in January 2009 and December 2008, respectively. This research is validated by Partners Group's own observations. A significant number of clients plan to roll forward or even increase their private market programs in 2009 and beyond. Clearly the emphasis has now shifted to secondary market opportunities in private equity and private real estate in order to benefit from

distressed sellers as well as infrastructure/real asset commitments as an inflation hedge. Partners Group's capabilities as a flexible integrated private market asset manager will allow us to gain further market share in a bifurcating private market industry.

In terms of geographic split, Partners Group has a substantial client base in continental Europe. We have however seen a sustained expansion of our business in Northern Europe and the UK which is now on a similar level to the former core area of German-speaking Europe. The number of US & Canadian clients investing in Partners Group programs has grown to 22% of assets raised in 2008 (2007: 9%), reflecting the strengthening of our presence in this region as well as the "US goes international" trend. We have additionally continued to move into new geographic areas, in particular supported by the opening of new offices in Sydney and Beijing, and expect to see increased numbers of new clients investing with us in the coming years.

With regards to the total number of clients, Partners Group has quadrupled the number of clients since the IPO. From a base of 100 clients predominantly in the German-speaking region of Europe prior to 2006, Partners Group's client base has now grown to over 400 in all regions around the world.

It is Partners Group's independence, debt free balance sheet and the extraordinary stability of our team that sets the firm apart from many of our competitors. We believe that the current financial market and economic crisis will lead to a consolidation of the private market industry with clear winners. There is a flight to proven quality in manager selection.

2008 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Assets under management

Strong unbroken gross growth of 32% in core private markets business to CHF 22.6 billion

Partners Group saw sustained demand for its private markets products during 2008, with asset inflows of CHF 6.2 billion in this core segment amounting to a growth of 32% and thereby exceeding the target of CHF 5-6 billion set for the year. Demand was spread throughout the year, with CHF 3.8 billion raised in the first half of 2008 and CHF 2.4 billion in the second half, of which CHF 1.6 billion was raised in Q4 alone. As of 31 December 2008, the private markets (private equity, private debt, private real estate and private infrastructure) assets under management stood at CHF 22.6 billion in total.

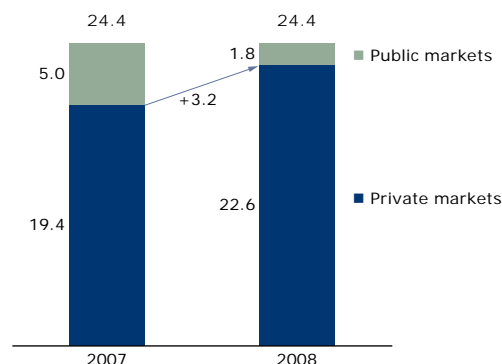
Public markets business decreased by 64% due to redemptions and performance to CHF 1.8 billion

The public markets business was however impacted by the market crisis and posted lower assets under management by the end of 2008. As of 31 December 2008, the public markets business had decreased by CHF 3.2 billion to stand at CHF 1.8 billion. Partners Group has effectively ceased to be active in the classic fund of hedge funds business, and did not actively market its former products during 2008. In the public markets segment, Partners Group will continue to concentrate on its alternative beta strategies as well as the new generation of absolute return strategies products. These products show considerably higher stability and place a strong emphasis on transparency and risk management. The offering is complemented by specialized alternative investment strategies in insurance-linked securities and listed alternative investments.

Average AuM for the year rise by 16%

The positive inflows of CHF 6.2 billion achieved in the private markets products were offset during 2008 by various negative factors, resulting in stable net AuM for the year. These factors mainly comprise CHF 4.0 billion in redemptions and negative performance effects of public markets products. An additional temporary impact of CHF 2.2 billion (of which CHF 1.1 billion in December 2008 alone) resulted from the adverse FX development, in particular the strengthening of the CHF against the USD and EUR. However, the annual average level of AuM posted a rise of 16% and the quality and duration of AuM increased as assets offering daily liquidity were replaced by assets of long-term duration.

Assets under management
(in CHF bn)



Assets raised from a variety of sources

In 2008, assets were raised by our internal direct sales force (85%) as well as from cooperation projects with our extensive global network of distribution partners, with the 15% raised from this source however significantly lower than the 29% in 2007. This reconfirms the importance of our internal investment solutions team, especially in times when working with traditional distribution partners such as banks tends to raise less assets. However, the network of distribution partners continued to expand during 2008, adding the new region of South America, and Partners Group's distribution network now truly spans the globe. Our client relationship team is steadily growing, currently standing at over 50 members, to advise our expanding international client base and to reach out to new prospects around the globe.

Market environments such as the one currently experienced further underline the importance of continuing to strengthen existing client relationships. As a result, Partners Group has seen sustained demand from existing clients, while also being able to capitalize on the attractive opportunities provided by new clients increasing their allocations to private markets and starting to build their exposure. Existing and new clients contributed equal amounts to the total assets raised during 2008. The continued development of the structuring know-how has resulted in new innovative investment products built to enable access of new client segments, and thus offer potential for growth in the coming years.

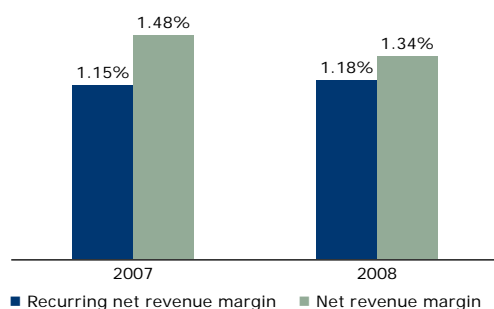
2008 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Profitability

Stable recurring net revenue margin

The recurring net revenue margin for 2008 stood at 1.18% (2007: 1.15%), while the total net revenue margin decreased to 1.34% (2007: 1.48%, of which 13 bps stemmed from performance fees alone).

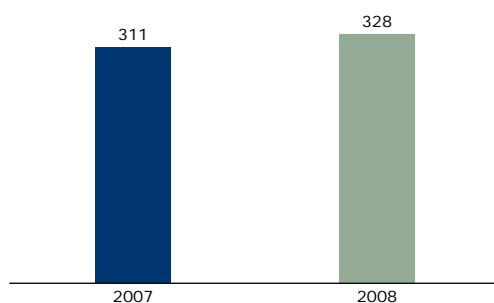
Net revenue margin



Revenues increased by 6%

Compared to the previous year, revenues from private equity increased by +20%, from private debt by +42% and from private real estate by +598%, with additional revenues also stemming for the first time from the new private infrastructure unit. In contrast, the public markets business showed revenue decreases due to the diminishment in size, with hedge funds showing -64%, listed alternatives -41% and wealth management decreasing by -22%. Thanks to the dominant size of the private markets business (93% of AuM) in comparison to the public markets activities (7% of AuM), the net effect of these changes resulted in revenues overall increasing by 6% for the year in comparison to 2007.

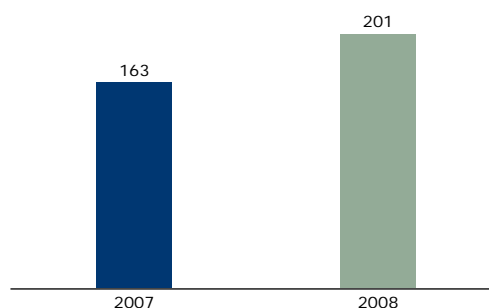
Net revenues (in CHF m)



Recurring EBITDA grew by 23%

For the financial year 2008, recurring EBITDA amounted to CHF 201 million, thereby showing a strong positive development and exceeding the previous year's level of CHF 163 million by 23%. The result for total EBITDA in 2008 of CHF 240 million also compares positively (+4%) to total EBITDA of CHF 232 million achieved in 2007, of which CHF 27 million stemmed from non-recurring performance fees alone, which have markedly decreased in 2008 due to the adverse market environment.

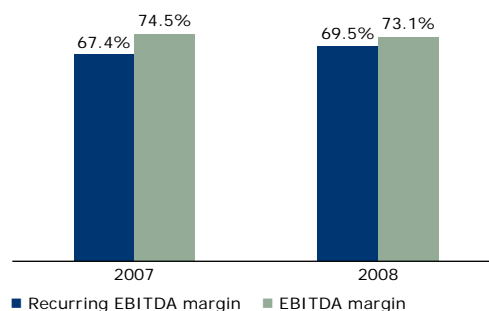
Recurring EBITDA (in CHF m)



Stable EBITDA margin of 73.1%

The 23% rise achieved for recurring EBITDA is noticeably stronger than the rise in operating costs of only 11%, an expression of the continued, disciplined application of Partners Group's stringent cost management. The increase in personnel costs amounted to 13%, as bonuses paid to employees were lower and therefore average costs per employee were reduced. As a result, the recurring EBITDA margin rose to 69.5% in 2008 (2007: 67.4%) while the total EBITDA margin stayed stable at 73.1% (2007: 74.5%) and above its target (>70%) despite the decrease in performance fees.

EBITDA margin

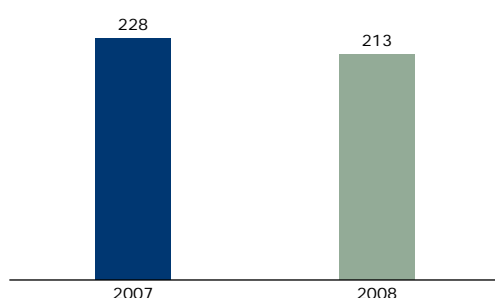


2008 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Adjusted net profit decreased by 6% due to financial result of CHF -10 million in 2008

The adjusted net profit was remarkably stable given the market situation although the result of CHF 213 million was impacted by write-downs of CHF 30 million on financial assets held on Partners Group's balance sheet. This effect was partially offset by hedging gains and interest payments received on the experience account of CHF 94 million and a cash position of CHF 187 million held by the firm as of 31 December 2008, resulting in a total net negative effect from financial result of CHF 10 million. In other terms, while revenues increased by 6% overall, adjusted net profit decreased by 6% due to the lower financial result.

Adjusted net profit
(in CHF m)



Earnings predictability

Stickiness of AuM: 86% long-term assets

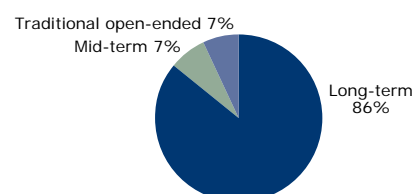
Due to the nature of the private markets industry, Partners Group profits from a high duration of its assets under management. In general, investment structures have long durations of over ten years (limited partnerships). This stable AuM base allows for a similarly stable predictability for management fee revenue streams over the coming years.

The proportion of long-term assets increased from 73% in 2007 to 86% as of 31 December 2008. Private market assets with multi-year durations replaced hedge fund assets with daily liquidity.

Partners Group sees no sign of clients not honoring their commitments to investment products, nor do we see any sellers of significant stakes in Partners Group products on the secondary market. A limited partnership structure constitutes a legal agreement not only between the general partner and the individual limited partners but is a binding commitment among all limited and the general partner. Many significant and experienced limited partners would not accept defaults

from other fund participants without significant financial penalties. Liquidity-constrained LPs would most likely fare much better by selling their stakes even at low prices on the secondary market.

Duration profile of AuM

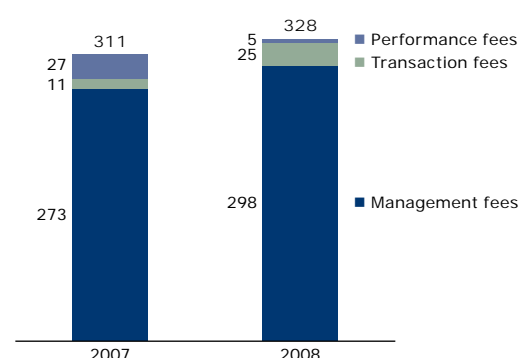


Type	Duration	% of AuM
Permanent capital (e.g. closed end investment companies)	No redemptions for foreseeable future	16%
Quasi permanent (e.g. mutual funds with limited liquidity)	Redemptions of at most 0-25% p.a.	10%
Limited partnership (or mandates with similar terms)	No redemptions; initial term of 10-12 years	60%
Mainly mandates	Mainly mandates with multi-year notice periods	7%
Open-ended funds (traditional mutual funds)	Regular redemptions possible	7%

Stable revenue stream strengthened

Long-term fixed management fees are inherent to private markets structures, generating recurring revenue streams for the manager. In 2008, stable recurring revenues amounted to 88% of total revenues and thereby underlined again the stability of Partners Group's business even in difficult times. In total, recurring revenues amounted to CHF 289 million. Whilst we do expect to see non-recurring revenue streams such as performance fees increasing again in future years, Partners Group's stability, business development and success are not dependent on these variable components.

Fee structure (in CHF m)





EVALUATING THE POTENTIAL OF AN INFRASTRUCTURE ASSET

Jochen Weirich Investment Solutions, **Michael Barben** Head Private Infrastructure, **Benita von Lindeiner** and **Benjamin Haan** Private Infrastructure.

PARTNERS GROUP - AN INTEGRATED PRIVATE MARKETS ASSET MANAGER

UNDERSTANDING EACH INDIVIDUAL PRIVATE MARKET ASSET

Partners Group today is a globally leading private markets manager, recognizing the importance of understanding each individual private market asset in depth. The experienced global team of over 340 employees sources private market opportunities from around the globe, investing in these through the application of its integrated asset management practice with leading expertise in private equity, private debt, private real estate and private infrastructure. With ten offices worldwide and an extensive global network Partners Group has the resources and know-how to offer its clients a broad access to the inefficient private market world.

The complexity of private markets investing has increased over the past years and applying an interdisciplinary approach is of the utmost importance today. Portfolio construction requires considerable knowledge and expertise, along with finely honed investment skills. At Partners Group, we have built our knowledge over more than a decade, consistently adding further layers to the existing spectrum, and the team has now evolved into the true global specialist.

We believe that the era of the traditional “fund of funds” is over and that in fact an integrated approach to investing is required to fully exploit the potential of a private markets investment program. Access to successful primary partnerships and selection capabilities are a pre-requisite although no longer sufficient to cover all aspects. At Partners Group we focus on a comprehensive investment process including the purchase of existing assets on the secondary market and direct investments in equity and debt of private market assets across all sectors, industries and regions. The capturing of all investment opportunities requires a powerful multidisciplinary team located around the globe.

As an example, an investment was recently completed in a portfolio of UK residential mortgages, with the transaction requiring in-depth knowledge and understanding of various private markets segments combined with the routine, structures, processes and speed at which only a truly integrated global manager can close such a transaction. In fact, Partners Group was one of only two potential investors approached with the necessary level of sophistication required to complete this deal. This transaction, in cooperation with Apollo,

required the combined knowledge of various teams within the firm, including private equity, private real estate, private debt and secondary investment specialists within both the private equity and private real estate teams in combination with the structuring and legal framework provided by our investment structures department. The investment opportunity, a portfolio of residential mortgages, was originally sourced by the private equity primary team on the basis of our long-standing relationship with this leading general partner. The subsequent due diligence process was led by direct investment specialists within the private equity team, further insight was provided by the private real estate team, with their specific knowledge being particularly pertinent for analyzing the macro economic environment relative to real estate investing as well as providing individual portfolio comparables. The investment process was subsequently run on a dual basis between both the private real estate investment committee and the private equity investment committee. The advantages of two different areas of expertise aided in assessing and valuing the portfolio, with both teams providing their insight and thus enabling a thorough analysis of the portfolio, taking all aspects into consideration. Additional perspective on valuation and comparables was provided by both the private debt team, in looking at current debt transactions, as well as the secondary team, which was able to offer additional perspective on current portfolio valuations seen from distressed sellers. Having pulled together the relevant experts from around the globe, the transaction was completed within the necessary extremely tight time frame, and has an unlevered base case return expectation of over 25% assuming a multi-year depressionary economic outlook. A transaction such as this highlights the utter importance of understanding the entire private markets spectrum, in order to be able to capitalize on such multi-disciplinary investment opportunities for the advantage of our clients.

As seen in the transaction above, applying an interdisciplinary approach is the key to understanding an individual private markets asset, given all its facets and details. This in turn is crucial for identifying those assets that offer attractive return profiles above others at any point in time. The firm, after having built its specialist knowledge over the past decade, is today ideally positioned to reap the benefits of this expertise. The key component however remains simple: the pre-requisite is understanding each individual private market asset.

PARTNERS GROUP - AN INTEGRATED PRIVATE MARKETS ASSET MANAGER

Proper portfolio structure and diversification limit drawdown in market dislocation

The market dislocation is not without effect on Partners Group's current investment portfolios, and many portfolio companies will not achieve their targets and goals. Following value corrections of 10-15% in 2008, our clients know to expect further corrections in the magnitude of 15-25% in 2009. However, times like these emphasize the importance of diversifying a portfolio across vintage years, sectors and stages, and Partners Group has never focused portfolios exclusively on one part of the spectrum. In contrast, portfolios are built over a number of years and are invested in transactions in the various financing stages. As such, total exposure to the large buyout investments completed in 2006/2007, on which we expect to see write-downs of 30-50% in total, only amounts to 7% of assets under management.

Nevertheless, it is now crucial to continue to focus on the existing portfolio companies and to spend time ensuring the large majority weather the economic downturn securely. Especially buyout transactions entered in 2006/2007 are likely to suffer from excessive leverage, although most of the respective debt packages were covenant lite and have terms which do not expire before 2013 (Term A) / 2014 (Term B) / 2015 (Term C) / 2016 (Mezzanine). It is however still necessary to monitor these closely since a significant number of deals from the vintages 2006/2007 will most likely hit even these lite covenants in this historic economic crisis. Partners Group continuously analyzes its portfolio line by line, looking at each individual asset and evaluating its development and current situation. As now can be observed in ongoing restructurings in the market, various possibilities are feasible to cope with a covenant breach. For instance, debt investors waive covenants and collect a waiver fee in return. Also, many general partners are considering further equity injections into companies they are invested in, especially in the light of the significant pools of uninvested capital available to many of them from recently raised funds. A general partner has an in-depth and detailed understanding of each individual portfolio company and thus is prepared to invest additional equity into companies which are judged to have convincing potential to weather the cycle. General partners may also buy back a company's debt in addition or as an alternative to injecting additional equity. However, we will continue to observe high-profile bankruptcy cases of private equity-backed companies as the economy worsens further in the coming quarters.

Nevertheless, many existing post-tech bubble portfolio investments completed in the vintage years 2000-2005 have already significantly deleveraged their balance sheets and are well-positioned to emerge strongly in the next upswing. Thanks to their backing by private equity investors with significant operational and restructuring experience as well as financial strength, these companies will continue to improve their operations, strengthen their management teams and develop their expertise. In many instances it will be private equity-backed firms that will use this economic crisis to be a consolidator in their respective industries.

Attractive opportunities in the market dislocation

The current crisis also offers great scope for new investments and investing through the cycle for proper vintage diversification remains imperative. At this point, it is crucial to differentiate between distressed assets and distressed sellers, who find themselves in liquidity-constrained situations and offer assets which make interesting investment opportunities. A profound understanding of the market and each individual asset remains the first step in this process.

Currently, highly attractive investments can be completed in the secondary segment, and having access to and knowledge of this segment and of the individual underlying assets is the basis for a successful integrated private market investment business. While specialists focusing on one sector such as large buyout investments alone may now find themselves unable to successfully deploy capital and will be restricted to focusing on their existing portfolios, Partners Group as a fully integrated player can seize the opportunities arising from distressed sellers offering their private market assets below fair market value.

For instance, Partners Group received the opportunity to acquire a portfolio of mezzanine loans from a bank. The portfolio was offered at a substantial discount due to the liquidity constraints the seller found itself under, and a proper and thorough analysis of the individual positions was imperative for a correct valuation. Thanks to the experience as a direct debt investor and as an advisory board member to the fund manager of this loan portfolio, Partners Group was able to adequately assess and properly value the portfolio to gauge its potential. In addition, the market knowledge collated over the past decade enabled the establishment of adequate comparables for the assessment of investments, as publicly available comparables are scarce due to the nature of private markets investing. The knowledge

PARTNERS GROUP - AN INTEGRATED PRIVATE MARKETS ASSET MANAGER

and investment expertise built up by the private debt team was crucial in recognizing the quality inherent in the portfolio. In addition, this deal was completed under significant time constraints as the seller was experiencing serious liquidity issues and thus was dependent on a counter-party capable of handling a rapid process and close of the transaction. Due to the build up of the secondary specialist team over the past years, Partners Group had the advantage of having in-house knowledge available for the structuring and completion of the deal. The portfolio of mezzanine loans was acquired at a discount of over 70%, pays a current yield of over 20% p.a. (not including PIK yet) and is projected to achieve a final IRR significantly in excess of this for Partners Group's clients.

In a further example of the current opportunities available, Partners Group recently acquired a senior debt tranche in Numericable from a distressed seller at a discount of over 50%. Numericable is the market leader in the provision of broadband cable services in the European French-speaking region and generated revenues of EUR 1.3 billion in 2007. Partners Group previously owned this asset through Cinven from 2003-2006. Partners Group therefore had extensive in-depth knowledge of the company and held numerous management meetings with Patrick Treu, CEO of Numericable, one of the pioneers of the European cable industry, and is highly convinced of the quality and capabilities of the management team. In short, Partners Group truly has an in-depth understanding of this individual private market asset. This presented a clear advantage when Numericable's senior debt became available from a distressed seller, as our knowledge of the asset allowed us to proceed immediately with the transaction. New interested parties would most likely require several weeks to be able to evaluate the transaction, but a shorter time frame was crucial to the liquidity-constrained seller. In addition, Partners Group has the advantage of possessing the required debt trading capabilities and set-up to be able to process an investment of this type. The private debt team located in the various offices around the globe has built up a network with trading desks ensuring that they are aware of our investment interests and appetite through regular direct contact. The advantages of working as an integrated global team with understanding of this individual asset enabled the completion of this transaction at an attractive expected 30% IRR. Should the company violate its senior debt covenants Partners Group would be comfortable co-owning this quality company at 3.5x EBITDA which constitutes a significant discount to the trading value of other high-quality cable companies.

A truly global investment approach

Partners Group has spent more than a decade building its globally integrated private market business with the aim of gaining a superior understanding of individual assets across the private market spectrum. This long-term perspective has also aided in the implementation of a dedicated network in the industry, which by nature offers further advantages for portfolio diversification and optimization. Successful investing begins with an active approach to deal sourcing; the more opportunities screened, the more selective one can be. Partners Group has developed a multitude of sources for its broad deal flow. Investment opportunities are sourced through an extensive global network of contacts within different industries and regions around the globe, and are then individually evaluated by Partners Group's investment professionals using a structured selection process.

Partners Group has furthermore dedicated significant resources over the years to developing its expertise in direct investing, in order to offer clients a truly integrated approach and allow them to profit from the additional return-generating potential of increased exposure to particularly promising investments in a portfolio while at the same time reducing costs for overall management and performance fees significantly.

For instance, a recent investment entered into in the company Bartec is demonstrative of the value-add Partners Group brings to a direct investment transaction, with these requiring even more so the application of Partners Group's specialized skill set and the in-depth assessment of the individual asset and its potential for growth and development. Partners Group was invited to invest in Bartec in a side-by-side transaction with Capvis Equity Partners and the due diligence on this transaction was run in a joint process. Due to Partners Group's extensive financing capacity, a bridge loan was set up to ensure the smooth completion of the transaction, which was then later syndicated to further investors. Bartec is the leading global provider of high-quality industrial safety technology for applications in explosion-hazardous areas and is, at only CHF 300 million revenues, a relatively small company. However, the company is the market leader in a niche field, in which it is difficult to establish a successful business. Due to the nature of the business and its security issues, a long and extensive registration process is required, including regulatory approval as well as extensive certification. However, once established, client retention is high due to the level of confidence required in one's

PARTNERS GROUP - AN INTEGRATED PRIVATE MARKETS ASSET MANAGER

provider. As a result, Bartec finds itself in a relatively secure and defensive position. Partners Group as a direct investor brings a further key advantage to support the further development of Bartec, being its global network and reach. In particular, being able to provide Bartec access to companies active within oil and gas technology in the Middle East presents a key competitive advantage for Bartec's further development. Thus, Partners Group, by nature of its integrated approach, the build-up of its direct investment expertise, its short-term bridge financing capacity and its global reach has brought a new dimension to a transaction and increased the further potential of the investee company by a significant amount.

Portfolio management remains crucial

Partners Group's global, integrated approach to private markets investment management requires stringent portfolio management in order to ensure an optimal diversification across sectors, stages and vintage years providing the best risk/return potential for clients. Whilst the understanding Partners Group brings to the selection of the individual assets remains crucial and forms the base for a successful investment practice, portfolio structure and management provide the backbone for its implementation.

In general, an investment process at Partners Group requires a top-down asset allocation approach but is also based and supported by the bottom-up assessment of the individual portfolio company, which, due to the nature of private markets investing is not publicly available. Thus, an immeasurable advantage is the possession of further knowledge and extensive comparables for the assessment of individual elements. Partners Group has built a proprietary database over the past twelve years containing the data of over 5'000 companies which is used to track the performance of private equity companies in which Partners Group is either directly or indirectly invested. For private companies on which very limited public information is typically available, the database allows Partners Group to not only monitor the overall fund performance, but also track the performance at the individual company level, thus providing the firm with a significant edge when making investments, and ensures Partners Group is now in the unique position of having access to comparable data no matter in which field of the private markets spectrum it is currently considering an investment.

Through investment level steering, Partners Group enables its clients to reach and maintain the desired expo-

sure. Traditional fund of funds managers and private equity advisors typically focus solely on the selection of private equity investments, leaving the client with the challenge of reaching and maintaining a targeted investment level. Unfortunately, failing to maintain the target investment level can lead to significant return dilution or to an unwanted increase in risk. In contrast, Partners Group has been developing and implementing dynamic commitment strategies for its clients for more than a decade. By using sophisticated models, the firm's private markets risk management team seeks to minimize the return dilution and opportunity costs that result from under- or overshooting the target investment level over time. In addition, by forecasting cash flows based on statistical analysis of historical data as well as current portfolio cash flows, Partners Group is able to steer the investment level of a portfolio over time.

A relative value approach aims to identify the most attractive investments

Changing market conditions can significantly affect the attractiveness of different segments within private markets overall. The relative value approach within the investment process is concerned with analyzing these market conditions and their effect on the value drivers for each relevant segment. Accordingly, Partners Group constantly monitors private markets developments and conducts a semi-annual review of the return potential and relative attractiveness of the various market segments. Based on these results, Partners Group identifies and overweights the segments it believes offer the most attractive investment opportunities.

The firm's investment professionals analyze investment opportunities by evaluating them in relation to historical benchmarks, current information from Partners Group's existing private equity portfolios and the data available in Partners Group's proprietary database. This comparative analysis, which is made possible by the large scope of Partners Group's investment activities, enables the investment committee to select those investments that offer the greatest value at different points in time. As a result, final investment decisions reflect both a micro and a macro relative value assessment (i.e. at the individual investment level and at the investment segment level).

PARTNERS GROUP - AN INTEGRATED PRIVATE MARKETS ASSET MANAGER

Stringent risk management is indispensable

Partners Group further places high priority on portfolio maintenance and is convinced that rigorous quantitative and qualitative risk management together with active investment monitoring, diligent accounting and accurate reporting of portfolio information contributes to better performance and avoids unnecessary losses. Thus, Partners Group has long been one of the leaders in the area of risk management for private market portfolios, and likely runs the most comprehensive risk management effort in the industry. Investing with an integrated model in all areas of private markets, and adjusting the investment activity to correspond to the developments in the market requires a strong focus and dependable systems. In particular, the approach applied by Partners Group requires the possession of large quantities of market data and information in order to thoroughly understand and subsequently correctly assess individual investment risks and overall portfolio exposure.

Different ways to access the Partners Group investment know-how

Partners Group's core competence is long-term private markets investing (93% of AuM). This encompasses firstly limited partnerships which either invest according to various themes or with a more opportunistic global relative value approach. These vehicles have twelve-year terms and capital calls and distributions are based on the development of the portfolio as decided by Partners Group as the general partner. Secondly, semi-liquid or permanent capital structures offer access to a traditionally illiquid market in a manner offering limited structural liquidity at net asset value to clients. They thus require additional expertise from the investment manager, such as investment level steering. Such mutual fund-type structures are open-ended but have clearly defined gating restrictions over several years. Thirdly, separate accounts are tailored and built to the specific needs of large institutional investors and otherwise have the typical terms of a pooling vehicle such as a limited partnership.

Beyond this, 7% of AuM has a typically shorter-term investment horizon. Our absolute return products include private market investments with a short duration, such as mezzanine or secondaries. Complemented by liquid alternative beta strategies as well as insurance linked securities and listed alternative investments (listed private equity, listed infrastructure, listed real estate), these products are designed to offer enhanced liquidity. Finally, Partners Group also offers its replication strategies on a standalone basis.

Partners Group applies a multi-disciplinary relative value investment approach on a global basis, embedded in a comprehensive portfolio and risk management process. Partners Group offers a broad range of specialized products and is committed to providing tailor-made solutions to each single client. Our global team is one of the largest and most sophisticated in the industry. It is the stability of our firm and the unwavering passion of its people that form the foundation for understanding each individual private market asset in our portfolio and beyond.



EXCHANGING FIRST IMPRESSIONS AFTER A MANAGEMENT MEETING

Jonathan Schläpfer Private Debt, **Juri Jenkner** Head London, **Alexander Ott** Private Debt and **René Biner** Head Private Finance.

CORPORATE RESPONSIBILITY

COMMITTED TO SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Partners Group is committed to applying principles of responsibility and sustainability in all actions 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 of our activities on customers, shareholders, communities and the environment in all aspects of our operations. In addition, and following our credo of "Passion for alternative investments", we are just as passionate about supporting others in their endeavors. 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 our entrepreneurial spirit through passion for sustainability, passion for philanthropy, passion for entrepreneurship and passion for education.

Passion for sustainability

United Nations Principles of Responsible Investing

Partners Group recognizes the importance of incorporating environmental, social and corporate governance (ESG) issues into all investment activities and is a signatory to the United Nations Principles of Responsible Investing (UNPRI), having acknowledged the United Nations Key Principles since 2006. The UNPRI were launched in 2006 under the guidance of the United Nations Secretary General and have quickly become the benchmark for global best practices in responsible investing. They provide a voluntary and aspirational framework for incorporating ESG issues into mainstream investment decision-making and ownership practices.

As a private markets investor, Partners Group is focused on providing the best solutions in this asset class for its clients. Given the long-term perspective and the focus on sustainable growth and operational development inherent to this asset class, Partners Group believes that applying ESG criteria to investments can positively impact the performance of investment portfolios and strives to encourage portfolio companies to improve performance in terms of ESG criteria.

As a signatory of the UNPRI, Partners Group commits itself to the following principles:

1. Incorporating ESG issues into investment analysis and decision-making processes
2. Being active owners and incorporating ESG issues into ownership policies and practices
3. Seeking appropriate disclosure on ESG issues by the entities in which investments are completed
4. Promoting acceptance and implementation of the principles within the investment industry
5. Working together to enhance effectiveness in implementing the principles
6. Reporting on our activities and progress towards implementing the principles

CORPORATE RESPONSIBILITY

Passion for philanthropy

Partners Group strives to help others around the world achieve sustainable and independent lives and supports them in developing their own means for support, while fostering entrepreneurial activity. With the endowment "PG Alternative IMPACT" Partners and employees have the opportunity to donate to various charitable causes around the world. PG Alternative IMPACT is dedicated to creating significant, measurable and self-sustainable improvements in the lives of individuals through providing help in obtaining training, advanced education and means for realizing business concepts, by efficiently using the Partners Group family network.

Proposals are selected based on a number of criteria, which need to be fulfilled in order for the project to be financed. Firstly, the project must be focused on supporting individuals reach autonomy through fostering entrepreneurship and independence. Secondly, PG Alternative IMPACT projects are all brought to the attention of the charity board by a member of the Partners Group family network, ensuring a personal connection with each individual project. Thirdly, a crucial aspect is the establishment of long-term sustainability for individuals through the aid of PG Alternative IMPACT. Finally, PG Alternative IMPACT aims to support projects which to the largest part can be financed and sustained over time through our foundation.

PG Alternative IMPACT has so far financed seven different projects in various regions around the globe, all of which fulfill the key criteria. All projects were brought to the attention of the charity board by members of the Partners Group global team. Two examples of recent projects supported are:

Casa Isabel

This project was brought to the attention of PG Alternative IMPACT by Roland Burkard, Head Internal Audit. Roland has family ties to the area in which this educational center will be constructed, and the proximity of family members ensures personal involvement with the project. Roland's father-in-law regularly visits the site and provides progress updates.

PG Alternative IMPACT financed the building of an educational center to train and coach young women from the rural area in greater Arequipa in southern Peru in eco farming/agriculture. The eco farming education center will offer education for up to 200 students a year, training them to run a bio-farm on their own after a schooling period of 3-12 months, which will in turn

enable them to return to their villages and support their families in autonomy. The school itself is also aimed at becoming self-sustainable, and intends to sell the produce from the educational farming activities at local markets. In addition, a number of orphanages and kindergartens in the region will be supplied with healthy nutrition.



The project was financed entirely by PG Alternative IMPACT, is currently well under way and should reach self-sustainability within 3-5 years. With this donation, PG Alternative IMPACT has not only launched an educational program but also seeded entrepreneurial activity and has the potential to positively influence the lives of numerous families.



VIP Bikes

This project was discovered by Lars Jaeger, Head Alternative Beta Strategies, who has adopted a child from this region in Vietnam. Lars and his family travel to the region frequently and regularly spend time visiting the shop and meeting with the team running this project to discuss its development.

PG Alternative IMPACT financed the creation of a training-oriented social enterprise in Vietnam. Based on the perceived needs of the community, a motorbike rental and repair business was established. The project offers a range of training opportunities, both part-time and full-time, in mechanics, business skills, administration and marketing. The development of this enterprise is

CORPORATE RESPONSIBILITY

initially for training purposes, but will ultimately grow into a sustainable small business that will eventually be profitable, with the street kids strongly involved in every step of business development and operation.



The business, VIP Bikes, was launched with the receipt of funding from PG Alternative IMPACT and has gained a sound reputation within the Hanoi expatriate community in a very short time, tapping into a market that has previously been unserved by any business. As well as having a reputation as an excellent business, expats are interested in VIP Bikes because of its social mission, as it is the first motorbike business with this focus. VIP Bikes is doing extremely well, and one of the original staff members, a 20-year old former street kid, has already left VIP Bikes to start his own motorbike repair business, thus fulfilling the mission of providing training and supporting the move into self-sustainability.



Passion for entrepreneurship

Our endeavors in the corporate responsibility program are focused on creating new generations of entrepreneurs by the application of various measures. Partners Group is further committed to taking an active role in supporting and backing young entrepreneurs in following their own ideas and starting their own businesses. For example, Partners Group participates in the bi-

annual venture business plan competition led by ETH Zurich and McKinsey & Company Switzerland, which pursues the goal of encouraging start-up activity. The competition is held every two years, with the 2010 competition starting in October 2009. Partners Group professionals have lent their skills to the competition as coaches over the past years, and Alfred Gantner, co-founder and Executive Chairman, has been a member of the jury or the advisory board since inception of the competition. Partners Group, as a firm founded by three young entrepreneurs which has grown to one of the largest in its field around the world, is highly committed to supporting this forum for new entrepreneurs with novel business ideas.

Passion for education

Partners Group continues to be committed to the education of young, promising people around the world, and thereby contributes to shaping the entrepreneurs of the future. Within our global team of over 340 employees in ten offices around the world, we take part in a regular dialogue with many of the leading universities and form cooperations with regard to the support of university research or student theses. Partners and employees additionally find time to lecture on specific industry topics at a number of institutions dedicated to higher education, thereby ensuring our industry expertise and knowledge is passed on to future practitioners in private markets.

In-house education is considered a further crucial topic, supported by the running of an apprenticeship program as well as internships for Swiss and international students and programs for the further education of our professionals, such as CFA, MBA etc. In addition, Partners Group hires and internally trains many of the future investment professionals through the associate program, focusing on recent business school graduates. The associate program is designed to refine core skills and deepen industry knowledge while identifying the individual skill sets that best match available job profiles. The associate program gives participants exposure to different business groups, thereby allowing them to broaden their skills and to build a strong network within the firm. Participants typically spend 12-18 months in the associate program and complete several rotations during this time.



DISCUSSING THE LISTED PRIVATE EQUITY MARKET

Reto Schwager Head Distributors, **Sarah Brewer** Listed Private Equity, **Björn Seynsche** and **Markus Pimpl** Co-Heads Liquid Investment Solutions.

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Partners Group Holding AG, Baar

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards and comply with Swiss law.

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



*Partners Group Holding AG, Baar
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting*

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG


Swen Wyssbrod
Licensed Audit Expert
Auditor in Charge


Peter Häfliger
Licensed Audit Expert

Zurich, 5 March 2009

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CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

In thousands of Swiss francs	Note	2008	2007
Revenues from management and advisory services, net	8	323'232	305'839
Share of results of associates	16	4'689	4'984
Net revenues		327'921	310'823
Third party services	10	-3'895	-5'730
Personnel expenses	11	-66'076	-58'670
General and administrative expenses		-11'206	-8'483
Marketing and representation expenses		-7'036	-6'384
Depreciation and amortization	14&15	-5'662	-4'026
EBIT		234'046	227'530
Changes in fair value of derivatives arising from insurance contracts	29	-42'713	27'785
Income from investment companies	17	-3	3
Other finance income / (expense), net	12	-6'557	16'587
Finance cost	12	-3'218	-164
Profit before tax		181'555	271'741
Income tax expense	13	-11'099	-16'439
Net profit for the period		170'456	255'302
Attributable to:			
Equity holders of the parent		170'754	255'039
Minority interest		-298	263
Basic earnings per share (Swiss francs)	24	6.88	10.14
Diluted earnings per share (Swiss francs)	24	6.45	9.42

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008 AND 2007

In thousands of Swiss francs	Note	2008	2007
Assets			
Property, plant and equipment	14	6'157	4'971
Intangible assets	15	57'093	64'808
Investments in associates	16	5'130	5'424
Other investments	17	108'869	126'548
Other financial assets	18	94'186	94'730
Deferred tax assets	19	188	900
Total non-current assets		271'623	297'381
Prepaid expenses	20	8'288	6'571
Trade receivables	20	34'589	73'364
Other receivables	20	6'428	5'078
Marketable securities	21	13'672	19'912
Cash and cash equivalents	22	186'845	80'689
Total current assets		249'822	185'614
Total assets		521'445	482'995
Equity and liabilities			
Share capital	23	267	267
Own equity instruments	23	-225'492	-170'742
Share premium	23	218	218
Retained earnings	23	581'526	533'541
Equity attributable to equity holders of the parent		356'519	363'284
Minority interest		392	690
Total equity		356'911	363'974
Liabilities			
Pension fund liabilities	27	373	3'792
Derivatives arising from insurance contracts	29	91'654	57'228
Total non-current liabilities		92'027	61'020
Trade payables		23'782	20'373
Income taxes payable		13'145	1'151
Accrued expenses	26	26'982	28'513
Other current liabilities		8'598	7'964
Total current liabilities		72'507	58'001
Total liabilities		164'534	119'021
Total equity and liabilities		521'445	482'995

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 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
Total income and expense recognized in equity	-	-	-	-300	590	-	290	290	-	290
Net profit for the period						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
Balance at 31 December 2007	267	-170'742	218	855	982	531'704	533'541	363'284	690	363'974
Balance at 1 January 2008	267	-170'742	218	855	982	531'704	533'541	363'284	690	363'974
Acquisition of treasury shares		-172'833					-	-172'833		-172'833
Sale of treasury shares		117'442				-2'588	-2'588	114'854		114'854
Equity settled transactions		641				8'080	8'080	8'721		8'721
Tax effect resulting from equity settled transactions						-2'837	-2'837	-2'837		-2'837
Dividends paid to shareholders						-105'979	-105'979	-105'979		-105'979
Translation adjustment				-18'463			-18'463	-18'463		-18'463
Fair value changes of cash flow hedges					-982		-982	-982		-982
Total income and expense recognized in equity	-	-	-	-18'463	-982	-	-19'445	-19'445	-	-19'445
Net profit for the period						170'754	170'754	170'754	-298	170'456
Total recognized income and expense in 2008	-	-	-	-18'463	-982	170'754	151'309	151'309	-298	151'011
Balance at 31 December 2008	267	-225'492	218	-17'608	-	599'134	581'526	356'519	392	356'911

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

In thousands of Swiss francs	Note	2008	2007
Operating activities			
Net profit for the period		170'456	255'302
Adjustments:			
Share of results of associates	16	– 4'689	– 4'984
Income from other investments	17	3	– 3
Net financial result	12	9'775	– 16'423
Income tax expenses	13	11'099	16'439
Depreciation of property, plant and equipment	14	2'319	1'522
Amortization of intangible assets	15	3'343	2'505
Share-based expenses	11	8'721	5'255
Change in fair value of derivative liabilities arising from insurance contracts	29	42'713	– 27'785
Change in fair value of assets held by insurance trusts		– 7'996	– 3'789
Change in defined benefit obligation	27	– 3'419	1'217
Gain / (loss) realized on other derivatives		16'261	1'793
Other non-cash items		424	– 31
Operating cash flow before changes in working capital		249'010	231'018
(Increase) / decrease in receivables		33'461	– 41'799
Increase / (decrease) in payables		7'352	32'715
Financial expenses (other than interest) paid		– 3'130	– 203
Cash generated from operations		286'693	221'731
Income taxes paid		– 1'227	– 1'389
Net cash provided by operating activities		285'466	220'342

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007 – CONTINUED

In thousands of Swiss francs	Note	2008	2007
Investing activities			
(Purchase) / disposal of marketable securities		–7'997	4'494
Proceeds on disposal of property, plant and equipment	14	56	26
Purchase of property, plant and equipment	14	–3'830	–2'937
Proceeds on disposal of intangible assets	15	19	–
Purchase of intangible assets	15	–1'364	–1'100
Carrying amount recovered from disposal of other investments	17	55'293	18'072
Purchase of other investments	17	–69'650	–102'729
Acquisition of subsidiary, net of cash acquired	6	–	–6'109
Investments in assets held by insurance trust and experience account		–3'141	–4'338
Change in other financial assets		1'838	–667
Interest received		12'784	8'518
Dividends received		5'656	4'311
Net cash used in investing activities		–10'336	–82'459
Financing activities			
Proceeds from borrowings		–	–22
Interest paid		–88	321
Dividends paid to third parties	23	–105'979	–66'624
Purchase of treasury shares		–172'833	–159'775
Disposal of treasury shares		114'854	49'851
Net cash used in financing activities		–164'046	–176'249
Net increase / (decrease) in cash and cash equivalents		111'084	–38'366
Cash and cash equivalents at beginning of the period	22	80'689	121'698
Effect of foreign exchange rate changes		–4'928	–2'643
Cash and cash equivalents at end of the period	22	186'845	80'689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

1. GENERAL INFORMATION

Partners Group Holding AG (the Company) is a company domiciled in Switzerland. The consolidated financial statements for the years ended 31 December 2008 and 2007 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 5 March 2009 and are subject to approval at the general meeting of shareholders on 30 April 2009.

The principal activities of the Group are described in note 5.

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 4.

The Board of Directors has performed an assessment of the risks to which the Group is exposed at its meeting on 28 November 2008. The risk management covers in particular the market risks, the credit risks and the operational risks. The Board of Directors has taken into consideration the internal control system designed to monitor and reduce the risks of the Group for its assessment.

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 pur-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

chase 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 (see note 2.8). 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. Intercompany 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) 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 2008 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

2.3.1 Standards, amendments and interpretations effective in 2008

- IFRIC 11 – IFRS 2, Group and treasury share transactions, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, option over a parents' shares) should be accounted for as equity-settled or cash-settled share based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.
- IFRIC 12 - Service concession arrangements, addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation does not have an impact on the Group's financial statements.
- IFRIC 14 – IAS 19, the limit on a defined benefit asset, minimum funding requirements and their interaction, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Group's financial statements as the Group has a pension deficit and no minimum funding requirements other than the ordinary contractual obligations.

2.3.2 Standards, amendments and interpretations to existing standards, that are not yet effective and might be relevant for the Group but have not been early adopted

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 below the table reflect a first assessment by Group management.

Standard / Interpretation		Effective date	Planned application by Partners Group
IFRIC 13 - Customer Loyalty Programmes	*	1 July 2008	Reporting year 2009
IAS 1 rev. - Presentation of Financial Statements	**	1 January 2009	Reporting year 2009
IAS 23 rev. - Borrowing Costs	*	1 January 2009	Reporting year 2009
IFRS 8 - Operating Segments	**	1 January 2009	Reporting year 2009
Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations	*	1 January 2009	Reporting year 2009
Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	*	1 January 2009	Reporting year 2009
IFRS 3 rev. - Business Combinations	*	1 July 2009	Reporting year 2010
IAS 27 amended - Consolidated and Separate Financial Statements	*	1 July 2009	Reporting year 2010
Improvements to IFRSs	***	1 January 2009 to 1 July 2009	Reporting year 2009 / 2010
Amendment to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible Hedged Items	***	1 July 2009	Reporting year 2010
IFRIC 15 - Agreements for the Construction of Real Estate	*	1 January 2009	Reporting year 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	*	1 October 2008	Reporting year 2009
IFRIC 17 - Distributions of Non-cash Assets to Owners	*	1 July 2009	Reporting year 2010
IFRS 1 rev. - First time Adoption of International Financial Reporting Standards - Restructuring of format	*	1 January 2009	-

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

** Mainly additional disclosures or changes in the presentation 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 5. The Group discloses no intersegment transactions, as there are none; consequently no eliminations are necessary.

All other business activities, wealth management, private debt, private real estate, private infrastructure and private resources 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.

Unallocated items comprise:

Income statement

- Depreciation on property, plant and equipment
- Non-attributable part of amortization of intangible assets
- Pension cost
- Not-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(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
2007	EUR	1.6573	1.6432
	USD	1.1365	1.1999
	GBP	2.2533	2.4005
	SGD	0.7901	0.7964
2008	EUR	1.4915	1.5866
	USD	1.0689	1.0826
	GBP	1.5580	1.9973
	SGD	0.7447	0.7647

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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.

As of 1 July 2008 the Group decided to no longer designate foreign exchange hedges as cash flow hedges.

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.

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 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 reassesses 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 12 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 12 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 periods 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 12 months of the balance sheet date. The Group did not hold any investments in this category during the periods 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, 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 net finance income / expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 3.6.

At each balance sheet date the Group assesses 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. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

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.

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 the value in use, the estimated future cash flows are discounted to their present value using a pre-tax

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 12 months after the balance sheet date.

Borrowing costs are recognized as an expense when incurred.

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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 annually 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 12 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").

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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 27.

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 AG ("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 24).

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 cashflows 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 an insurance contract

The Group has exposure resulting from an insurance contract (see also notes 2.8 (d), 15, 29). This contract does not meet the definition of an insurance contract under IFRS 4, but meets the definition of derivative financial instruments under IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 (see 2.8 (d)).

The Group's exposure as a policyholder 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 9.

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 3 to 5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 / expense, 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.

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 as of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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. FINANCIAL RISK MANAGEMENT

3.1 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 risk and audit 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 oversight 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's risk and audit committee.

3.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(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 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 did never suffer from any loss from its trade and other receivables; 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:

In thousands of Swiss francs	Carrying amount	
	2008	2007
Other financial assets	94'186	94'730
Trade receivables	34'589	73'364
Other receivables	–	762
Marketable securities	63	201
Cash and cash equivalents	186'843	80'684
Forward exchange contracts used for hedging:		
Assets	–	1'072
Other forward exchange contracts	3'322	3'016
	319'003	253'829
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Other receivables (VAT etc.)	6'428	4'315
Marketable securities (equity securities)	13'609	19'712
Cash and cash equivalents (petty cash)	2	5
<i>Split of trade receivables into counterparty risk categories:</i>		
– invoiced to clients	6'837	11'389
– collected by Group through management contracts	27'752	61'975
	34'589	73'364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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.

3.3 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 30.0 million overall facility that can be used as follows:
 - CHF 10.0 million overdraft facility that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to 3 months. Interest would be payable at current market rates.
 - CHF 10.0 million contingent commitments such as security guarantees and deposits.
 - CHF 30.0 million as margin for over-the-counter trades (used mainly for foreign exchange trading purposes) with a maturity of up to 12 months.

The debt covenants include minimum capital requirements (see note 3.5), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

In thousands of Swiss francs	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
2007						
Derivatives arising from insurance contracts	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	
	128'054	20'373	12'613	12'613	25'227	57'228
<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				
2008						
Derivatives arising from insurance contracts	91'654					91'654
Trade payables	23'782	23'782				
Other current liabilities	–					
Interest-bearing loans and borrowings	–					
Unfunded commitments	76'414		19'104	19'104	38'206	
	191'850	23'782	19'104	19'104	38'206	91'654
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities						
(VAT, social security liabilities, etc.)	8'598	8'598				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

3.4 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 the 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).

As a general guidance the Group hedges 50 (EUR) to 80 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

The table below shows the Group's exposure to foreign currency risk (before elimination of intercompany balances):

In thousands of Swiss francs	CHF	EUR	USD	GBP	SGD
2007					
Other financial assets	–	149	705	–	–
Prepaid expenses	–	1'193	57	–	–
Trade receivables	–1'369	58'373	24'327	4	–
Other receivables	3'644	22'143	1'335	106'083	–260
Marketable securities	201	–	–	–	–
Cash and cash equivalents	6	5'202	308	352	–
Other current liabilities	–	–	–	–	–
Trade payables	–16	–2'990	–975	–	–
Accrued expenses	–276	–1'426	–4'955	–58	–
Forward exchange contracts		956	3'043		
Total	2'190	83'600	23'845	106'381	–260

In thousands of Swiss francs	CHF	EUR	USD	GBP	SGD
2008					
Other financial assets	–	45	1'680	–	–
Prepaid expenses	–	861	36	–	–
Trade receivables	187	38'635	8'308	50	–
Other receivables	–	–12'486	7'682	9'034	674
Marketable securities	–	63	–	–	–
Cash and cash equivalents	10	2'298	2'387	107	–
Other current liabilities	–	–	–	–	–
Trade payables	–138	–6'844	–1'387	–47	–
Accrued expenses	–	–2'652	–23	–60	–
Forward exchange contracts		3'631	367	–659	–16
Total	59	23'551	19'050	8'425	658

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 (e.g. the Group examined the effect of an increase of the EUR against the CHF of 8.24% (2007: 4.05%), calculating the corresponding effect).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

Volatilities	2008	2007
CHF/EUR	8.24%	4.05%
CHF/USD	14.37%	7.85%
CHF/GBP	14.16%	8.19%
CHF/SGD	12.24%	7.23%
EUR/USD	12.81%	6.17%
EUR/GBP	10.24%	5.91%
EUR/SGD	9.78%	5.08%
USD/GBP	12.50%	6.57%
USD/SGD	6.85%	3.21%
GBP/SGD	10.87%	6.25%

In thousands of Swiss francs

	Equity		Profit or loss	
	2008	2007	2008	2007
CHF/EUR	–	–592	–9'263	–1'783
CHF/USD	–	–1'254	–14'872	–3'816
CHF/GBP			1'427	8'865
CHF/SGD			682	–
EUR/USD			412	235
EUR/GBP			644	2'504
USD/GBP			107	–461
Total	–	–1'846	–20'863	5'544

Forward exchange contracts

As of the balance sheet date the Group has no outstanding hedges for the hedging of the foreign currency exposure resulting from some of the future revenue streams in foreign currencies for which it applied hedge accounting. The Group decided to no longer designate foreign exchange hedges as cash flow hedges as of 1 July 2008.

While it continues to hedge its future revenues streams in foreign currencies the effect of the revaluation of these contracts is directly recorded in the income statement of the Group.

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 3'322'447 with an outstanding volume of CHF 238'300'000 (2007: CHF 3'016'486; volume CHF 156'988'339). 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 18). Such cash flows are dependent of 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 2008 AND 2007

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	2008	2007
Variable rates instruments		
Financial assets	278'497	174'296
Financial liabilities	–	–
	278'497	174'296
Fixed rate instruments		
Financial assets	2'595	1'319
Financial liabilities	–	–
	2'595	1'319

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.

In thousands of Swiss francs	Profit or loss	
	50 bp increase	50 bp decrease
2007		
Variable rate instruments	871	–871
2008		
Variable rate instruments	1'392	–1'392

(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 performed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

In assessing the price risk associated with the Group's investments it applied a volatility ratio to each of its investments classified in the Marketable Securities or Other Investments. Based on the size of the investment as a proportion 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			
	2008	Volatility	2007	Volatility
Marketable securities	13'609	24.48%	19'711	17.29%
Other investments				
– Private Equity	51'940	15.46%	69'035	15.17%
– Private Debt	15'362	7.70%	13'818	7.73%
– Hedge Funds	34'918	6.00%	42'721	7.57%
– Real Estate	839	13.91%	51	12.00%
– Other	5'780	12.48%	886	15.48%
Total	122'448		146'222	

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	
	2008	2007
Marketable securities	3'332	3'407
Other investments		
– Private Equity	8'031	10'475
– Private Debt	1'184	1'068
– Hedge Funds	2'095	3'232
– Real Estate	117	6
– Other	721	137
Total	15'480	18'325

3.5 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 hold 69.3% (2007: 69.8%) 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

- Overall credit facility: Partners Group Holding AG 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 450'262 (GBP 289'000) minimum capital as of 31 December 2008.

All these capital requirements have been met during 2008.

3.6 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 17) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

3.7 Financial instruments by category

The Group's financial instruments can be classified into the respective categories as follows:

In thousands of Swiss francs	2008	2007
Financial assets		
Financial assets at fair value through profit or loss		
<i>Designated upon initial recognition</i>		
Other investments	108'869	126'548
Other financial assets	94'186	94'730
	203'055	221'278
<i>Held for trading</i>		
Marketable securities	13'672	19'912
Derivative assets	3'322	3'016
	16'994	22'928
Loans and receivables		
Trade receivables	34'589	73'364
	34'589	73'364
Cash and cash equivalents		
Cash and cash equivalents	186'845	80'689
	186'845	80'689
Total financial assets	441'483	398'259
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives arising from insurance contracts	91'654	57'228
	91'654	57'228
Financial liabilities measured at amortized cost		
Trade payables	23'782	20'373
	23'782	20'373
Total financial liabilities	115'436	77'601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

4. 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.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Some of the Group's entities have losses carried forward from previous periods on the face of their balance sheet, which may result in a tax deductible in future periods. 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 3'210 (2007: TCHF 2'074). The carrying amounts of deferred income tax assets are disclosed in notes 13 and 19.

(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 3.6, some of the parameters are subject to estimation and may differ from the final result. For further details refer to note 29.

(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 17.

(d) Revenue recognition

The Group has described its policy of revenue recognition in notes 2.18 and 8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(e) Accounting for share-based payment transactions

In 2008 the Group has entered into share-based payment transactions with some of its employees, consisting of options and shares. For further details please refer to note 27. The determination of the value of the options granted for the services received is measured based on a Black-Scholes model, whereas the determination of the value of the shares granted for such services is measured by applying the stock price as of grant date. In regard of the option valuation 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. Since the Company's stock is listed since 24 March 2006 only, the expected five year volatility applied for the options granted in 2008 has been estimated by comparing the applicable historic volatility of the Company's stock with the historic volatility of the MSCI European Financials Index ("MSCI"). Based on this comparison the Group applied the respective ratio to the five years historic volatility of the MSCI to derive the respective expected five year volatility of the Company's stock; it further adjusted this number to reflect the current market circumstances.

Although the options and shares granted imply a service period of 5 years, the Group already as of grant date recognized a sixth of the corresponding amount in the income statement since part of these securities granted are deemed to form part of the compensation for past services rendered by the beneficiaries.

The specific parameters used for the option as well as share valuation are disclosed in detail in note 27.

5. 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 2008 AND 2007

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
- Private infrastructure and private resources, e.g. investment advisory and management services for the entire private infrastructure and private resources spectrum, comprising investments in specialized partnerships or other investment vehicles in infrastructure and private resources assets

however these activities do not meet the conditions of a separate business segment and are disclosed in „Other / Non-attributable“ (refer to note 7).

The Group advises or manages several investment vehicles with focus on private equity, private debt, private real estate, private infrastructure, private resources 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, buy-out, mezzanine and special situations), industry and geography of the investments in private equity, private debt, private real estate, private infrastructure and private resources. The majority of investments is situated in the United States of America and in Europe.

6. CHANGES IN SCOPE OF CONSOLIDATION

(a) Start-ups

On 24 December 2008 the Group founded Partners Group Management X Limited, Guernsey. The company's main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

On 1 July 2008 the Group founded Partners Group Management II S.à.r.l., Luxembourg. The companies main purpose is to serve as investment manager / general partner for Luxembourg based investment vehicles.

On 4 March 2008 the Group founded Partners Group Management VIII and IX Limited, Guernsey. The companies main purpose is to serve as investment manager / general partner for Scotland based private equity partnerships.

On 2 January 2008 the Group founded Partners Group Finance ICC, consisting of four Cells for EUR, CHF, GBP and USD. The company's main purpose is to serve as financing entity for some of the Group's other investments.

On 7 December 2007 the Group founded Partners Group Management I S.à.r.l., Luxembourg. The companies main purpose is to serve as investment manager / general partner for Luxembourg based investment vehicles.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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.

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 AG and Partners Group Trading as well as of Partners Group Holding AG and Partners Group Investments, retrospectively as of 31 December 2006, with the commercial registry in Zug / Switzerland.

(c) Acquisition of subsidiaries

The Group did not acquire additional subsidiaries in 2008.

As of 1 July 2007 the Group acquired a 100% interest in Partners Group Real Estate, LLC (formerly known as 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 2008 the subsidiary contributed a profit of CHF 1'373'619. In the six months to 31 December 2007 the subsidiary contributed a profit of CHF 103'811. Since the entity was a newly formed entity management estimates that consolidated revenue and profit in 2007 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:

In thousands of Swiss francs	2007
Other receivables	62
Intangible assets	
Existing client contracts	1'045
Net identifiable assets and liabilities	1'107
Goodwill on acquisition	12'177
Consideration recognized	13'284
Cash acquired	–
Non-cash consideration	–7'175
Net cash outflow	6'109

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 percent 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 first tranche of the contingent payments had been determined as probable for the determination of the purchase consideration of CHF 7'174'832 (43'616 shares of the Group). While these shares are still held in escrow the seller is irrevocably entitled to these shares as of 31 March 2009. Based on the current situation the materialization of the second and the third contingent payment tranches is considered unlikely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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 3 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 2008 AND 2007

7. SEGMENT INFORMATION

	Private Equity		Hedge Funds		Other / Non-attributable		Total	
In thousands of Swiss francs	2008	2007	2008	2007	2008	2007	2008	2007
Assets								
Property, plant and equipment	–	–	–	–	6'157	4'971	6'157	4'971
Intangible assets	45'610	52'768	–	–	11'483	12'040	57'093	64'808
Investments in associates	5'130	5'424	–	–	–	–	5'130	5'424
Other investments	51'970	69'123	34'918	42'721	21'981	14'704	108'869	126'548
Other financial assets	91'654	93'493	–	–	2'532	1'237	94'186	94'730
Other segment assets	40'503	65'881	4'158	16'024	205'161	103'709	249'822	185'614
Total segment assets	234'867	286'689	39'076	58'745	247'314	136'661	521'257	482'095
Deferred tax assets	–	–	–	–	188	900	188	900
Total assets	234'867	286'689	39'076	58'745	247'502	137'561	521'445	482'995
Liabilities								
Pension fund liabilities	–	–	–	–	373	3'792	373	3'792
Derivatives arising from insurance contracts	91'654	57'228	–	–	–	–	91'654	57'228
Other segment liabilities	37'028	24'302	4'833	5'326	30'646	28'373	72'507	58'001
Total segment liabilities	128'682	81'530	4'833	5'326	31'019	32'165	164'534	119'021
Total equity and liabilities	128'682	81'530	4'833	5'326	387'930	396'139	521'445	482'995
	Private Equity		Hedge Funds		Other / Non-attributable		Total	
In thousands of Swiss francs	2008	2007	2008	2007	2008	2007	2008	2007
Revenues from management and advisory services, net	268'965	234'595	16'565	45'681	37'702	25'563	323'232	305'839
Share of results of associates	4'689	4'984	–	–	–	–	4'689	4'984
Net revenues	273'654	239'579	16'565	45'681	37'702	25'563	327'921	310'823
Segment result	167'497	231'163	1'421	26'890	9'777	2'697	178'695	260'750
Net financing result not allocated							2'860	10'991
Income tax expense							–11'099	–16'439
Net profit for the period							170'456	255'302
Depreciation and amortization	–2'112	–2'102	–	–	–3'550	–1'924	–5'662	–4'026
Investments in associates, other investments and other financial assets	–72'791	–107'067	–	–	–	–	–72'791	–107'067
Investments in property, plant and equipment and intangible assets	258	324	–	–	4'936	3'713	5'194	4'037

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

8. REVENUES

The Group acts in different businesses (refer to note 5). 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

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 9. The positive movement / release of the deferred income is included in income when the claw-back provision expires or is cancelled.

Private equity insurance

One of the Group's entities acts as policyholder in connection with the management of an investment vehicle. For such services, this entity earns insurance fee income, which is based on the greater of i) the net assets of the associated product ii) the net asset value of the private equity investments plus outstanding commitments in underlying private equity partnerships or iii) the principal amount. This fee is forwarded to the insurer of the investment vehicle, European International Reinsurance Company Limited, since the Group acts as policyholder only.

Private equity transaction fees

In the process of structuring new private equity products, the Group often receives a fee for its services in connection with establishing of investment vehicles and related legal and structuring work. These fees are always one-off fees, which are typically due when a new investor invests in the structure. In addition the Group also renders transaction services, such as deal arrangement, for a fixed remuneration in connection with private equity investments. This fee is usually one-time occurring.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

8. REVENUES (CONTINUED)

Private debt investment management

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, private infrastructure and private resources investment management

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 limited 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 9. The positive movement / release of the deferred income is included in income when the claw-back provision expires or is cancelled.

Transaction fees for private debt, private real estate, private infrastructure and private resources

In the process of structuring new such products, the Group often receives a fee for its services in connection with establishing of investment vehicles and related legal and structuring work. These fees are always one-off fees, which are typically due when a new investor invests in the structure. In addition the Group also renders transaction services, such as deal arrangement, for a fixed remuneration in connection with such investments. This fee is usually one-time occurring.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

8. REVENUES (CONTINUED)

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, portfolio valuations etc. Such fees are based on individual contracts.

In thousands of Swiss francs	2008	2007
Private equity		
Private equity investment management	289'038	258'308
./.. Revenue deductions	– 41'337	– 35'226
<i>Net private equity investment management</i>	247'701	223'082
Private equity insurance premiums	30'633	28'193
./.. Insurance fees, where Group acts as policyholder only	– 30'633	– 28'193
<i>Net private equity insurance premiums</i>	–	–
Private equity transaction fees	32'908	24'753
./.. Revenue deductions	– 11'644	– 13'240
<i>Net private equity transaction fees</i>	21'264	11'513
Total revenues from private equity, net	268'965	234'595
Hedge funds		
Hedge funds investment management	30'109	70'905
./.. Revenue deductions	– 13'544	– 25'224
Total revenues from hedge funds, net	16'565	45'681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

8. REVENUES (CONTINUED)

In thousands of Swiss francs	2008	2007
Other revenues		
Wealth management	4'316	5'552
./.. Revenue deductions	– 274	– 342
<i>Net wealth management</i>	4'042	5'210
Private debt investment management	25'297	17'431
./.. Revenue deductions	– 1'835	– 1'770
<i>Net private debt investment management</i>	23'462	15'661
Private debt transaction fees	6'224	6'313
./.. Revenue deductions	– 3'928	– 3'808
<i>Net private debt transaction fees</i>	2'296	2'505
Private real estate investment management	4'980	875
./.. Revenue deductions	– 364	–
<i>Net private real estate investment management</i>	4'616	875
Private real estate transaction fees	2'156	–
./.. Revenue deductions	– 665	–
<i>Net private real estate transaction fees</i>	1'491	–
Private infrastructure investment management	225	–
./.. Revenue deductions	–	–
<i>Net private resources investment management</i>	225	–
Private resources investment management	138	–
./.. Revenue deductions	– 69	–
<i>Net private resources investment management</i>	69	–
Private resources transaction fees	244	–
./.. Revenue deductions	– 122	–
<i>Net private resources transaction fees</i>	122	–
<i>Other revenues</i>	1'379	1'312
Total other revenues, net	37'702	25'563
Revenues from management and advisory services, net	323'232	305'839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

8. REVENUES (CONTINUED)

In thousands of Swiss francs	2008	2007
Summary		
Total gross revenues	427'647	413'642
./. Revenue deductions	– 73'782	– 79'610
./. Insurance fees, where Group acts as policyholder only	– 30'633	– 28'193
Revenues from management and advisory services, net	323'232	305'839
<i>Details on included performance fees:</i>		
Private equity	3'793	19'174
Hedge funds	218	7'382
Total performance fees received	4'011	26'556

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 Limited the Group acts as policyholder only, since European International Reinsurance Company Limited is the insurer and thus the Group forwards the entire amount to the insurer. See also notes 18 and 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

9. DEFERRED INCOME

In thousands of Swiss francs	2008	2007
Balance at 1 January	4'406	–
Additions	599	4'406
Releases	–1'810	–
Effects from foreign exchange movements	–162	–
Balance at 31 December	3'033	4'406

The deferred income is included in the balance sheet position "Other current liabilities".

10. THIRD PARTY SERVICES

In thousands of Swiss francs	2008	2007
Consulting and legal fees	–3'151	–4'134
Sundry third party service expenses	–744	–1'596
Total third party expenses	–3'895	–5'730

11. PERSONNEL EXPENSES

In thousands of Swiss francs	2008	2007
Wages and salaries	–48'328	–43'753
Retirement schemes – defined contribution plans	–4'233	–2'680
Retirement schemes – defined benefit plans	–1'183	–1'980
Other social security expenses	–1'356	–2'461
Share-based payments	–8'721	–6'114
Sundry personnel expenses	–2'255	–1'682
Total personnel expenses	–66'076	–58'670

In addition to the expense recognized for non-vested shares (with options character) and share options granted in 2008 (refer to note 27(b)) the Group recognized the following expenses for grants in previous periods:

Grant 2006:	CHF 2'008'253 (2007: 2'216'199)
Grant 2007:	CHF 3'008'990 (2007: 3'196'356)
Total:	CHF 5'017'243 (2007: 5'412'555)

Further the Group recognized an amount of CHF 570'295 (2007: CHF 701'882) for shares granted to employees at start of employment in 2008 as expense for share-based payments.

The average number of employees in 2008 was 309 (2007: 224).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

12. FINANCIAL RESULT

In thousands of Swiss francs	2008	2007
Interest income on fair value through profit or loss instruments	13'097	8'518
Net gains / losses on		
Held for trading instruments	-12'922	1'277
Fair value through profit or loss instruments	-16'734	2'594
Net foreign exchange gain / (loss)	10'002	4'198
Total other finance income / (expense), net	-6'557	16'587
Interest expense on financial liabilities	-88	6
Other financial expense	-3'130	-170
Total finance cost	-3'218	-164
Net finance income and expense	-9'775	16'423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

13. INCOME TAX EXPENSE

Recognized in the income statement

In thousands of Swiss francs	2008	2007
Current tax expense:		
Current year	10'508	16'036
Under/(over)provided in prior years	130	623
Total current tax expense	10'638	16'659
Deferred tax expense / income:		
Deferred tax expense / income, net relating to the origination and reversal of temporary differences	461	-220
Total income tax expense	11'099	16'439
In thousands of Swiss francs	2008	2007
Profit before tax	181'555	271'741
Weighted average expected Group tax rate	6.1987%	12.1232%
Expected tax expense	11'254	32'944
Non-taxable income due to flat taxation agreements	-	-17'725
Non-tax-deductible expense	52	730
Non-taxable income	-172	-
Consummation of unrecognized tax loss carry-forwards	-165	-133
Under/(over)provided in prior years	130	623
	11'099	16'439

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.

Due to a change in the Guernsey tax regime the "international tax status" granted to two of the Group's entities located in Guernsey has ceased as of 31 December 2007. This status defined the assessable income for Guernsey tax purposes, as well as the specific tax rate applicable to the assessable income. As a consequence of the ceased status the entities are subject to regular taxation in Guernsey. This general change in the Guernsey tax environment also led to the significant reduction of the weighted average expected Group tax rate, since the tax rate for the activities performed by the Group in Guernsey has been significantly lowered as of 1 January 2008.

Deferred tax assets and liabilities are disclosed separately in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

14. PROPERTY, PLANT AND EQUIPMENT

In thousands of Swiss francs	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
2007					
Cost					
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	6	–	–	–	6
Effects of movements in FX	–57	–71	–46	–	–174
Balance at 31 December 2007	3'539	5'068	3'993	322	12'922
Accumulated depreciation and impairment losses					
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 movement in FX	–19	–30	–23	–	–72
Balance at 31 December 2007	2'215	2'582	2'834	320	7'951
Carrying amount					
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					nil
Fire insurance value					9'569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of Swiss francs	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
2008					
Cost					
Balance at 1 January 2008	3'539	5'068	3'993	322	12'922
Additions	1'114	905	1'811	–	3'830
Disposals	–	–	–56	–	–56
Effects of movements in FX	–194	–141	–166	–	–501
Balance at 31 December 2008	4'459	5'832	5'582	322	16'195
Accumulated depreciation and impairment losses					
Balance at 1 January 2008	2'215	2'582	2'834	320	7'951
Additions	561	638	1'118	2	2'319
Effects of movement in FX	–84	–67	–81	–	–232
Balance at 31 December 2008	2'692	3'153	3'871	322	10'038
Carrying amount					
At 1 January 2008	1'324	2'486	1'159	2	4'971
At 31 December 2008	1'767	2'679	1'711	–	6'157
Impairment losses incurred in 2008					nil
Fire insurance value					9'306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

15. INTANGIBLE ASSETS

In thousands of Swiss francs	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing Expenses ¹⁾	Total
2007						
Cost						
Balance at 1 January 2007	45'779	–	–	2'940	9'399	58'118
Additions	–	–	–	776	324	1'100
Disposals	–	–	–	–	–	–
Change in scope of cons. increase	–	1'045	12'177	–	–	13'222
Other movements	–	–	–	–	5	5
Effects of movement in FX	1'383	–73	–850	–2	168	626
Balance at 31 December 2007	47'162	972	11'327	3'714	9'896	73'071
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 movement in FX	–	–8	–	–	63	55
Balance at 31 December 2007	–	139	–	3'002	5'122	8'263
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

1) relating to securing investment management contracts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

15. INTANGIBLE ASSETS (CONTINUED)

In thousands of Swiss francs	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing Expenses ¹⁾	Total
2008						
Cost						
Balance at 1 January 2008	47'162	972	11'327	3'714	9'896	73'071
Additions	–	–	–	1'106	258	1'364
Disposals	–	–	–	–19	–	–19
Effects of movement in FX	–4'722	–58	–673	–3	–687	–6'143
Balance at 31 December 2008	42'440	914	10'654	4'798	9'467	68'273
Accumulated amortization and impairment losses						
Balance at 1 January 2008	–	139	–	3'002	5'122	8'263
Additions	–	264	–	968	2'111	3'343
Effects of movement in FX	–	–12	–	–1	–413	–426
Balance at 31 December 2008	–	391	–	3'969	6'820	11'180
Carrying amount						
At 1 January 2008	47'162	833	11'327	712	4'774	64'808
At 31 December 2008	42'440	523	10'654	829	2'647	57'093
Impairment losses incurred in 2008						nil

1) relating to securing investment management contracts

Initial put option

Pearl Holding Limited

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 29(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

15. INTANGIBLE ASSETS (CONTINUED)

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 (2008: CHF nil; 2007: CHF nil).

Existing client contracts

In course of the acquisition of Partners Group Real Estate, LLC 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 contracts. 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 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 5-year business plan (2009 - 2013). 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 based on the development of existing business, taking into account the generation of additional business in the years 2012 ff. The anticipated development in net profit included in the cash flow projections included a compound growth of around 20% in the years 2009 – 2013. Management plans to achieve a net profit of TCHF 11'400 by the fifth year of the business plan.
- General expenses as well as third party expenses growth was considered at a constant rate of 10% p.a.
- Personnel expenses growth was considered at a constant rate of 8% p.a.
- A pre-tax discount rate of 10.55% was applied in determining the recoverable amount of the unit. The discount rate did not take into account any cost for leverage, as the Group used no debt to finance the transaction. The Group applied a market interest rate of 6.5%, adjusted by an industry weighted average beta factor.

Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying value of goodwill to exceed the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

16. INVESTMENTS IN ASSOCIATES

In thousands of Swiss francs	Country	Investment at cost	Carrying value	Ownership
LGT Private Equity Advisers, Vaduz	LI	400	5'130	40%

In thousands of Swiss francs	2008	2007
Balance at the beginning of the year	5'424	4'462
Dividends received from investments in associates	– 4'752	– 3'909
Other movements	– 231	– 113
Share of results	4'689	4'984
Balance at the end of the year	5'130	5'424

Summary financial information on associates – 100 per cent:

In thousands of Swiss francs	Assets	Liabilities	Equity	Revenues	Profit / (loss)
2007					
LGT Private Equity Advisers, Vaduz	15'764	2'202	13'562	13'931	12'461
2008					
LGT Private Equity Advisers, Vaduz	14'953	2'129	12'824	13'310	11'723

17. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

17. 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 ¹⁾	Investment companies ²⁾	Total
2007			
Balance at 1 January 2007	40'804	33	40'837
Additions	102'729	–	102'729
Disposals	–18'072	–	–18'072
Revaluation to fair value	2'191	3	2'194
Effects of movements in FX	–1'141	1	–1'140
Balance at 31 December 2007	126'511	37	126'548
2008			
Balance at 1 January 2008	126'533	37	126'570
Additions	69'650	–	69'650
Disposals	–55'293	–	–55'293
Revaluation to fair value	–16'757	–3	–16'760
Effects of movements in FX	–15'294	–4	–15'298
Balance at 31 December 2008	108'839	30	108'869

1) The revaluation of third party investments is included in the Group's financial result (see note 12).

2) 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 2008 AND 2007

17. OTHER INVESTMENTS (CONTINUED)

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

Name	Structure ¹⁾	Domicile	Type ²⁾	Owned in %	Diluted ownership	Currency	FV 2008	FV 2007
In thousands of Swiss francs								
Private Equity								
Luna 2000 Cell	PCC	GGY	Cell-Shares	0.370	0.370	USD	365	311
Partners Group Global Opportunities	Corp	GGY	Shares	0.010	0.010	EUR	1'372	5'681
Partners Private Equity	LP	CAY	LP	0.067	0.067	CHF	31	56
PG Asia Pacific 2005	LP	USA	GP	0.790	0.610	USD	2'006	1'981
PG Asia Pacific 2007	LP	UK	GP	1.000	1.000	USD	1'479	757
PG Direct Investments 2006	LP	UK	GP	1.960	1.960	EUR	10'030	25'589
PG Direct Investments 2009	LP	UK	GP	0.790	0.790	EUR	673	–
PG Direct Investments 2009 SICAR	LP	LUX	GP	1.000	1.000	EUR	83	–
PG Distressed 2008	LP	UK	GP	0.450	0.450	USD	73	–
PG Emerging Markets 2007	LP	UK	GP	0.467	0.467	USD	371	168
PG Europe 2002	LP	USA	GP	1.000	1.000	EUR	2'410	3'084
PG European Buyout 2005 (A)	LP	UK	GP	0.640	0.299	EUR	1'433	1'457
PG European Buyout 2005 (B)	LP	UK	GP	0.550	0.290	EUR	829	830
PG European Buyout 2008 (A)	LP	UK	GP	1.000	1.000	EUR	484	33
PG European Buyout 2008 (B)	LP	UK	GP	0.444	0.444	EUR	169	78
PG European Growth 2008	LP	UK	GP	0.400	0.400	EUR	79	–
PG Global Value 2006	LP	UK	GP	0.880	0.880	EUR	2'389	1'932
PG Global Value 2008	LP	UK	GP	0.537	0.537	EUR	527	–
PG Global Value 2008 SICAR	LP	LUX	GP	0.100	0.100	EUR	505	–
PG Global Value SICAV	Corp	LUX	Shares	0.053	0.053	EUR	7'687	8'338
PG International Private Equity SICAV	Corp	LUX	Shares	100 ³⁾	100.000	EUR	46	–
PG Maple Leaf	LP	UK	GP	0.990	0.990	EUR	1'444	1'402
PG Maple Leaf Mid-Market Opp. Fund I	LP	UK	GP	0.990	0.990	EUR	122	–
PG Maple Leaf Secondary Fund II	LP	UK	GP	0.990	0.990	EUR	329	–
PG Secondary 2004	LP	USA	GP	1.000	1.000	EUR	3'297	4'485
PG Secondary 2006	LP	UK	GP	0.969	0.969	EUR	8'877	9'642
PG Secondary 2008	LP	UK	GP	1.000	1.000	EUR	1'986	704
PG Secondary 2008 SICAR	LP	LUX	GP	1.000	1.000	EUR	211	55
PG Secondary Syndicate	LP	USA	GP	0.873	0.873	EUR	96	103
PG US Buyout 2007	LP	UK	GP	0.718	0.718	EUR	549	196
PG US Venture 2004	LP	USA	GP	0.358	0.358	USD	419	373
PG US Venture 2006	LP	UK	GP	1.160	1.160	USD	1'107	390
Princess Private Equity Holding	Corp	GGY	Shares	0.565	0.565	EUR	462	1'390
Total Private Equity							51'940	69'035

1) PCC = Protected Cell company; LP = Limited Partnership; Corp = Corporation

2) GP = General partner commitment; LP = Limited partner commitment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

17. OTHER INVESTMENTS (CONTINUED)

Name	Struct. ¹⁾	Dom.	Type ²⁾	Owned in %	Diluted ownership	Currency	FV 2008	FV 2007
In thousands of Swiss francs								
Private Debt								
Mezzanine Invest S.à.r.l.	Corp	LUX	Shares	0.001	0.001	EUR	49	55
Penta CLO1	Corp	LUX	Shares	0.988	0.988	EUR	5'429	6'298
PG Euro Mezzanine 2005 SICAR	LP	LUX	GP	0.590	0.578	EUR	2'267	1'848
PG Euro Mezzanine 2008	LP	UK	GP	0.480	0.480	EUR	359	–
PG Euro Mezzanine 2008 SICAR	LP	LUX	GP	1.000	1.000	EUR	268	–
PG Global Mezzanine 2005 SICAR	LP	LUX	GP	0.960	0.911	EUR	3'208	3'307
PG Global Mezzanine 2007	LP	LUX	GP	1.000	1.000	EUR	3'782	2'310
Total Private Debt							15'362	13'818
Hedge Funds								
PG Absolute Return Investment Fund	Corp	GGY	Shares	40.759	40.759	USD	34'838	26'006
PGAS SICAV	Corp	LUX	Shares	100 ³⁾	100.000	EUR	46	–
PGAS Inactive Cells	PCC	GGY	Cell-Shares	100 ³⁾	100.000	USD	34	–
PGAS White Vega Cell	PCC	GGY	Cell-Shares	n/a	n/a	USD	–	5'680
PGAS Yellow Vega Cell	PCC	GGY	Cell-Shares	n/a	n/a	USD	–	11'035
Total Hedge Funds							34'918	42'721
Real Estate								
PG Real Estate SICAV	Corp	LUX	Shares	100.000	100.000	EUR	46	51
PG Global Real Estate 2008	LP	UK	GP	0.800	0.800	EUR	437	–
PG Distressed US Real Estate 2008 SICAR	LP	LUX	GP	1.000	1.000	USD	235	–
The Kochav Fund I	LP	US	GP	0.099	0.099	USD	7	–
PG Global Real Estate SICAR	LP	LUX	GP	1.000	1.000		95	–
PG Asia-Pacific & Emerging Market Real Estate 2008	LP	UK	GP	0.490	0.490		19	–
Total Real Estate							839	51
Other								
b-to-v Private Equity SICAR	LP	LUX	GP	3.622	3.622	EUR	1'018	562
KZVK PE Lortium GmbH	Corp	D	Shares	n/a	n/a	EUR	1	–
Perennius Capital Partners S.A.	Corp	LUX	Shares	15.000	15.000	EUR	277	308
PG Global Resources 2009	LP	UK	GP	50 ³⁾	50 ³⁾	EUR	4'451	–
PG Prime Yield S.à.r.l.	Corp	LUX	Shares	0.001	0.001	EUR	19	–
Vega Invest Plc	Corp	IRL	Shares	–	–	EUR	14	16
Total Other							5'780	886
Total third party investments							108'839	126'511

1) PCC = Protected Cell company; LP = Limited Partnership; Corp = Corporation

2) GP = General partner commitment; LP = Limited partner commitment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

17. OTHER INVESTMENTS (CONTINUED)

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

Name	Structure ¹⁾	Domicile	Type ²⁾	Owned in %	Diluted ownership	Currency	FV 2008	FV 2007
In thousands of Swiss francs								
Private Equity								
Luna PCC	PCC	GGY	Core Shares	0.370	0.005	USD	–	–
Partners Group Investment PCC	PCC	GGY	Core-Shares	50.000	0 ⁵⁾	USD	–	–
Partners Group Private Equity Perf. Holding	Corp	GGY	Shares	100.000	30 ⁵⁾	EUR	15	17
Pearl Holding	Corp	GGY	Shares	100.000	0.002 ⁴⁾	EUR	15	20
PG Secondary GmbH & Co. KG	LP	D	GP	–	–	EUR	–	–
Hedge Funds								
Partners Group Alternative Strategies PCC Ltd.	PCC	GGY	Core Shares	–	–	USD	–	–
Total investments in investment companies								
							30	37

1) PCC = Protected Cell company; LP = Limited Partnership; Corp = Corporation

2) GP = General partner commitment; LP = Limited partner commitment

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

4) Dilution due to convertible bond issued

5) Based on contractual agreements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

18. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	2008	2007
Assets in insurance trust / experience account:	91'654	93'493
<i>Restricted cash and cash equivalents</i>	91'654	93'493
Loans to third parties and related parties	18	299
Loans to directors and officers of the Group	2'446	819
Other financial assets	68	119
Total	94'186	94'730

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.

The effective interest earned on the assets of the experience account was as follows:

	2008	2007
Effective interest rate of restricted cash and cash equivalents	5.19%	4.33%

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 34). 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	2008	2007
Pearl experience account	91'654	93'493
Total	91'654	93'493

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 2'446'236 (2007: CHF 818'648) to directors and officers of the Group and bear interest at market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

19. DEFERRED TAX ASSETS AND LIABILITIES

Taxable temporary differences arise from the application of IAS 28 and 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 12). The Company is treated as a holding company under Swiss tax regulation and under certain conditions does 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 2006. In addition the Group recognizes deferred tax assets in connection with its liabilities arising out of the application of IAS 19.

The deferred tax assets developed as follows:

In thousands of Swiss francs	2008	2007
Balance at 1 January	900	16'318
Additions recognized in the income statement	-461	220
Adjustments recognized directly in equity	-	-999
Used during reporting period	-217	-14'639
Effects of movement in FX	-34	-
Balance as of 31 December	188	900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

19. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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	2008	2007
Tax relevant losses carried forward on 1 January	5'846	7'562
Effect of movements in foreign exchange rates	-378	-430
Additional losses in the current reporting period	2'824	-
Expired losses carried forward	-	-
Utilized losses carried forward	-649	-1'286
Balance as of 31 December	7'643	5'846

The losses carried forward expire within the following time frame:

In thousands of Swiss francs	2008	2007
1 year	-	-
2 years	-	-
3 years	-	-
4 years	-	-
5 years	-	-
6 years	-	-
7 years	-	-
8 years	-	-
9 years	-	-
10 years	-	-
11 to 20 years	7'643	5'846
Total losses carried forward	7'643	5'846

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 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 2008 AND 2007

20. RECEIVABLES

In thousands of Swiss francs	2008	2007
Derivative assets	3'322	3'016
Other prepaid expenses	4'966	3'555
Trade receivables	34'589	73'364
Other receivables	6'428	5'078
Total	49'305	85'013

No allowances were recognized during and at the end of the years under review. As of the reporting date no material receivables are overdue. The Group reviews its counterparty risk in trade receivables on a regular basis. As disclosed in Note 3.2, as of the balance sheet date the Group can collect 80% of the trade receivables based on discretionary management agreements; the remaining 20% are invoiced to clients which are mainly institutional clients with low credit risk (banks, pension funds). As a part of its risk management the Group has thoroughly reviewed all the counterparties with respect to their current rating.

21. MARKETABLE SECURITIES

In thousands of Swiss francs	2008	2007
Equity securities held for trading	13'609	19'711
Debt securities held for trading	63	–
Fixed deposits > 3 months, less than 12 months	–	201
Total	13'672	19'912
Average effective interest rate on fixed deposits	–	4.04%

22. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	2008	2007
Bank balances	186'837	80'684
Call deposits	5	–
Petty cash	3	5
Total	186'845	80'689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

23. CAPITAL AND RESERVES

In effective number of shares	2008	2007
Issued at 1 January	26'700'000	26'700'000
Issued during period	–	–
Issued at 31 December – fully paid in	26'700'000	26'700'000

The issued share capital comprises 26'700'000 registered shares (2007: 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.

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 2008 (2007: CHF 218'100).

Own equity instruments

Own equity instruments include treasury shares of the Company. They are recognized at cost and presented separately within equity. At the balance sheet date the Group held 1'972'246 (2007: 1'776'582) 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.

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). During the reporting period the Company has paid a dividend of TCHF 105'979 (CHF 4.25 per share) (2007: TCHF 66'624, CHF 2.65 per share). The Group does not pay dividends on its treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

23. 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:

In effective number of shares	Shares issued	Treasury shares	Out-standing
2007			
Balance as of 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
Balance as of 31 December 2007	26'700'000	1'776'582	24'923'418
Weighted average number of shares outstanding during the period (360 days)			25'146'757
Shareholders above 5 % (in % of shares issued)		Shares held	in %
Gantner Alfred		3'781'076	14.16%
Erni Marcel		3'781'076	14.16%
Wietlisbach Urs		3'781'076	14.16%

In effective number of shares	Shares issued	Treasury shares	Out-standing
2008			
Balance as of 1 January 2008	26'700'000	1'776'582	24'923'418
Purchase of treasury shares for cash		1'414'558	– 1'414'558
Sale of treasury shares for cash		– 1'218'894	1'218'894
Balance as of 31 December 2008	26'700'000	1'972'246	24'727'754
Weighted average number of shares outstanding during the period (360 days)			24'828'707
Shareholders above 5 % (in % of shares issued)		Shares held	in %
Gantner Alfred		3'788'826	14.19%
Erni Marcel		3'788'826	14.19%
Wietlisbach Urs		3'788'826	14.19%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

24. EARNINGS PER SHARE

	2008	2007
Basic and diluted earnings per share		
Net profit for the period (in TCHF)	170'754	255'039
Weighted average number of ordinary shares outstanding	24'828'707	25'146'757
Average fair value of one ordinary share during the period (in CHF)	113.50	149.50
Weighted average number of shares under option during the period	4'056'345	3'281'727
Exercise price for shares under option during the period (in CHF)	83.17	50.97

	Per share	Earnings	Shares
2007			
Net profit for the period (in TCHF)		255'039	
Weighted average number of ordinary shares outstanding			25'146'757
Basic earnings per share (in CHF)	10.14		
Weighted average number of shares under option during the period			3'281'727
Number of shares that would have been issued at fair value			– 1'364'122
Diluted earnings per share (in CHF)	9.42		27'064'362
2008			
Net profit for the period (in TCHF)		170'754	
Weighted average number of ordinary shares outstanding			24'828'707
Basic earnings per share (in CHF)	6.88		
Weighted average number of shares under option during the period			4'056'345
Number of shares that would have been issued at fair value *			– 2'420'349
Diluted earnings per share (in CHF)	6.45		26'464'703

* calculated on the basis of each individual share option grant

25. BORROWINGS

As of the balance sheet date the Group had no borrowings outstanding (2007: nil). For information regarding the Group's exposure to interest rate and foreign currency risk see note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

26. ACCRUED EXPENSES

In thousands of Swiss francs	2008	2007
Bonus accruals—to be paid out in the following year	14'217	17'492
Third party fees	4'786	6'346
Outstanding invoices	445	819
Derivative liabilities	4	138
Other accrued expenses	7'530	3'718
	26'982	28'513

27. 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	2008	2007
Fair value of plan assets	19'730	17'563
Defined benefit obligation	–25'829	–21'380
Funded status	–6'099	–3'817
Unrecognized actuarial / (gains) and losses	5'726	25
Recognized liability for defined benefit obligations	–373	–3'792

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

In thousands of Swiss francs	2008	2007
Net liability for defined benefit obligations at 1 January	–3'792	–2'575
Expense recognized in the income statement (see below)	–1'183	–1'980
Employer's contribution	4'602	763
Net liability for defined benefit obligations at 31 December	–373	–3'792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

27. EMPLOYEE BENEFITS (CONTINUED)

Development of obligations and assets

In thousands of Swiss francs	2008	2007
Present value of benefit obligation at 1 January	– 21'380	– 16'969
Service cost	– 2'504	– 2'091
Past service cost	–	– 920
Interest cost	– 695	– 233
Benefits paid	– 302	– 279
Actuarial gain / (loss) on benefit obligation	– 948	– 888
Present value of benefit obligation at 31 December	– 25'829	– 21'380

In thousands of Swiss francs	2008	2007
Fair value of plan assets at 1 January	17'563	15'400
Expected return on plan assets	966	501
Employer's contributions	4'602	763
Employee's contributions	1'050	763
Benefits paid	302	279
Actuarial gain / (loss) on plan assets	– 4'753	– 143
Fair value of plan assets at 31 December	19'730	17'563

Expense recognized in the income statement

In thousands of Swiss francs	2008	2007
Current service costs	– 2'504	– 2'091
Interest on obligation	– 695	– 233
Expected return on plan assets	966	501
Past service cost	–	– 920
Net periodic pension cost	– 2'233	– 2'743
Employees' contributions	1'050	763
Expense recognized in the income statement	– 1'183	– 1'980

The expense is recognized in personnel expenses (see also note 11).

Return

	2008	2007
Actual return on plan assets	– 24.03%	1.48%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

27. EMPLOYEE BENEFITS (CONTINUED)

Principal actuarial assumptions at 31 December

	2008	2007
Discount rate	3.25%	3.25%
Expected net return on plan assets	5.00%	5.50%
Average future salary increases	2.00%	2.00%
Future pension increases	0.50%	0.50%

Asset allocation at 31 December

In thousands of Swiss francs	2008	2007	Expected long term rate of return	Contribution to rate of return
Cash	10.60%	1.60%	2.00%	0.21%
Bonds	43.70%	36.40%	3.50%	1.53%
Equities	19.70%	27.60%	8.00%	1.58%
Property	3.40%	0.00%	4.00%	0.14%
Other	22.60%	34.40%	7.00%	1.58%
Total	100.00%	100.00%		5.04%
			Cost, rounding	–0.04%
			Net return	5.00%
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

In thousands of Swiss francs	2004	2005	2006	2007	2008
Fair value of plan assets	11'091	12'648	15'400	17'563	19'730
Present value of benefit obligation	–13'821	–16'257	–16'969	–21'380	–25'829
Funded / (unfunded) status	–2'730	–3'609	–1'569	–3'817	–6'099
Change in assumptions gain / (loss) on plan liabilities	–	–695	–	914	–
Experience gain / (loss) on plan liabilities	646	859	1'389	–1'803	–948
Experience gain / (loss) on plan assets	–822	–780	959	–143	–4'753
Total actuarial gain / (loss)	–176	–616	2'348	–1'032	–5'701

The expected employer's contribution in 2009 amounts to TCHF 1'071.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

27. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payments

Options

The Group started to establish share option programs since 2000. Up until 30 June 2006 the option grants have been vested at grant. Thereafter the Group implemented vesting conditions consisting of a 5 respectively 6 year service period.

<i>Option grants</i>	<i>Date</i>	<i>Number of instruments</i>	<i>Vesting conditions</i>	<i>Contractual life of options</i>
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
Options	24.11.2008	743'840	5 years service	24.11.2018
Non-vested shares (with option character)	24.11.2008	185'960	5 years service	indefinite
Total options / non-vested shares granted		11'912'354		
Options expired / forfeited since inception		-165'150		
Repurchase / redemption of options	2004	-1'201'500		
Exercised alongside IPO	2006	-5'493'525		
Exercised	2007	-160'200		
Exercised	2008	-56'070		
Net options outstanding as of 31 December 2008		4'835'909		
<i>Share grants</i>	<i>Date</i>	<i>Number of instruments</i>	<i>Vesting conditions</i>	
Shares	2006	13'241	1 year service	
Shares	2007	4'812	1 year service	
Shares	2008	5'070	1 year service	
Total granted shares as of 31 December 2008		23'123		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

27. EMPLOYEE BENEFITS (CONTINUED)

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

	Weighted average exercise price (in CHF)	Number of options	Weighted average exercise price (in CHF)	Number of options
<i>In effective number of options</i>	2008	2008	2007	2007
Outstanding at the beginning of the period	82.44	4'020'529	57.26	3'291'629
Forfeited during the period	154.20	-58'350	99.74	-32'040
Exercised during the period	1.87	-56'070	1.87	-160'200
Granted during the period—options	100.00	743'840	159.00	921'140
Granted during the period—shares	—	185'960	—	—
Outstanding at the end of the period	82.04	4'835'909	82.44	4'020'529
Exercisable at the end of the period		18'690		74'760

Of the outstanding 4'835'909 options under the diverse programs of the Group 18'690 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 and shares granted in 2008, and related assumptions

	Options	Non-vested shares
Date of grant	24.11.2008	24.11.2008
Fair value per option / non-vested share at exercise price at measurement date (in CHF)	8.53	67.00
Share price (in CHF)	67.00	67.00
Exercise price (in CHF)	100.00	—
Expected volatility	32.00%	
Expected term of execution	5 years	
Expected dividend ratio	2.50%	
Risk-free interest rate (based on Swap rates)	1.90%	
Total options/shares granted	743'840	185'960
Amount to be recognized as service expense (in CHF)	6'344'955	12'459'320
Amount recognized in current year (in CHF)	1'057'493	2'076'553
Total amount recognized in current year (in CHF)		3'134'046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

27. EMPLOYEE BENEFITS (CONTINUED)

Since the Company's stock is listed since 24 March 2006 only, the expected five year volatility applied for the options granted in 2008 has been estimated by comparing the applicable historic volatility of the Company's stock with the historic volatility of the MSCI European Financials Index ("MSCI"). Based on this comparison the Group applied the respective ratio to the five years historic volatility of the MSCI to derive the respective expected five year volatility of the Company's stock; it further adjusted this number to reflect the current market circumstances.

In 2008, the Group has further granted 5'070 (2007: 4'812) shares and restricted share units to staff 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.

Furthermore in 2008, the Group granted 'non-vested shares' (with options character) together with options. These shares are subject to a vesting period of five years since they were granted.

Although the options imply a service period of 5 or 6 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.

28. PROVISIONS

The Group currently has no provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

29. DERIVATIVES ARISING FROM INSURANCE CONTRACTS

(a) Introduction

Pearl Holding Limited

As discussed in note 15, 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 Limited („Pearl“). The liability is valued applying a Black-Scholes model. The following assumptions have been made for the input parameters of the model:

	2008	2007
Share price (in relation to bond notional)	103%	124%
Strike price (in millions)	EUR 712.8	EUR 712.8
Dividend yield	4.99%	4.39%
Risk free interest rate (government bonds)	3.14%	4.60%
Implicit volatility	12%	12%
Term of option	30.09.2014	30.09.2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

29. DERIVATIVES ARISING FROM INSURANCE CONTRACTS (CONTINUED)

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.

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	2008	2007
Balance at beginning of period	57'228	82'755
Changes in fair value	42'713	-27'785
Effects of movement in FX	-8'287	2'258
Balance at end of period	91'654	57'228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

30. OPERATING LEASES

Leases as a lessee

Non-cancelable operating lease rentals are payables as follows:

In thousands of Swiss francs	2008	2007
Less than one year	3'065	4'422
Between one and five years	9'154	15'812
More than five years	–	1'421
	12'219	21'655

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 4'437'871 was recognized as an expense in the income statement in respect of operating leases and housekeeping costs in connection with operating leases (2007: CHF 3'162'945). The income of the sublease contract was nil (2007: CHF 46'637).

31. CAPITAL COMMITMENTS

As of 31 December 2008 the Group had capital commitment contracts with private equity partnerships for TCHF 150'506 (2007: TCHF 116'703), whereof TCHF 76'414 (2007: TCHF 50'453) 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 17.

32. CONTINGENCIES

The Group currently has neither contingent assets nor liabilities.

33. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries (see note 34), associates (see note 16), investment companies (see note 17), with its pension funds (see note 27) and with its management and significant shareholders.

Associates purchased services from the Group in the amount of CHF 300'000 (2007: CHF 300'000) and at the balance sheet date associates owed the Group CHF 75'000 (2007: CHF 75'000). The Group received dividends of CHF 4'751'616 (2007: CHF 3'909'121) from associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Board members and shareholders employed by the Group and their immediate relatives control 69.3% (2007: 69.8%) of the voting shares of the Company. Loans to directors and officers of the Group amount to CHF 2'446'236 (2007: CHF 818'648) and are included in "other financial assets" (see note 18).

The Group purchased treasury shares from its shareholders as follows (see also note 23):

<i>In effective number of shares</i>	2008	2007
From shareholders, which are employed by the Group	78'477	494'274
	78'477	494'274
Purchase price per share	141.03	150.21

The Group is managed by the board of directors of the Company and the executive board of the Group (hereinafter referred to as "senior management"). The total personnel expenses of senior management included in personnel expenses (see note 11) amounts to:

<i>In thousands of Swiss francs</i>	2008	2007
Board members of Partners Group Holding AG		
Short-term employment benefits	1'050	1'050
Post-employment benefits	134	115
	1'184	1'165
Executive board		
Short-term employment benefits	4'770	4'770
Post-employment benefits	563	317
Equity compensation benefits	2'669	445
	8'002	5'532
Total board members and executive board	9'186	6'697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Senior management can also participate in the Group's share option program (see note 27). 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>	2008	2007
Board members	8'549	8'549
Members of the Executive Board	1'013'000	534'000
Other Partners & Principals	1'469'210	1'568'250
Senior Vice Presidents	384'670	352'700
Total	2'875'429	2'463'499
<i>In effective number of shares</i>	2008	2007
Board members	11'378'478	11'355'228
Members of the Executive Board	2'456'250	2'126'950
Other Partners & Principals	2'984'434	3'350'944
Total	16'819'162	16'833'122

Further information on management compensation and share ownership in accordance with Art. 663b^{bis} and 663c Swiss Code of Obligations refer to the entity accounts of Partners Group Holding AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

34. GROUP ENTERPRISES

Name	Country of incorporation	Ownership interest	
		2008	2007
(a) Significant subsidiaries (full consolidation)			
Partners Group AG	Switzerland	100%	100%
Asset Management Partners AG	Switzerland	84%	84%
Partners Group (Luxembourg) S.à.r.l.	Luxembourg	100%	100%
Partners Group Management I S.à.r.l.	Luxembourg	100%	n/a
Partners Group Management II S.à.r.l.	Luxembourg	100%	n/a
Partners Group (Deutschland) GmbH	Germany	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%	100%
Partners Group Management VII Limited	Guernsey	100%	100%
Partners Group Management VIII Limited	Guernsey	100%	n/a
Partners Group Management IX Limited	Guernsey	100%	n/a
Partners Group Management X Limited	Guernsey	100%	n/a
Partners Group Fund Services Limited	Guernsey	100%	100%
Partners Group Finance ICC Limited	Guernsey	100%	n/a
Partners Group Finance CHF IC Limited	Guernsey	100%	n/a
Partners Group Finance EUR IC Limited	Guernsey	100%	n/a
Partners Group Finance GBP IC Limited	Guernsey	100%	n/a
Partners Group Finance USD IC Limited	Guernsey	100%	n/a
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	100%
Princess Management Limited	Guernsey	100%	100%
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%
Partners Group Real Estate LLC	USA	100%	100%
Partners Private Equity Management Inc.	Cayman Islands	100%	100%
Partners Group (Alternative Investment Asia-Pacific) Pte. Limited	Singapore	100%	100%
(b) Investments in associates (equity method)			
LGT Private Equity Advisers	LI	40%	40%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007****35. SUBSEQUENT EVENTS**

No events took place between 31 December 2008 and 5 March 2009 that would require adjustments to the amounts recognized in these consolidated financial statements or would need to be disclosed under this heading.

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



*Partners Group Holding AG, Baar
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting*

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Swen Wyssbrod
Licensed Audit Expert
Auditor in Charge

Peter Häfliger
Licensed Audit Expert

Zurich, 5 March 2009

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

In thousands of Swiss francs	2008	2007
Income from financial investments	287'919	261'776
Value adjustments on financial investments	-13'831	1'231
Reversal of provision on subordinated loans	-	1'100
Other financial income	2'436	8'882
Total income	276'524	272'989
Personnel expenses	-8	-31
General and administrative expenses	-660	-1'187
Other financial expenses	-60'785	-17'750
Profit before taxes	215'071	254'021
Taxes	166	-1'392
Net profit for the period	215'237	252'629

BALANCE SHEET **AS OF 31 DECEMBER 2008 AND 2007**

In thousands of Swiss francs	Note	2008	2007
Assets			
Current assets			
Cash and cash equivalents		72'268	77'207
Securities		13'672	19'712
Treasury shares	3	147'918	152'330
Other receivables			
– third parties		558	431
– group companies		47'035	156'510
Deferred expenses and accrued income		75'906	2'050
Total current assets		357'357	408'240
Non-current assets			
Financial investments:			
– participations	2	140'154	52'359
– loans to employees		2'446	1'118
– other financial assets		707	11'086
Total non-current assets		143'307	64'563
Total assets		500'664	472'803
Liabilities and shareholders' equity			
Liabilities			
Other current liabilities:			
– third parties		83	760
– group companies		21'594	103'143
Accrued expenses		1'114	284
Total liabilities		22'791	104'187
Shareholders' equity			
Share capital		267	267
Legal reserves:			
– legal reserve		218	218
– reserve for treasury shares	3	218'457	170'716
Available earnings:			
– retained earnings	4	43'694	–55'214
– net profit for the period		215'237	252'629
Total shareholders' equity		477'873	368'616
Total liabilities and shareholders' equity		500'664	472'803

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

1. COMMITMENTS AND CONTINGENT LIABILITIES

In thousands of Swiss francs	2008	2007
Commitments		
Not paid in capital (other investments)		
(Prior year: Luna shares USD 51'250)	–	58
Guarantees		
Guarantees for subsidiaries	30'842	30'972

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

2. PARTICIPATIONS

In thousands of Swiss francs	2008	2007
Partners Group AG, Baar		
(Investment advisory or management)		
Share capital CHF 200'000, prior year CHF 100'000	2'014	1'914
Share 100%		
Princess Management Limited, Guernsey		
(Private equity management)		
Share capital USD 600'000	840	840
Share 100%		
Partners Group (USA) Inc, New York		
(Investment advisory or management)		
Share capital USD 75'000	6'110	6'110
Share 100%		
Partners Group (Guernsey) Limited, Guernsey		
(Investment advisory or management)		
Share capital GBP 40'000	100	100
Share 100%		
Partners Group (UK) Limited, London		
(Investment advisory or management)		
Share capital GBP 450'000	1'039	1'039
Share 100%		
Partners Group (Luxembourg) S.à.r.l., Luxembourg		
(Investment advisory or management)		
Share capital EUR 500'000 (prior year: EUR 31'000)	4'197	3'436
Share 100%		
Partners Group (Alternative Investments Asia Pacific) Pte Limited, Singapore		
(Investment advisory or management)		
Share capital SGD 2	p.m.	p.m.
Share 100%		
Pearl Management Limited, Guernsey		
(Investment advisory or management)		
Share capital EUR 20'000	30	30
Share 100%		

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

2. PARTICIPATIONS (CONTINUED)

In thousands of Swiss francs	2008	2007
Partners Group Fund Services Limited, Guernsey		
(Hedge fund management and administration)		
Share capital USD 195'760 (prior year: USD 205'972)	222	233
Share 100%		
Penta Management Limited, Guernsey		
(Private debt management)		
Share capital EUR 20'000	32	32
Share 100%		
Partners Private Equity Management Inc, Cayman Island		
(Private equity management)		
Share capital USD 100	p.m.	p.m.
Share 100%		
Partners Private Equity Management Limited, Guernsey		
(Private equity management)		
Share capital CHF 5	p.m.	p.m.
Share 100%		
LGT Private Equity Advisers AG, Vaduz		
(Private equity management)		
Share capital CHF 1'000'000	400	400
Share 40%		
Partners Group Private Equity Performance Holding Limited, Guernsey		
(Investment company)		
Share capital EUR 10'000	15	16
Share 100%		
Pearl Holding Limited, Guernsey		
(Investment company)		
Share capital EUR 10'000	p.m.	p.m.
Share 100%		
Partners Group Management Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	28'761	22'794
Share 100%		
Partners Group Management II Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	13'854	10'954
Share 100%		

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

2. PARTICIPATIONS (CONTINUED)

In thousands of Swiss francs	2008	2007
Partners Group Management III Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	21'425	4'023
Share 100%		
Partners Group Management IV Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	32	32
Share 100%		
Partners Group Management V Limited, Guernsey		
(Investment management)		
Share capital USD 20'000	24	24
Share 100%		
Partners Group Management VI Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	34	34
Share 100%		
Partners Group Management VII Limited, Guernsey		
(Investment management)		
Share capital USD 20'000	23	–
Share 100%		
Partners Group Management VIII Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	32	–
Share 100%		
Partners Group Management IX Limited, Guernsey		
(Investment management)		
Share capital EUR 20'000	32	–
Share 100%		
Partners Group Management X Limited, Guernsey		
(Investment management)		
Share capital USD 20'000	21	–
Share 100%		
Partners Group Management I S.à.r.l., Luxembourg		
(Investment management)		
Share capital EUR 31'000	51	51
Share 100%		

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

2. PARTICIPATIONS (CONTINUED)

In thousands of Swiss francs	2008	2007
Partners Group Management II S.à.r.l., Luxembourg		
(Investment management)		
Share capital EUR 31'000	50	–
Share 100%		
Partners Group (Deutschland) GmbH, Frankfurt		
(Investment advisory or management)		
Share capital EUR 25'000	128	128
Share 100%		
Partners Group Finance ICC Limited, Guernsey		
(Investment company)		
Share capital CHF 2	p.m.	–
Share 100%		
Partners Group Finance CHF IC Limited, Guernsey		
(Investment company)		
Share capital CHF 0	37'325	–
Share 100%		
Partners Group Finance USD IC Limited, Guernsey		
(Investment company)		
Share capital USD 0	317	–
Share 100%		
Partners Group Finance EUR IC Limited, Guernsey		
(Investment company)		
Share capital EUR 0	22'873	–
Share 100%		
Partners Group Finance GBP IC Limited, Guernsey		
(Investment company)		
Share capital GBP 0	5	–
Share 100%		
Asset Management Partners AG, Baar		
(Wealth management advisory or management)		
Share capital CHF 200'000	168	168
Share 84%		
Total value at cost	140'154	52'358
Total book value	140'154	52'358

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

3. NUMBER OF TREASURY SHARES AS OF 31 DECEMBER

In thousands of Swiss francs	Number of shares	Average price	Total value
Balance as of 1 January 2007	1'190'915		
Purchase of treasury shares for cash	1'078'070	148.20	159'769
Exercised options	-160'200	1.87	-300
Sale of treasury shares for cash	-332'203	146.58	-48'693
Balance as of 31 December 2007	1'776'582		
Purchase of treasury shares for cash	1'414'558	122.18	172'833
Exercised options	-56'070	1.87	-105
Sale of treasury shares for cash	-1'162'824	98.68	-114'749
Shares with subsidiaries ¹⁾	72'200	67.00	4'837
Balance as of 31 December 2008	2'044'446		

1) These shares have been transferred to employees in January 2009.

The shares are valued at the lower of transactions prices or market price. The average value per share amounts to CHF 72.35 (31 December 2007: CHF 85.74).

The company has 4'835'909 outstanding employee options (including non-vested shares) which will vest over the next 10 years (see also note 27 of the consolidated financial statements) (31 December 2007: 4'020'529).

4. RETAINED EARNINGS

In thousands of Swiss francs	2008	2007
Balance as of 1 January	-55'214	37'163
Allocation of previous year's result	252'629	97'417
Payment of dividend	-105'979	-66'624
Net treasury shares bought in period / reallocation to reserve for treasury shares	-47'742	-122'096
Merger with subsidiary companies	-	-1'074
Balance as of 31 December	43'694	-55'214

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

5. CONDITIONAL CAPITAL

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

	2008	2007
- Number of registered shares	4'005'000	4'005'000
- Par value (in Swiss francs)	40'050	40'050

6. SHAREHOLDERS ABOVE 5% (IN % OF SHARES ISSUED)

	2008	2007
Gantner Alfred	14.19%	14.16%
Erni Marcel	14.19%	14.16%
Wietlisbach Urs	14.19%	14.16%

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

7. CHANGE IN ACCOUNTING POLICY

Starting with the financial year 2008, Partners Group Holding AG commences to record dividend income from subsidiaries based on the economic circumstances; i.e. records the dividend income in the same year as the income is generated in its wholly owned subsidiary. The financial statements for 2008 of Partners Group Holding AG therefore disclose the received dividend of CHF 55'000'000 as well as the approved dividend of CHF 73'000'000 which will be paid in 2009.

8. RISK ASSESSMENT DISCLOSURE IN ACCORDANCE WITH ART. 663B PAR. 12 SWISS CODE OF OBLIGATIONS

The Board of Directors has performed an assessment of the risks to which Partners Group Holding AG is exposed. The analysis is based on the data and instruments used for the risk management of the company. The risk management covers in particular the market risks, the credit risks and the operational risks. The Board of Directors has taken into consideration the internal control system designed to monitor and reduce the risks of the company for its assessment.

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

9. MANAGEMENT COMPENSATION IN ACCORDANCE WITH ART. 663B^{BIS} SWISS CODE OF OBLIGATIONS

All amounts in Swiss francs	Base compensation (cash)	Variable compensation (cash bonus)	Other compensa- tion ¹⁾	Total 2007
Board of Directors				
Gantner Alfred, Executive Chairman	223'500	76'500	50'468	350'468
Erni Marcel, Executive Vice Chairman	236'700	63'300	37'832	337'832
Wietlisbach Urs, Executive Vice Chairman	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
Total Board of Directors	833'700	216'300	173'592	1'223'592
Executive Board				
Meister Steffen, Chief Executive Officer	198'000	702'000	43'882	943'882
Birchler Kurt, Chief Financial Officer	198'000	372'000	41'332	611'332
Wenger Jürg, Chief Operating Officer	217'800	392'200	49'598	659'598
Kaas Erik	198'000	532'000	45'590	775'590
Gysler Philipp	217'800	512'200	46'704	776'704
Jacquemai Michel	217'800	282'200	43'882	543'882
Haldner Felix	198'000	532'000	46'390	776'390
Total Executive Board	1'445'400	3'324'600	317'378	5'087'378

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

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

9. MANAGEMENT COMPENSATION IN ACCORDANCE WITH ART. 663B^{BIS} SWISS CODE OF OBLIGATIONS (CONTINUED)

All amounts in Swiss francs	Base compensation (cash)	Variable compensation (cash bonus)	Other compensa- tion ¹⁾	Options/ shares	Total 2008
Board of Directors					
Gantner Alfred, Executive Chairman	300'000	–	104'495	–	404'495
Erni Marcel, Executive Vice Chairman	300'000	–	41'249	–	341'249
Wietlisbach Urs, Executive Vice Chairman	300'000	–	106'654	–	406'654
Fehring Ulrich	50'000	–	2'228	–	52'228
Schenker Robert	50'000	–	38'941	–	88'941
Zürcher Wolfgang	50'000	–	3'355	–	53'355
Total Board of Directors	1'050'000	–	296'922	–	1'346'922
Executive Board					
Meister Steffen, Chief Executive Officer	198'000	502'000	48'394	647'136	1'395'530
Birchler Kurt, Chief Financial Officer	199'650	300'350	56'878	–	556'878
Wenger Jürg, Chief Operating Officer	217'800	292'200	66'260	161'784	738'044
Kaas Erik ²⁾	198'000	402'000	77'977	404'460	1'082'437
Gysler Philipp	250'000	280'000	54'379	323'568	907'947
Jacquemai Michel	217'800	232'200	48'394	–	498'394
Haldner Felix	198'000	332'000	80'012	323'568	933'580
Schäli Stephan	217'800	312'200	76'992	404'460	1'011'452
Biner Rene	198'000	252'000	64'086	323'568	837'654
Näf Stefan	209'800	290'200	67'244	485'352	1'052'596
Total Executive Board	2'104'850	3'195'150	640'616	3'073'896	9'014'512

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

2) Member of Executive Board until 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

10. MANAGEMENT SHARE OWNERSHIP IN ACCORDANCE WITH ART. 663C SWISS CODE OF OBLIGATIONS

			2007
Number of shares / options held as of 31 December 2007	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	3'781'076	–	–
Erni Marcel, Executive Vice 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
Executive Board			
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
Kaas Erik	283'750	–	80'100
Gysler Philipp	222'500	–	80'100
Jacquemai Michel	409'400	–	26'700
Haldner Felix	347'100	–	80'100
Total	13'482'178	–	542'549
			2008
Number of shares / options held as of 31 December 2008	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	3'788'826	–	–
Erni Marcel, Executive Vice Chairman	3'788'826	–	–
Wietlisbach Urs, Executive Vice Chairman	3'788'826	–	–
Fehring Ulrich	5'000	–	3'288
Schenker Robert	5'500	–	3'288
Zürcher Wolfgang	1'500	–	1'973
Executive Board			
Meister Steffen, Chief Executive Officer	534'000	6'400	185'800
Birchler Kurt, Chief Financial Officer	151'300	–	80'100
Wenger Jürg, Chief Operating Officer	178'900	1'600	33'100
Kaas Erik ¹⁾	283'750	4'000	96'100
Gysler Philipp	222'500	3'200	92'900
Jacquemai Michel	409'400	–	26'700
Haldner Felix	347'100	3'200	92'900
Schäli Stephan	244'750	4'000	96'100
Biner Rene	71'200	3'200	96'200
Näf Stefan	13'350	4'800	182'700
Total	13'834'728	30'400	991'149

1) Member of Executive Board until 31 December 2007

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

PROPOSAL BY THE BOARD OF DIRECTORS OF PARTNERS GROUP HOLDING AG FOR THE APPROPRIATION OF AVAILABLE EARNINGS AS OF 31 DECEMBER

In thousands of Swiss francs	2008	2007
Profit for the year	215'237	252'629
Retained earnings	43'694	–55'214
Available earnings	258'931	197'415
Proposal by the Board of Directors to the General Meeting:		
To be distributed to shareholders	–113'475	–105'979
To be carried forward	145'456	91'436



ONSITE DUE DILIGENCE FOR A DIRECT INVESTMENT IN A SPORTSWEAR COMPANY

Christoph Rubeli and **Florian Marquis** Private Equity Direct Investments, **Walter Keller** Head Direct Investments and **Stefan Näf** Co-Head Investment Solutions.

CORPORATE GOVERNANCE

Partners Group is committed to meeting high standards of corporate governance, with the aim of guiding our company to further success. Partners Group 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 SIX Swiss Exchange.

The Corporate Governance section contains information on the following:

1. Group structure and shareholders
2. Capital structure
3. Board of directors
4. Executive board
5. Compensation, shareholdings and loans
6. Shareholders' participation
7. Changes of control and defense measures
8. Auditors
9. Information policy

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

1. Group structure and shareholders

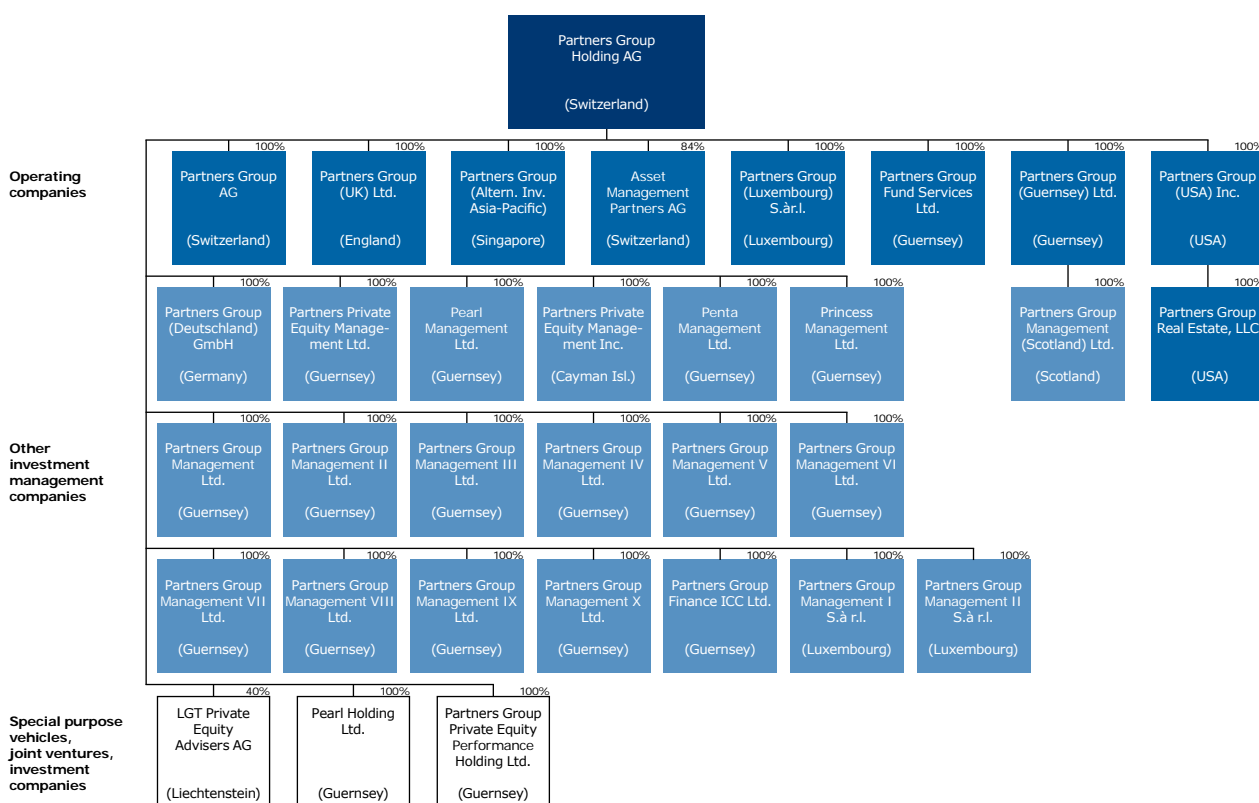
1.1 Group structure

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 2008.

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 SIX Swiss Exchange under Swiss Security Number 002460882



CORPORATE GOVERNANCE

and ISIN number CH0024608827. The market capitalization of the company as of 31 December 2008 is CHF 2.0 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 34 to the consolidated financial statements and note 2 to the statutory financial statements in the annual report 2008.

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 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 2008, 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 2'691'707 shares outside of the group, corresponding to 10.08% of the total share capital each. At year-end, Partners Group Holding also held 1'972'246 treasury shares, corresponding to 7.4% 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 holding.

Each share carries one vote at 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 re-

CORPORATE GOVERNANCE

quires the approval of the board of directors 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 a 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 and option programs that entitle management personnel as well as a large number of 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 27 (b) to the consolidated financial statements in the annual report 2008 for comprehensive information on the employee shares and options.

Partners Group Holding has not issued any further options or warrants.

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 2008, 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 are Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach. Apart from Dr. Marcel Erni's mandate as member of the board of IHAG Holding AG, Zurich, and Urs Wietlisbach's mandate as member of the board of Simmenarchitects AG, Horgen, the executive members of the board of directors of Partners Group Holding do not hold any management positions or any board memberships outside the Partners Group Holding group or associated companies, nor do they hold any official functions or political posts. 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 and a member of the business development committee. As the firm's Executive Chairman, he leads the

CORPORATE GOVERNANCE

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

Name	Director since	Term expires	Nationality	Age	Committee membership ¹	Function
Alfred Gantner	1997	2010	Swiss	40	RAC, NCC, BDC ²	Director, Executive Chairman
Dr. Marcel Erni	1997	2011	Swiss	43	BDC	Director, Executive Vice Chairman
Urs Wietlisbach	1997	2009	Swiss	47	BDC	Director, Executive Vice Chairman
Ulrich Fehring	1998	2011	German	67	NCC ²	Director
Robert Schenker	1998	2010	Swiss	66	RAC ²	Director
Dr. Wolfgang Zürcher	2005	2009	Swiss	44	RAC, NCC	Director

¹ 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

² Committee chair

business strategy and corporate development of the firm. As a member of the private equity investment committee, he is instrumental in the firm's private market investment management process. 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 business 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 absolute return strategies, the private equity and the private real estate investment committees. He has been pivotal in building the firm's direct investment business. Prior to founding Partners Group, he was a banker at Goldman Sachs & Co. and a management consultant at McKinsey & Co. He is a member of the board of directors of IHAG Holding AG, Zurich. 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 both the business development committee and the private equity investment committee, serves as an Executive Vice Chairman and is responsible for the firm's overseas business development. He was initially responsible for the firm's partnership in-

vestment 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 US 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 is a member of the board of directors of Simmenarchitects AG, Horgen. 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 men-

CORPORATE GOVERNANCE

tioned 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; 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 and the nomination and compensation committees and a partner at 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.

Changes in the board of directors

Robert Schenker has announced his intention to resign from the board of directors after more than ten years at the annual general meeting on 30 April 2009. The board of directors will propose Dr. Peter Wuffli for election to the board of directors as his replacement.

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 in 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 SIX 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 2008, four 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 review 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 2008, 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 three meetings in 2008, which each lasted approximately two hours and were all also attended by internal audit. In addition, the external auditors attended one meeting of the risk and audit committee in 2008. 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 regard-

ing: (i) the composition of the board of directors and (ii) the remuneration policy and strategy for directors and personnel. As of 31 December 2008, the members of the nomination and compensation committee were Messrs. Ulrich Fehring (chair), Alfred Gantner and Dr. Wolfgang Zürcher. The nomination and compensation committee met once in November 2008 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 2008, 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 investment solutions team 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 ac-

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tivities), 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:

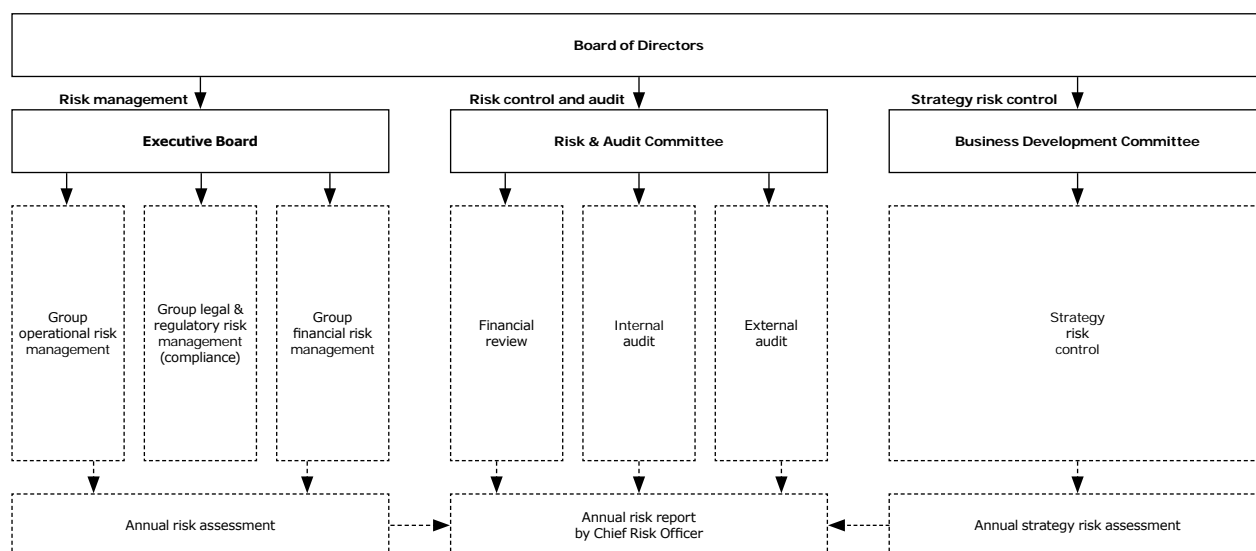
1. direct management and conduct of the company's business, ongoing monitoring of transactions within the scope of and with reference to the rules, directives, authority and responsibilities, individual resolutions and limits issued by the board of directors;
2. entering into business transactions to 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 ROO;
5. filing of lawsuits within the limits established in the ROO, and entering into settlements up to such limits;
6. 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;
7. preparation of the annual group budget for approval by the board of directors;
8. execution of the resolutions adopted by the board of directors;
9. organization, attendance and coordination of pension benefit institutions;
10. organization of insurance management;
11. organization of risk management;
12. informing all executives regarding resolutions adopted by the board of directors and by the executive board concerning them;
13. introduction of motions regarding any business to be submitted to the board of directors; and
14. exercising the rights of the company as a shareholder in other group companies, which includes voting in relation to the composition of management teams, approving respective financial statements and related matters.

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 above.

3.5.1.1 Risk management

The ongoing risk management is delegated to the executive board, which provides an annual risk assessment and risk management report to the board of directors. In establishing appropriate processes regarding the risk management, a distinction is made between group operational risk management, group legal and regulatory risk management and group financial risk management. In these areas, Partners Group has created internal task control systems for product obligations and procedures (POPs), regulatory obligations and procedures (ROPs) and financial obligations and procedures (FOPs).

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 review, internal and external audit. The risk and audit committee provides a risk control and audit report to the board of directors.

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.

3.5.1.3 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. The business development committee provides a strategy risk control report to the board of directors on an annual basis.

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 controlling of the firm. A comprehensive report is generated out of the firm's reporting system and 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.

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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:

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	38	Chief Executive Officer
René Biner	1999	Swiss	38	Head Private Finance
Kurt Birchler	1997	Swiss	40	Chief Financial Officer
Philipp Gysler	1998	Swiss	41	Head Asia
Felix Haldner	2001	Swiss	45	Head Investment Structures
Stefan Näf	2000	Swiss	35	Co-Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	40	Head Private Capital
Tilman Trommsdorff ¹	1999	Swiss	45	Head Portfolio & Risk Management
Jürg Wenger	1999	Swiss	49	Chief Operating Officer

¹ since 1 January 2009

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None of the members of the executive board is a member of governing or supervisory bodies of important Swiss or foreign organizations outside of Partners Group. None of the members hold permanent management or consultancy functions for important Swiss or foreign interest groups, and none of the members have official functions or hold political posts. None of the members of the executive board have 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 (CEO) of Partners Group and chairs the executive board. He is also a non-voting member of the business development committee. Previously, he served as deputy CEO of Partners Group and prior to that, he was head of the investment structures team, where he was responsible for developing and structuring the firm's transactions and investment products. Furthermore, he is a member of Partners Group's private equity investment committee. As a member of the absolute return strategies investment committee, he is materially involved in defining the firm's absolute return 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.

René Biner is a Partner, head of the private finance business department, a member of the executive board and chairman of the private debt investment committee. He previously worked on private equity direct investments and transactions before taking on responsibility for partnership investments in Europe and, later, relocating to Partners Group's New York office where he was co-head of the firm's US private equity investment activities. Following his return to Partners Group's principal office in Zug, he was assigned responsibility for the firm's private debt investment management activities. Prior to joining Partners Group, he spent five years at PricewaterhouseCoopers in Zurich with responsibility in the due diligence and audit practice and assignments to IPO projects. He holds a master's degree in economics and business administration from the University of Fribourg, and is a Swiss Certified Public Accountant.

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 the private equity investment committee and head of the Singapore office. 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 US. 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 structures department and a member of the executive board. He is materially involved in private market 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.

Stefan Näf is a Partner, co-head of the investment solutions team and a member of the executive board. The investment solutions team is globally responsible for

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investment origination, business development and client relationship management. He established and subsequently managed Partners Group's London office. Previously he worked in the firm's private equity 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 the American River College.

Dr. Stephan Schäli is a Partner, head of the private capital business 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 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).

Tilman Trommsdorff is a Partner, head of the portfolio and risk management department and a member of the executive board. He is chairman of the portfolio management committee and a member of the private equity investment committee. He started his career at Partners Group in the private equity team with responsibilities in buyout partnerships selection. Subsequently, he held senior responsibilities within the firm's trading and operations activities. Prior to joining Partners Group, he headed the institutional asset management division at the Cantonal Bank of Zug and worked as a trader and investment manager at the Industrial Bank of Japan and Bank Leu in Zurich. He holds a degree from the Swiss Banking School, Zurich.

Jürg Wenger is a Partner, chief operating officer, a member of the executive board and a non-voting member of the business development committee and head of the resources business department. He has been instrumental in building Partners Group's 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.

Michael Jacquemai resigned from the executive board as of 31 December 2008 due to organizational changes

within the firm. Michel Jacquemai is a Partner in the portfolio & risk management department and a member of the absolute return strategies investment committee. 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.

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, acting through the nomination and compensation committee. Please also see section 3.3 for further information regarding the nomination and compensation committee.

Partners Group's compensation structure is focused on ensuring the alignment of long-term value creation interests between shareholders and senior management, as we believe such alignment is key. As such, the bulk of the annual compensation for the executive members of the board of directors as well as a large part of the compensation for the members of the executive board is based on dividend payments resulting from shareholdings in the company. In addition, shares and/or options are granted to all employees of the company, thereby retaining the emphasis on the company's success and further incentivizing all team members to participate in achieving the corporate goals and delivering solid performance to shareholders. We believe our employees consider our reward structures fair and competitive, this is essential in ensuring Partners Group can continue to attract and retain talent.

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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 respective team's as well as the firm's achievements 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 shares and options. Partners Group options are awarded out of the money and both these as well as shares awarded are subject to a cliff vesting period of typically five years, followed by a two-year non-compete period. 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. This compensation structure further underlines the commitment of the executive members of the board of directors to focus on long-term value creation in accordance with shareholder interests.

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 CEO is proposed by the nomination and compensation committee, and approved by the board of directors. The CEO'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 shares and 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 CEO further participates in the success of the company through dividend payments on his shareholdings in the firm, thereby further ensuring the alignment of interests with shareholders.

The annual compensation for the further members of the executive board is proposed by the nomination and compensation committee with the involvement of the CEO, and approved by the board of directors. As with the CEO'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 shares and options. The variable portions are performance-based and dependent on the achievement of the defined corporate, business department and individual goals, considering contributions towards these achievements while taking the current market environment into consideration. The alignment of interests with shareholders and the focus on long-term value creation are further ensured by members of the executive board also participating in the success of the company through dividend payments on their shareholdings in the firm.

Pursuant to Art. 663b^{bis} and 663c of the Swiss Code of Obligations (Company Law) (i) the total compensation paid in 2008 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 the financial statements. In this regard, please see notes 9 and 10 to the statutory financial statements included the annual report 2008.

6. Shareholders' participation

6.1 Voting rights & representation measures

Each share entitles 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;
- 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. In 2009, the AGM is scheduled for 30 April.

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 defense measures

7.1 Opting-out

Partners Group Holding has elected to opt out of the rule that an investor acquiring 33 1/3% 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 AG. The statutory and group auditors are elected for one year periods at the annual general meeting of shareholders. KPMG AG 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 2008, KPMG AG and other KPMG companies received a total of CHF 0.4 million for audit services.

8.3 Additional fees

In addition, KPMG AG and other KPMG companies received CHF 0.2 million in fees for tax advice and other services rendered to Partners Group Holding and its subsidiaries for the financial year 2008.

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 AG, 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 AG concerning individual aspects or factual issues in connection with the accounting and the audit. During the financial year 2008, the external auditors participated in one meeting of the risk and audit committee in order to discuss audit processes and issues. Among others, evaluated issues include risk factors and processes.

Key factors in assigning the external audit mandate to KPMG AG 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

Partners Group Holding conducted an extensive review of the audit mandate during the financial year 2008, in which in particular budget issues were reviewed in order to ensure audit fees were kept at a competitive level in the best interests of shareholders. KPMG AG as well as a further company were invited to submit a budget proposal. Following this review, the board of directors was confirmed in again proposing KPMG AG to shareholders for re-election for a further term of one year at the annual general meeting.

Please also refer to the sections concerning the risk and audit committee (3.3) as well as internal audit (3.5.1.2) above.

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9. Information policy

As a company listed on the SIX 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 2009 are as follows:

Event	Date
Annual general meeting of shareholders	30 April 2009
Pre-close announcement AuM as of 30 June 2009	10 July 2009
Publication semi-annual report	1 September 2009

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 the website at 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 to receive all information automatically upon publication via email. All this information can be found on the website at www.partnersgroup.net in the "Investors & Media" section.

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