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SUSTAINED GROWTH IN A CHANGING WORLD

ANNUAL REPORT 2010



Partners Group
Passion for Private Markets



DISCUSSING A TECHNOLOGY DIRECT INVESTMENT

Christoph Rubeli Private Equity Directs & Primaries, **Stefan Näf** Co-Head Investment Solutions, **Sergio Jovele** Investment Solutions Europe and **Christian Ebert** Private Equity Directs & Primaries.

KEY FIGURES

447 professionals

14 offices

around the world

EUR 21.4 billion

assets under management

1.44%

net revenue margin

CHF 376 million

net revenues

CHF 250 million

EBITDA

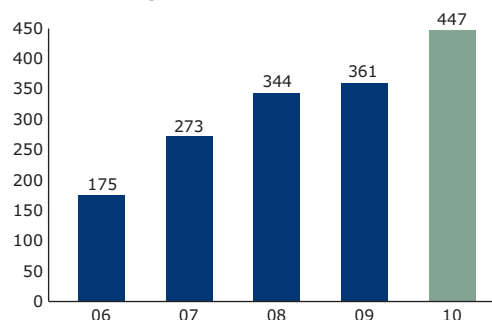
CHF 297 million

net profit

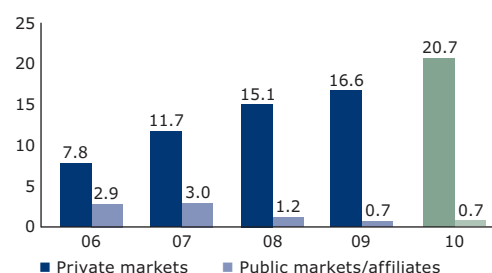
CHF 302 million

adjusted net profit

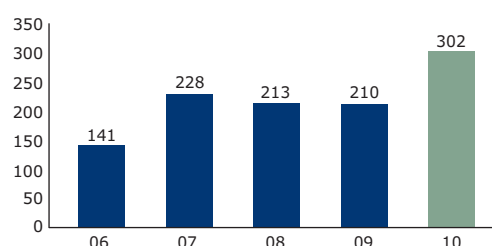
Number of professionals



Assets under management
(in EUR bn)



Adjusted net profit
(in CHF m)



Share price development



	2009	2010
Average assets under management (in EUR bn)	16.5	19.3
Net revenue margin	1.31%	1.44%
Net revenues (in CHF m)	325	376
EBITDA margin	70%	66%
EBITDA (in CHF m)	227	250
Financial result (in CHF m)	1	78
Net profit (in CHF m)	205	297
Adjusted net profit (in CHF m) ¹	210	302
Cash and cash equivalents at end of year (in CHF m)	170	227
Shareholders' equity (in CHF m)	458	572
Return on shareholder's equity (ROE) ¹	51%	56%
Equity ratio ¹	83%	87%

¹ adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

Share information as of 31 December 2010

Share price	CHF 177.40
Total shares	26'700'000
Market capitalization	CHF 4.7 bn
Free float (according to SIX definition)	49.76%
Diluted shares	26'431'651
Adjusted diluted earnings per share ¹	CHF 11.43
Dividend ²	CHF 5.00
Dividend yield ²	2.8%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

¹ adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

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

Forthcoming events

5 May 2011	Annual general meeting of shareholders
14 July 2011	Pre-close announcement assets under management as of 30 June 2011
6 September 2011	Interim results and report as of 30 June 2011

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A COMMITTED TEAM OF PARTNERS

MESSAGE FROM THE MANAGEMENT

Dear clients, shareholders and business partners

We are pleased to report a successful year with our products showing a strong performance for our clients and an adjusted net profit of CHF 302 million attributable to our shareholders, representing an increase of 44% compared to 2009.

We look back on a year with numerous shifts in private markets and several M&A transactions in various firms bringing public and private asset managers together. This is happening at a time when Partners Group continues to exclusively focus on our core competence, managing and developing our global investment platform solely dedicated to private markets. The ongoing changes currently observed in our industry result from a variety of different drivers. On the one hand, regulatory changes have resulted in some banks exiting private markets by either outsourcing or even selling their practices in this segment. In addition, various independent traditional public markets managers have expanded their business activities by diversifying to include private markets activities. Finally, selected larger private markets managers have moved in the opposite direction and are expanding to include public markets activities in the scope of their offerings.

During this transition period in private markets, we have further concentrated on firmly establishing our globally leading integrated private markets investment platform and making attractive investments in significant amounts. In continuing its expansion, the firm has recently opened offices in Dubai, Seoul, Munich and São Paulo while increasing the number of employees to over 450. The local presence in these new regions has allowed for the identification of attractive investment opportunities, with for instance four transactions in various industries already completed in Brazil, including in a company active in the educational sector as well as in a producer of consumer goods for the growing middle class. The firm's Asian investment activity has also been further supported by the proximity to investments offered by the new Korean location with an investment in a manufacturer of tire machinery completed. Overall, the firm has invested USD 4.8 billion in strong firms and high quality assets around the world, including more than 40 direct investments, making us one of the most active global private markets investors in 2010 again. In addition to the firm's reach across all private markets segments and regions, Partners Group has also furthered its expertise across a multitude of industry segments, often a key success factor in sourcing, developing and realizing the right opportunities. In continuing to build up our business, all steps taken have pursued the common goal of securing superior investment performance over the long term for our clients.

Both the efforts made and achievements reached by the firm in the past as well as the measures taken to secure future success have continued to result in a large amount of confidence placed in us by our clients, who have entrusted us with over EUR 4 billion in investment programs during the financial year. This trust is not exclusively based on our investment track record and platform, but is also a reflection of the focus we as a firm place on delivering above-average services in all relevant aspects for clients. We believe that, in all these efforts, having a common long-term view is the key to maintaining a superior relationship with our clients.

Ensuring our team retains the same long-term view as we place on our client relationships was the main driver for our minority floating in 2006. We pursued this step to support our long-term equity incentive system, and therefore cement our continuity and independence. This at the time extraordinary approach has in the meantime also been embraced by a number of others in our industry, with many communicating their intention to launch an IPO. We believe though the predominant motivation is often a different one.

Going forward, Partners Group continues to further build up investment know how in all sectors and regions around the world. As in the past, we will place a major emphasis on the commitment and the passion for what we do and thus this evolution will to a good part be driven by organic growth from within. However, as we have done previously, we will always consider adding external teams provided such teams possess the same long-term philosophy and core values as our firm. Partners Group will in any case remain a fully integrated firm and will avoid the creation of islands within our global investment team. We are committed to what we as a team stand for and to upholding our unique culture and long-term thinking as much as over the past 15 years.

We are pleased to present you with a comprehensive overview of the development of our business in the past twelve months and thank you for your continued trust in our global team.



Alfred Gantner
Executive Chairman



Steffen Meister
Chief Executive Officer



IN DUE DILIGENCE ON AN OPPORTUNITY IN ASIA

Alex Cho Head Seoul, **Kelvin Chan** Private Equity Directs & Primaries, **Junichiro Kawamura** Head Tokyo and **Reto Schwager** Head Investment Solutions Asia.

2010 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

A CLEAR BUSINESS STRATEGY AND GROWTH, PROFITABILITY AND EARNINGS STABILITY

Our clear business strategy has once again led to a positive development of our business in 2010. We believe the trust placed in us is for the most part based on our clear goal of achieving superior returns for our clients in combination with the high level of client services we aspire to provide in all private markets asset classes.

With this focus as our foundation, we target the continued growth of our profitable and predictable business and believe our global resources and reach will enable us to continue to be a leader in a globalizing and consolidating private markets industry. Partners Group's approach of ensuring proximity to both investment opportunities as well as clients around the globe remains of the utmost importance for the implementation of the firm's future strategy. This approach allows the identification of a larger number of opportunities while enabling their execution. In addition, the global setup supports handling the increased complexity in an investment environment interacting across borders and asset classes while coping with an increasingly evolved regulatory environment.

The firm's profitability and earnings stability have always formed the basis for achieving a sustainable expansion. Partners Group continues to focus on further strengthening this foundation to also allow for a continued controlled and stable growth over the coming years. In this review of the financial figures, we provide additional information on the assets under management (AuM) growth, the profitability and the earnings stability of our business; factors which are key for supporting the continuing evolution of the firm. As most of our products are denominated in Euros, we present AuM in Euros since July 2010. Additional information on recurring revenues, margins and other factors such as foreign exchange fluctuations allow for a greater transparency concerning the business and support the assessment of its development.

	2009	2010
AuM as per end of the year (in EUR bn)	17.3	21.4
Average AuM (in EUR bn, quarterly)	16.5	19.3
Net revenue margin	1.31%	1.44%
Recurring net revenue margin	1.18%	1.20%
Net revenues (in CHF m)	325	376
Recurring net revenues (in CHF m)	292	314
EBITDA margin	70%	66%
EBITDA (in CHF m)	227	250
Net profit (in CHF m)	205	297
Adjusted net profit (in CHF m)	210	302

Notes:

- Recurring revenues are based on stable, long-term management fees and recur every year.
- Adjusted net profit is adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited.

2010 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

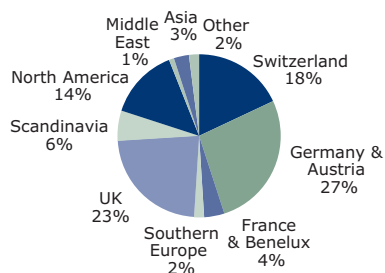
Assets under management

In 2010, the fundraising environment for the private markets industry in general remained on a subdued level compared to pre-crisis years. Clients entrusted only a small number of leading market participants with new assets. Partners Group was able to gain market share with asset inflows of EUR 4.0 billion in 2010. As of 31 December 2010, private markets assets totaled EUR 20.7 billion. The breakdown of AuM as of 31 December 2010 is as follows: EUR 15.2 billion private equity, EUR 2.0 billion private debt, EUR 2.5 billion private real estate, EUR 1.0 billion private infrastructure and EUR 0.7 billion in affiliated companies, comprising the independent private wealth management division and alternative strategies.

Asset inflows from various sources invested around the globe

Partners Group has continued to see interest from clients in all major regions around the globe with significant inflows seen from both existing and new clients. While existing clients continued to expand their already successfully running private markets investment programs, increasing interest from new clients was seen as investors new to the private markets asset class began exploring its potential for the first time. Client demand was well-diversified around the globe, confirming Partners Group's "glocal" strategy, whereby local offices employing regional specialists offer greater scope for accessing the local markets. This includes both the sourcing and the completing of investment opportunities as well as developing mutually beneficial client relationships through the increased proximity to a greater number of clients in combination with regional networks and an in-depth understanding of the local culture.

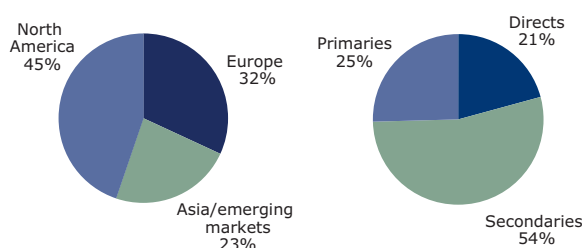
Assets under management



Private market investments 2010

In terms of investments completed, the particular attractiveness of secondary assets and direct opportunities has resulted in investments in these two segments totaling 75% of activity in 2010. The sustained geographic shift towards the growth offered by the Asia-Pacific region and Latin America has resulted in investment activity in this region amounting to 23% of the total in 2010. Considering only direct and primary investment activity, the firm invests a third in each Europe, North America and Asia/emerging markets. This is because secondary investment opportunities traditionally mainly occur in the Western world. This clearly reflects Partners Group's current relative value strategy of increasing exposure to the Asia-Pacific and emerging markets regions.

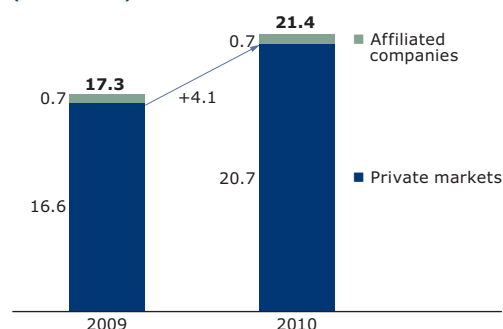
Private market investments 2010



Successful investment activity drives client demand

The investments completed by Partners Group on behalf of its clients have continued to generate further interest in 2010. EUR 4.0 billion in asset inflows from clients in combination with other factors of EUR 0.1 billion resulted in total assets under management as of 31 December 2010 of EUR 21.4 billion. Other factors included a positive impact from foreign exchange fluctuations mainly due to the depreciation of the Euro versus the US Dollar. Approximately 70% of AuM are denominated in Euros, 20% in US Dollars and 10% in other currencies.

Assets under management (in EUR bn)

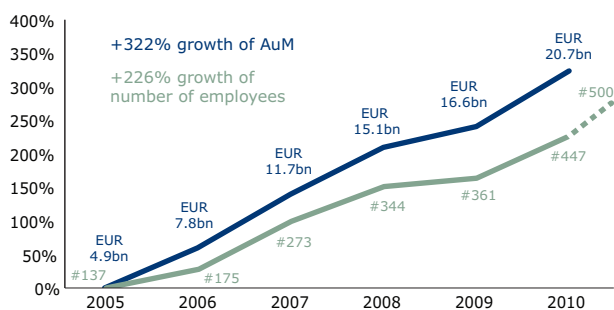


2010 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

AuM growth also reflected in development of number of professionals

Partners Group has always been committed to its principle of aligning the growth of its business with the size of its team. Private markets investing is a resource-intensive and information-restricted business which requires a strong team in a multitude of locations around the world to identify the best investments for a firm's clients. Since the beginning of the financial crisis in 2007, Partners Group has increased its private markets AuM by 77% to EUR 20.7 billion at the end of 2010. The headcount increased by 64% during the same period. In 2010, Partners Group increased headcount by 86 new employees to 447 employees as of 31 December 2010 (2009: 361 employees) and anticipates a further increase in 2011 to over 500 employees.

Number of employees and private markets AuM

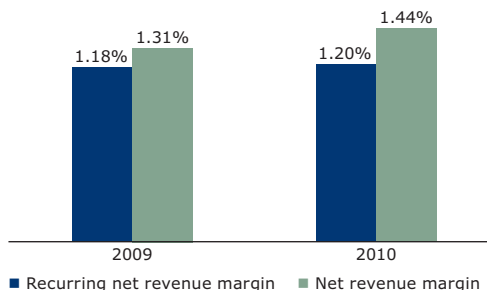


Profitability

Stable recurring net revenue margin

In the financial year 2010, the recurring net revenue margin remained stable, standing at 1.20% (2009: 1.18%). However, the recurring net revenue margin (recurring net revenues over average AuM) was again skewed to the positive due to fund closings late in the year and foreign exchange effects at year end (especially the Euro weakening against the Swiss franc). Partners Group therefore continues to project a recurring net revenue margin of approximately 1.15% going forward. The total net revenue margin increased to 1.44% (2009: 1.31%) due mainly to higher performance fees and other one-time fee income and is somewhat impacted by foreign exchange movements in 2010 affecting the average revenues (average daily spot rates) less than the average AuM (quarter-end spot rates). Performance fees and other one-time fee income accounted for CHF 62 million in 2010 (2009: CHF 32 million).

Net revenue margin

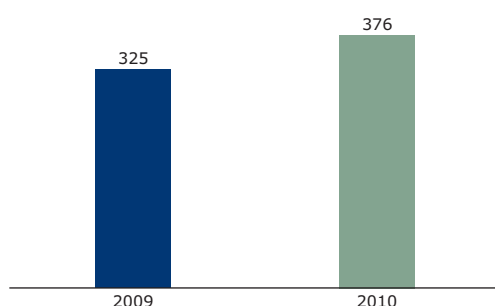


2010 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Significant increase in private markets revenues

Due to the continued growth of the firm's core business, revenues continued to increase in all asset classes and rose by 16% to CHF 376 million (2009: CHF 325 million). Private infrastructure – admittedly from a low base – more than tripled its revenues in 2010 (+319%), while private real estate was again able to double its topline revenue streams (+147%) and private debt also rose significantly (+58%). Due to the weakening of the Euro vs. the Swiss franc, revenues stemming from the private equity business increased only slightly by 3% in Swiss francs despite AuM in Euros rising by 12%.

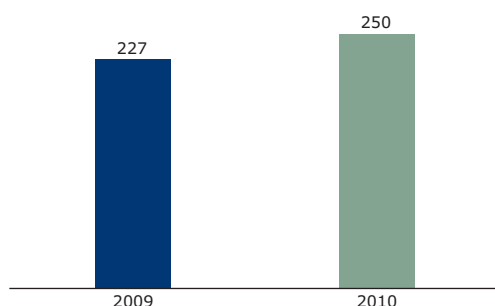
Net revenues (in CHF m)



EBITDA growth somewhat impacted by foreign exchange

Based on higher revenues and a disciplined cost management, although impacted by foreign exchange effects, EBITDA rose by 10% to CHF 250 million (2009: CHF 227 million). The decrease in the EBITDA margin to 66% (2009: 70%) is a direct consequence of the appreciation of the Swiss franc against the Euro and the US Dollar during the period.

EBITDA (in CHF m)



Adjusted net profit supported by strong financial result

While our business showed further significant growth in the financial year 2010, our results were negatively impacted by foreign exchange rate fluctuations. However, an extraordinarily strong financial result led to a significant increase of 44% in adjusted net profit to CHF 302 million (2009: CHF 210 million).

Partners Group's financial result consists of three line items: (i) net gains on own investments, (ii) net interest income and (iii) net foreign exchange result. Partners Group's investment programs have shown a significant positive performance during 2010 resulting in net gains of CHF +30 million on Partners Group's own contribution to these programs. Net interest income on the significant liquidity position of CHF 343 million on the firm's balance sheet (including working capital facilities to products provided by the group) contributed a further CHF +16 million to the financial result. Finally, CHF +32 million stemmed from extraordinary gains on foreign exchange hedges due to a weakening of the Euro vs. the Swiss franc during 2010.

(in CHF m)	2009	2010
Net gains on investments	-5.7	+30.4
Net interest income	+9.9	+15.8
Net foreign exchange result	-3.4	+32.1
Net financial result	+0.9	+78.3

2010 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Earnings stability

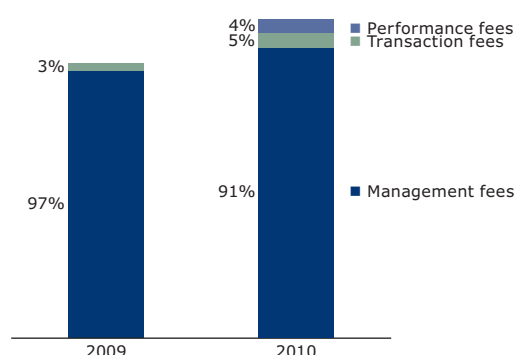
Predictable earnings allow for the continuous build-out of global resources

The private markets industry is characterized by a long duration of assets under management due to the inherent structures of the product offerings (usually limited partnerships with 12 year initial durations). These structures enable investors to profit from the qualities of private markets managers, which remain focused on the operational improvement of the assets they invest in, naturally requiring a long-term perspective. These structures translate into a high stability of revenue streams over the long term, forming the basis for Partners Group's continued confidence regarding the expansion of its global resources.

Dependable revenue stream strengthened

This longer duration of assets under management was once again reflected in the breakdown of Partners Group's total revenues. In 2010, 91% of revenues stemmed from stable management fees, compared to 97% in 2009. This is a positive development as the recovery of the markets and the improved exit environment have already resulted in performance fees of CHF 16 million in 2010 (2009: zero). Partners Group expects to profit from an additional performance fee upside in the future due to an anticipated more benign market environment.

Fee structure



Proposed dividend for the financial year 2010

After having seen a strong operating result followed by record net adjusted earnings, Partners Group's board proposes an increase of the dividend payment based on the achievements in 2010 to CHF 5.00 per share (+11%). This compares to CHF 4.50 a year ago and represents a dividend yield of 2.8% as of the share price on 31 December 2010. Overall, Partners Group's board proposes to distribute CHF 134 million to its shareholders.

Sustained client interest anticipated in 2011

Going forward, we expect to see interest from both existing as well as new clients growing further. While certain client segments are not expected to return to the market quickly and others such as some insurance companies may still have certain investment limitations due to Solvency II regulations, we anticipate an increased interest from many clients in particular also due to the resistance demonstrated by our portfolios through the market downturn and our capabilities in investing through the cycle.

Client demand in 2011 will likely focus on the most attractive investment themes offered by different asset classes:

- (i) private equity: Asia/emerging markets, secondaries and small/mid cap directs globally
- (ii) private real estate: strong demand for global non-core programs and recapitalizations
- (iii) private infrastructure: focus on brownfield investments in industrial countries and rehabilitative brownfield/greenfield projects in emerging markets
- (iv) private debt: attractive returns (L+11%) at low risks (50% equity cushion)

Based on the interest seen from clients in the above opportunities, 2011 should be another successful year with clients expected to entrust us with EUR 4–5 billion. Most importantly however, Partners Group remains dedicated to the achievement of a superior long-term performance for clients, and considers this its ultimate goal.



UNDERSTANDING THE RESEARCH OF A LIFE SCIENCE COMPANY

Karin Hallin Head São Paulo, **Remy Hauser** Healthcare Investments, **Hans-Ulrich Müller** Technology Investments and **Martin Ruetz** Private Equity Secondaries.

CONFRONTING THE CHALLENGES OF A GLOBALIZING WORLD

In facing the challenges we are confronted with today, we observe that the impact of globalization has over the years gradually changed how Partners Group as a firm is required to function. In striving to meet clients' needs, the firm has continued to evolve while remaining focused on providing the best possible means of accessing the attractive returns offered by private markets investing. Partners Group has identified five key areas in this globalizing market environment.



Changing regulatory environment

With pressure from regulators around the world continually increasing, companies in the financial sector face additional requirements which demonstrate a complexity not seen before. As the globalization process speeds up, companies must comply with a growing number of regulatory bodies of various governments around the world and thus are required to ensure their setups and offerings reflect the new requirements. Firms need to show a high degree of flexibility and possess a setup that is sophisticated enough to easily confront any changes in regulations they may encounter.

Partners Group, with its 14 offices and over 450 employees, possesses the required scope, know-how and expertise to have built a structure that can be adapted to significant regulatory changes. In the course of its growth, Partners Group has developed a powerful

structuring team that is engaged in designing the firm's regulatory setup. A global compliance team is then responsible for its maintenance and further development. The firm believes that the regulatory developments may further support the ongoing market consolidation with some small players lacking the necessary experience and structures. Partners Group is committed to offering its clients the security of knowing the firm has the resources to ensure it continues to meet all regulatory requirements.

Partners Group is for instance currently faced with two new initiatives in the regulatory environment likely to have an impact on clients. On the one hand, the Alternative Investment Fund Managers (AIFM) Directive governs, inter alia, alternative investment funds marketed to investors in Europe. According to its authors, the AIFM Directive will better protect sophisticated investors, create a level playing field for alternative funds, mitigate systemic risk and, arguably, also attract taxable substance to Europe. Partners Group expects many of its products to potentially be within the scope of the AIFM Directive. Despite there being no immediate need for the firm to adapt any of its offerings, Partners Group has already devoted considerable resources to ensuring it meets the requirements of the directive in order to ensure the transition runs smoothly. Partners Group is also involved with a number of industry associations as well as the Swiss Financial Market Supervisory Authority FINMA in shaping the required amendments to local legislation. A further example can be seen in the implementation of the Dodd-Frank rules in the US. Partners Group has been monitoring the developments regarding this new law as they appear in preparation for adapting any necessary parts of the Partners Group setup as required and is implementing the according measures. It is crucial today to have the setup Partners Group has, where any such developments are identified early on in the process.

Shifting asset allocation

The increase in the impact of regulatory aspects is to a certain part driven by the shift in asset allocation we observe amongst clients, including a geographical redistribution. While the acceptance of the private markets asset class has risen in general, which should result in growing allocations overall, it is predominantly the increase in focus on non-domestic investments which should fuel the anticipated growth. With investors no longer restricting their investment activities to their home countries, there has been a need for greater regulation due to foreign investment activity.

PARTNERS GROUP AND THE IMPACT OF GLOBALIZATION

This non-domestic investment activity is anticipated to stem from both existing private markets investors stepping up their activities or also increasingly from investors new to the asset class, a movement Partners Group can confirm to have seen within its own client base. Amongst clients seeking global diversification, Partners Group has identified three clear trends that vary in the different regions around the globe. On the one hand, US investors were amongst the first to invest in private markets and have been investing abroad – although with small allocations – for a number of years. Partners Group now expects to see the investment activity abroad rise rapidly, with this group starting to step up their investment activities in the attractive emerging markets in particular. In Europe, the picture is slightly different, as many conservative European investors are only now starting to consider global investments and are taking their first steps into this realm. Finally, Asian investors are often new to private markets and completing their very first investments in this asset class.

Addressing the various investment approaches pursued by clients around the world requires a firm that is as capable of assisting a US investor with a complex, individualized investment approach in emerging markets as of helping an Asian investor with building up his first private markets investment portfolio with a focus on Europe and the US. Only true global specialists with experience in all types of portfolio build-ups possess the expertise to be able to provide clients of all nationalities the best possible setup in order to proceed with their private markets investment strategies.

Increasingly individualized demand

In addition to being required to meet ever-changing and increasingly demanding regulations and respond to clients investing outside their home markets for the first time, Partners Group's clients have become more demanding in the method they apply to structuring their investment activities. This evolution in client demand has resulted in investment structures becoming more complex over the years. Partners Group has built up a palette of over 100 different structures which are all designed to offer clients best-in-class access to the private markets asset class.

The firm currently sees two main developments in client demand, both of which require the expertise and know-how of a large structuring team dedicated to developing the types of products our clients are interested in. On the one hand, the amount of country-specific

investment structures has increased, with investors in different countries requesting solutions which address their individual tax, legal and regulatory requirements. On the other hand, we currently observe that the number of customized, tailor-made mandates has continued to rise and now many clients have a clear preference for this type of individual access. Mandates can take the specific needs of each client into account and deliver a structure that allows for the optimization of all aspects, from general structuring perspectives as well as individual access to specific parts of the private markets universe. For instance, Partners Group has recently been awarded a mandate for value-added and opportunistic investment strategies in the global private real estate market by a European investment foundation, representing the first time pension funds in the respective local region are provided the opportunity of participating in the growth of this attractive market. Partners Group has also been awarded two separate mandates by the Korea Investment Corporation, one for private equity secondary investment and a second aimed at the restructuring and recapitalization space in private real estate. These are prime examples of the direction the market is evolving in and the opportunities that should arise for Partners Group out of these shifts. With its global structuring team, Partners Group can offer each individual client the ideal structure and setup to access the exact market it is interested in.

Higher investment complexity

Over the years, the investment opportunities arising have shown a marked development towards a consistently increasing level of complexity, with in particular Partners Group's increased direct investment activities confronting the firm with new requirements, especially for further resources. Partners Group has developed its investment platform to respond to the shifts and today invests in all types of investment, in all sectors and industries and across all private markets asset classes.

In combination with the expertise across private equity, private debt, private real estate and private infrastructure, the demands placed on investing today also require an in-depth industry analysis, requiring a greater industry specialization within the Partners Group team. For instance, the private equity secondaries team recently invested in a highly attractive portfolio of growth opportunities, with the seller interested in a discreet transaction with ideally a single counterparty. The transaction covered hundreds of individual companies with many value drivers in varying segments of the IT and life sciences sectors. Valuing a portfolio as diverse

PARTNERS GROUP AND THE IMPACT OF GLOBALIZATION

as this requires a high level of expertise as well as the correct in-house specialists who are in a position to provide the relevant industry expertise. The firm has over the years continually devoted time and resources to making the furthering of the in-house industry specialization a top priority. With backgrounds in various industry segments, the in-house specialists ensure that in-depth and specialized know-how forms the base for all investment decisions. In this era of globalizing private markets, further expanding this knowledge within the firm remains a key focus.

Going beyond the investment expertise the firm possesses, a second crucial pillar again lies within Partners Group's structuring capabilities as transactions are no longer simple but rather present a growing level of complexity. Clients looking to gain access to all aspects of private markets investing rely on their investment partner to optimize the structure any type of investment. Partners Group recently refinanced a private real estate property located at the heart of London's Canary Wharf. In addition to the complexity inherent to the private real estate asset class, where a thorough due diligence on a property requires a very specific skill set, this transaction required lenders in different tranches to work together to ensure all were able to participate within a very tight time frame. As the lead in the private negotiations for the provision of this facility, the Partners Group transaction team faced a number of challenges in ensuring the needs of all partners were met and the transaction was able to be restructured in a satisfactory manner. This example of a tight time frame is very typical of the current market environment for refinancing transactions in the private real estate asset class and something which presents additional difficulties to the investment team and requires an extensive transaction team in order to address.

A further complexity has been brought about directly by the shift towards globalization in investment activities, with in particular the emerging markets offering new challenges. In these markets, it is highly important to stay up-to-date concerning the regulatory environment and any potential shifts in direction that are anticipated. The risks can particularly be seen in infrastructure investing, where investments are often linked to government policies. Governments changing their policies in any way can often have an impact on infrastructure investments in the region and thus have a direct correlation with the expected return.

Investing through the cycle

A globalizing investment environment has not only increased the complexity of the investments themselves but has made the importance of understanding the investment cycle and being able to invest throughout it even more important. Partners Group considers being able to invest in the most attractive opportunities in all regions around the world at any point in time a key advantage. The shifts in the market described above have resulted in Partners Group's investment activities undergoing an evolution and the attractive opportunities in the Asia-Pacific region and Latin America have resulted in consistently higher amounts invested in these regions. In 2010, such investments amounted to almost a quarter of the total of USD 4.8 billion invested by the firm. In terms of direct and primary activity, the allocation to the Asia-Pacific region and Latin America increases even further to a third of total activity as secondaries traditionally mainly occur in the Western world.

Apart from the increased investment activity in the regions mentioned above, for the past 24 months secondaries have offered the highest relative value and Partners Group invested USD 2.6 billion (54% of the total) in this segment in 2010. Partners Group has been able to acquire assets at trough prices with the on-target timing resulting in secondary investments achieving a strong performance for clients. The firm places a further emphasis on direct investments as these are also judged to offer superior relative value at this point in the cycle. While 24 months ago, attractive direct investments were to be found in distressed assets and special situations, the past twelve months have seen opportunities emerging in small and mid cap transactions at attractive valuations. In 2010, Partners Group invested USD 1.0 billion in directs, amounting to 21% of the total invested and up from 14% in 2009. Partners Group believes that the importance of having the scope to invest through the cycle will retain its importance going forward.



ASSESSING A PRIVATE REAL ESTATE INVESTMENT OPPORTUNITY

Eliza Bailey Head Private Real Estate Debt, **Claude Angéloz** Co-Head Private Real Estate and **Erik Kaas** Co-Head Investment Solutions.

CORPORATE RESPONSIBILITY

COMMITTED TO RUNNING OUR BUSINESS RESPONSIBLY

Partners Group is committed to ensuring all interactions with our environment are carried out in a responsible and sustainable manner. We are passionate making a positive contribution to our world.

We believe that social responsibility, ecological awareness and good corporate governance are crucial pillars of a company's success. We therefore consider the interests of society and take responsibility for the impact of our activities on clients, shareholders, employees, communities and the environment in our operations. In living our credo of "passion for private markets" we apply the same passion to supporting others in achieving their goals. Our corporate responsibility program follows the ultimate goal of fostering entrepreneurial development by supporting future entrepreneurs just as our employees pursue the same goal.

We strive to make an impact in the four following directions:

Passion for sustainability

We view environmental legislation and codes of practice as a minimum standard and aim to live up to and exceed the highest industry benchmarks. As a firm, we remain on the lookout for innovative ways we can make a difference to our environment and adopt these into our daily practices. While all employees are encouraged in incorporating environmentally conscious behavior into their daily lives, we additionally participate in certain initiatives as a firm. These include being a signatory to the United Nations Principles for Responsible Investing and participating in the Carbon Disclosure Project. Far from simply participating in these programs, we are committed to also acting on them and are delighted to have seen others in our industry follow the same path and to see the high level sustainability awareness stands at today.

United Nations Principles for Responsible Investing

In our investment activities, we make a commitment to our clients that we intend to be active owners and incorporate environmental, social and corporate governance (ESG) issues into our activities and are therefore 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 2001 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.



CORPORATE RESPONSIBILITY

As a private markets investor, we are focused on providing the best solutions in this asset class for our clients. Given the long-term perspective and the focus on sustainable growth and operational development inherent to this asset class, we believe that applying ESG criteria to investments can positively impact the performance of investment portfolios and strive to encourage portfolio companies to improve performance in terms of ESG criteria. We are of the opinion that investors should include opportunities and risks stemming from integrating ESG factors into their investment process and also work to promote acceptance of the UNPRI within the industry.

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 investors and incorporating ESG issues into investment 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

Carbon Disclosure Project

As we consider our firm as well as its individual employees directly responsible for protecting our environment we voluntarily participate in the carbon disclosure project (CDP), an independent, not-for-profit organization which holds the largest database of corporate climate change information in the world. CDP has today become the leading standard for carbon methodology and process while providing comprehensive climate change data to the global marketplace.

In addition, our clear goal is to be carbon neutral in our business activities. While we cannot completely avoid emissions in our daily activities, we compensate these through investing in environmentally friendly ventures. Determining the amount of our greenhouse gas emissions in the CDP has allowed us to establish the level of investment required to neutralize these. As a firm, we have invested a substantial amount into our global resources/clean environment product which will go exclusively towards investments in sustainable, green projects geared at improving our environment. The sectors these projects are active in include clean energy (renewable energy and clean technology, e.g. construction

of wind farms or development of more efficient photovoltaic cells), timber (management and sustainable development of forests), water (wastewater treatment, security, water infrastructure and desalination), waste-management (collection, transport, processing, recycling or disposal of waste materials) and carbon-related (development of projects that reduce greenhouse gas emissions or trading of carbon certificates, e.g. European Carbon Fund which was awarded "Carbon Finance Transaction of the Year" in 2007 by Environmental Finance) private equity transactions.

CORPORATE RESPONSIBILITY

Passion for philanthropy

We understand that we are more fortunate than others in this world and feel a civic responsibility towards helping where we can. We realize that while every individual can make a difference, as a group we are able to have an exponentially higher impact. As a firm, Partners Group supports various charitable causes and is proud that its efforts are based on the individual efforts made by its team members. Partners Group's passion for philanthropy has been implemented through various initiatives over the years.

PG Alternative IMPACT

In the interest of harnessing our collective efforts for the greater good, Partners Group has founded PG Alternative IMPACT, an endowment which fosters entrepreneurial activity with the goal of helping people around the world achieve sustainability and independence in their lives.

While using the Partners Group network in the most productive manner, PG Alternative IMPACT targets the creation of significant, measurable and self-sustainable improvements in people's lives through providing help in receiving training or advanced education as well as the means for realizing business concepts.

The PG Alternative IMPACT charity board, which is made up of Partners Group team members, reviews proposals based on a number of criteria. Firstly, the project must support individuals in reaching autonomy through fostering entrepreneurship and independence. Secondly, projects are required to have a personal connection with the firm and the broader Partners Group family network. A third crucial aspect is the establishment of long-term sustainability for individuals through the projects supported and funded by PG Alternative IMPACT. Finally, PG Alternative IMPACT prioritizes projects which to the largest part can be financed and sustained over time solely through our support.

PG Alternative IMPACT has so far financed 16 different projects on five continents. Two examples of recent projects supported are:

Mpanshya Revolving Fund, Zambia

This project was introduced by Alfred Gantner, co-founder and chairman of the board of Partners Group, through his longstanding relationship with the FIS Foundation, founded and led by Dr. med Matthias Furrer and his wife Dr. med. Kathrin Furrer. Alfred

Gantner's personal involvement and visits with the Furrer family over several years provided Partners Group with first-hand knowledge of this project.



PG Alternative IMPACT is the sole sponsor for establishing a revolving education fund for vocational training of medical personnel at a college facility situated next to a renowned district hospital in Mpanshya, Zambia. The objective is to provide repayable student loans to qualified candidates which enroll in a study program. The college is officially approved and supported by Zambia's Ministry of Health. However, only a certain part of a two-year education for hospital nurses is subsidized thus obliging the college to charge an additional fee to cover all costs. At approximately CHF 530, these supplemental costs (ie fees to be paid by student) represent 2/3 of an annual income for a typical untrained worker. As qualified nurses are sought after in Zambia, they can earn up to CHF 220 per month and thus have the earnings potential to repay such a loan within less than two years. The loans are intended to be recycled, thus establishing a perpetual fund instrument which will allow a continual stream of students to complete nursing training. There is a 10% interest attached to a loan in order to compensate for currency devaluation, increase the hurdle to apply for it only in case of dire need and to possibly shorten the maturity for repay-



CORPORATE RESPONSIBILITY

ment. Such repayment will be effected through direct deduction from wages which are issued and controlled by a government institution as part of the public health system. Qualification certificates (originals) will be retained as collateral until full repayment of the loan.

The program established by PG Alternative IMPACT's donation will alleviate the shortage of qualified nurses in the periphery and retain personnel in rural areas. It will also offer a new perspective leading to self-sustainability to many young people in the region and ultimately benefits the unnumbered sick and needy requiring professional care at the hospitals.

Training for working with the visually impaired, Wales, England

This project was brought to the attention of PG Alternative IMPACT by Robert Lamb, a vice president in the investment solutions Europe team in the London office. This project is run by the University of Wales, Newport, at which Robert Lamb's mother, Eirlys Lamb, is a lecturer specialized in working with the visually impaired. Eirlys Lamb has spent the past 30 years working with visually impaired children in the UK and is professionally employed to oversee education for the visually impaired in Wales.



With the PG Alternative IMPACT contribution, the University of Wales, Newport, will establish a course offering specialist training for working with visual impairment, in the form of an accredited degree. There is a current shortage of rehabilitation workers in all developed countries, which has contributed to a dearth of services available to blind and partially sighted people in the UK. At the same time, the incidence of blindness in the over 50s population has increased markedly, with this demand resulting in an urgent need to provide the appropriate training.

The University of Wales, Newport will be the sole provider of this qualification in Wales, while already offering a successful pioneering course in Mobility and Orientation in Education. Successful students from that course may progress to the new course, thus gaining a qualification to work "from cradle to grave" in this area of need. Partners Group's donation will fund the inception of this project and will enable the University of Wales, Newport to establish an accredited degree course which will then become self-sufficient, sustained by recurring tuition fees. Through this donation, Partners Group supports the launch of an innovative educational initiative which is the only course of its kind in the region. Students are offered the chance to acquire highly utilizable skills which address a true unmet need and thus provide them with the perspective for securing a future career in applying these skills. In addition, the donation offers care to handicapped members of society which are in need of specialized support in their daily activities.

Marathon of marathons

Within the scope of Partners Group's charitable activities, the firm is always on the lookout for new and innovative ways of supporting charitable causes. In 2010, the private markets community celebrated the 2'500th anniversary of the Battle of Marathon and Pheidippides' historic run from Marathon to Athens with 250 members of the private markets communities around the world choosing to run or walk the Athens marathon while targeting to collectively raise EUR 2.5 million to help children around the world. The event was organized by Cambell Lutyens and PEI Media and Partners Group co-founder Urs Wietlisbach was a patron of the race, with a group of Partners Group team members led by Felix Haldner, Partner and Head Investment Structures, amongst the participants.

Of the funds raised, half will be donated to UNICEF while the remaining half will be distributed to a carefully selected small group of charities with a focus on children under the age of 18. The charities selected were all recommended by race participants or by people closely linked to the event and represented a wide geographical focus, tackling a variety of important issues and where it was felt a meaningful difference to the lives and outlook of the children affected could be made.

CORPORATE RESPONSIBILITY

Passion for education

We remain absolutely committed to lending our skills and knowledge to furthering education in young, promising people and feel this contributes to shaping the entrepreneurs of the future. We focus on increasing skills through training, both internally for Partners Group team members as well as externally in cooperation with institutes of higher learning around the world.

In-house education and training take a variety of different forms. The most important training resource is the Partners Group associate program, through which we hire and internally train investment professionals. 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 in a rotating system, thereby allowing them to broaden their skills and to build a strong network within the firm. Participants typically spend 12–24 months in the associate program and complete several rotations during this time before being assigned to a specific team. We additionally run an apprenticeship and internship program for young professionals starting out in their careers as well as supporting the further education of our more senior professionals in pursuing external programs such as the CFA, etc. Finally, we make a strong commitment to coaching team members on all levels on a continuous basis to further their professional and personal development. All Partners and senior professionals of the firm set time aside each week to coach both their teams as well as other employees within the firm, spending several hours per week focused on coaching, with a strong emphasis placed on coaching by feedback as we believe this is an ideal format for providing concrete and constructive suggestions.

In addition, we donate time to furthering education outside Partners Group, and thus uphold a regular dialogue with many of the leading universities (such as Harvard University, University of St Gallen etc.) around the world, cooperating with them with regard to university research or student theses. A number of Partners and other professionals 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 private markets practitioners.

Passion for entrepreneurship

The heart of our daily business is supporting and fostering entrepreneurship. Not only do we devote time and resources to this through the activities in our corporate responsibility program but our investment activities themselves pursue the very same path. In investing across the private markets asset classes, we are directly involved in the development of companies as well as of innovative business ideas and new inventions. Supporting entrepreneurial development can take different forms, and we have been active in many such opportunities. We invest with entrepreneurs just starting their expansion, who are developing new products or conquering new markets and have invested in and supported many entrepreneurial ideas in small and mid cap companies. Our passion for supporting entrepreneurs leads us to devote considerable resources to analyzing the business ideas brought to our attention with the aim of identifying a new idea, a new product, a new technology or a company striving to reach new markets. In 2010, we evaluated close to 1'800 direct investments, many submitted by innovative and highly entrepreneurial companies.

Partners Group has supported dozens of entrepreneurial companies in sectors such as IT or hightech. The firm has accompanied many from the development of their first prototype right up to their IPO with a prime example being ublox, a leading semiconductor provider. An example from a different sector of one of many entrepreneurial companies invested in by Partners Group is Nord Anglia, a global provider of premium quality private education to students in kindergarten through the end of secondary school in Asia, Europe and the Middle East. The company has undergone a transition over the past years and has closed a number of non-core and underperforming schools while growing its business in China and moving into high growth regions such as the Middle East and most recently South East Asia. Partners Group was struck by the entrepreneurial spirit of this company as well as their aim of providing high-quality education to students around the world. Nord Anglia thus not only provided an attractive investment opportunity but was also aligned with Partners Group's corporate responsibility principles and passion for education and entrepreneurship. Nord Anglia currently targets further growth and intends to enter attractive new markets, with in particular a new school in Switzerland amongst their projects. Partners Group actively supports Nord Anglia with its market know-how as well as leveraging its global industry network to aid the company in further growing its business.



APPRAISING AN INFRASTRUCTURE INVESTMENT

Benjamin Haan Private Infrastructure, **Nick ap Simon** Head Dubai, **Michael Barben** Head Private Infrastructure and **Dmitriy Antropov** Private Infrastructure.

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REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

As statutory auditor, we have audited the accompanying consolidated financial statements of Partners Group Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes (pages 29 to 101) for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2010 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 (IFRS) 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 of Shareholders*

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

A handwritten signature in blue ink, appearing to read 'C. Gröbli'.

Christoph Gröbli
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in blue ink, appearing to read 'C. Jaeger'.

Corinne Jaeger
Licensed Audit Expert

Zurich, 1 March 2011

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CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs	Note	2010	2009
Revenues from management and advisory services, net	7	372'552	321'781
Share of results of associates	14	3'650	2'942
Net revenues		376'202	324'723
Third party services	8	- 5'882	- 5'041
Personnel expenses	9	- 97'704	- 73'692
General and administrative expenses		- 14'269	- 12'076
Marketing and representation expenses		- 8'587	- 6'733
Depreciation and amortization	12&13	- 7'624	- 5'342
EBIT		242'136	221'839
Change in fair value of derivatives arising from insurance contracts	27	- 3'436	- 5'580
Net finance income and expense	10	78'328	866
Profit before tax		317'028	217'125
Income tax expense	11	- 20'493	- 12'253
Net profit for the period		296'535	204'872
Attributable to:			
Equity holders of the parent		296'294	204'838
Non-controlling interest		241	34
Basic earnings per share (Swiss francs)	22	11.94	8.29
Diluted earnings per share (Swiss francs)	22	11.21	7.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs	2010	2009
Net profit for the period	296'535	204'872
Other comprehensive income:		
Exchange differences on translating foreign operations	- 29'692	- 1'069
Other comprehensive income for the period	- 29'692	- 1'069
Total comprehensive income for the period	266'843	203'803
Total comprehensive income attributable to:		
Equity holders of the parent	266'602	203'769
Non-controlling interest	241	34

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs	Note	2010	2009
Assets			
Property and equipment	12	7'100	6'247
Intangible assets	13	46'050	55'886
Investments in associates	14	3'902	3'382
Other investments	15	180'480	124'872
Other financial assets	16	88'502	100'638
Employee benefits	26	827	–
Deferred tax assets	17	646	396
Total non-current assets		327'507	291'421
Prepaid expenses, derivative assets and loans	18	141'929	126'444
Trade receivables	18	40'093	38'659
Other receivables	18	2'230	3'705
Marketable securities	19	488	10'170
Cash and cash equivalents	20	226'572	169'682
Total current assets		411'312	348'660
Total assets		738'819	640'081
Equity and liabilities			
Share capital	21	267	267
Own equity instruments		– 283'720	– 234'800
Legal reserves	21	218	218
Other components of equity		854'766	691'983
Equity attributable to equity holders of the parent		571'531	457'668
Non-controlling interest		701	426
Total equity		572'232	458'094
Liabilities			
Employee benefits	26	–	207
Derivatives arising from insurance contracts	27	84'588	96'618
Deferred tax liabilities	17	2'034	–
Other long-term liabilities		194	–
Total non-current liabilities		86'816	96'825
Trade payables		14'797	18'446
Income taxes liabilities		17'649	21'425
Accrued expenses	24	35'212	37'393
Other current liabilities	25	12'113	7'898
Total current liabilities		79'771	85'162
Total liabilities		166'587	181'987
Total equity and liabilities		738'819	640'081

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs								
			Other components of equity					2010
	Share capital	Own equity instruments ¹⁾	Legal reserves (incl. share premium)	Translation reserves	Retained earnings	Total other components of equity	Attributable to equity holders of the parent	Non-controlling interest
								Total
Balance at 1 January 2010	267	-234'800	218	-18'677	710'660	691'983	457'668	426
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners:</i>								
Purchase of treasury shares		-268'095				-	-268'095	
Disposal of treasury shares		218'904			-10'041	-10'041	208'863	
Share-based payment expenses		271			15'234	15'234	15'505	
Tax effect resulting from equity settled transactions					1'771	1'771	1'771	
Minority interest changes					13	13	13	112
Dividends paid to shareholders					-110'796	-110'796	-110'796	-78
Total contributions by and distributions to owners	-	-48'920	-	-	-103'819	-103'819	-152'739	34
Total comprehensive income for the period								
Net profit for the period					296'294	296'294	296'294	241
<i>Other comprehensive income:</i>								
Exchange differences on translating foreign operations				-29'692		-29'692	-29'692	
Total other comprehensive income	-	-	-	-29'692	-	-29'692	-29'692	-
Total comprehensive income for the period	-	-	-	-29'692	296'294	266'602	266'602	241
Balance at 31 December 2010	267	-283'720	218	-48'369	903'135	854'766	571'531	701

1) Own equity instruments include treasury shares and options of the Company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 - CONTINUED

In thousands of Swiss francs								
			Other components of equity					2009
	Share capital	Own equity instruments ¹⁾	Legal reserves (incl. share premium)	Translation reserves	Retained earnings	Total other components of equity	Attributable to equity holders of the parent	Non-controlling interest
								Total
Balance at 1 January 2009	267	- 225'492	218	- 17'608	599'134	581'526	356'519	392
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners:</i>								
Purchase of treasury shares		- 144'020				-	- 144'020	- 144'020
Disposal of treasury shares		134'155			- 1'815	- 1'815	132'340	132'340
Share-based payment expenses		557			10'786	10'786	11'343	11'343
Tax effect resulting from equity settled transactions					3'082	3'082	3'082	3'082
Dividends paid to shareholders					- 105'365	- 105'365	- 105'365	-
Total contributions by and distributions to owners	-	- 9'308	-	-	- 93'312	- 93'312	- 102'620	-
Total comprehensive income for the period								
Net profit for the period					204'838	204'838	204'838	34
<i>Other comprehensive income:</i>								
Exchange differences on translating foreign operations				- 1'069		- 1'069	- 1'069	- 1'069
Total other comprehensive income	-	-	-	- 1'069	-	- 1'069	- 1'069	-
Total comprehensive income for the period	-	-	-	- 1'069	204'838	203'769	203'769	34
Balance at 31 December 2009	267	- 234'800	218	- 18'677	710'660	691'983	457'668	426

1) Own equity instruments include treasury shares and options of the Company.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs	Note	2010	2009
Operating activities			
Net profit for the period		296'535	204'872
Adjustments:			
Share of results of associates	14	- 3'650	- 2'942
Net finance (income) and expense	10	- 78'328	- 866
Income tax expenses	11	20'493	12'253
Depreciation of property and equipment	12	2'936	2'633
Amortization of intangible assets	13	4'688	2'712
Share-based payment expenses	9	15'505	11'343
Change in fair value of derivatives arising from insurance contracts	27	3'436	5'580
Change in fair value of assets held in experience account		- 3'436	- 5'580
Change in pension assets / obligations	26	- 1'034	- 166
Gain / (loss) on derivatives		17'925	- 905
Other non-cash items		124	- 433
Operating cash flow before changes in working capital		275'194	228'501
(Increase) / decrease in prepaid expenses, derivative assets and loans, trade and other receivables		3'389	- 123'240
Increase / (decrease) in trade payables, accrued expenses and other current liabilities		3'284	4'239
Financial expenses (other than interest) paid		- 449	- 262
Cash generated from operations		281'418	109'238
Income tax (paid) / received		- 20'504	1'861
Net cash provided by operating activities		260'914	111'099

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 – CONTINUED

In thousands of Swiss francs	Note	2010	2009
Investing activities			
(Purchase) / disposal of marketable securities		10'774	6'512
Proceeds on disposal of property and equipment		16	44
Purchase of property and equipment	12	- 3'956	- 2'764
Proceeds on disposal of intangible assets	13	-	56
Purchase of intangible assets	13	- 2'393	- 2'147
Proceeds from disposal of other investments	15	4'661	5'750
Purchase of other investments	15	- 54'788	- 32'533
Disposal of subsidiary, net of cash received	5	1'322	-
Investments in assets held in experience account		- 2'736	- 3'986
Change in other financial assets		2'407	2'520
Interest received		16'677	10'241
Dividends received		3'005	4'510
Net cash used in investing activities		- 25'011	- 11'797
Financing activities			
Interest paid	10	- 26	- 36
Proceeds from increase in non-controlling interest		112	-
Dividends paid to non-controlling interest		- 65	-
Dividends paid to shareholders	21	- 110'796	- 105'365
Purchase of own equity instruments		- 268'095	- 144'020
Disposal of own equity instruments		208'863	132'340
Net cash used in financing activities		- 170'007	- 117'081
Net increase / (decrease) in cash and cash equivalents		65'896	- 17'779
Cash and cash equivalents at beginning of the period	20	169'682	186'845
Effect of foreign exchange rate changes		- 9'006	616
Cash and cash equivalents at end of the period	20	226'572	169'682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

1. REPORTING ENTITY

Partners Group Holding AG (the Company) is a company domiciled in Switzerland. The address of the Company's registered office is Zugerstrasse 57, Baar-Zug. The consolidated financial statements for the years ended 31 December 2010 and 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The consolidated financial statements were authorized for issue by the Board of Directors (BoD) on 1 March 2011 and are subject to approval at the annual general meeting of shareholders on 5 May 2011.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The Board of Directors performed an assessment of the risks to which the Group is exposed to at its meeting on 17 November 2010. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 4) as well as reputational 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

2.2 Basis of consolidation

(b) Subsidiaries

Subsidiaries are all 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

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) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Non-controlling interests are shown as a component of equity in the balance sheet and the share of the profit attributable to non-controlling interest is shown as a component of profit of the year in the income statement.

(c) 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 2.11).

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.

(d) Other investments / special purpose entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

2.3 Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2010 are consistent with those of the previous financial year presented in this report, except where new or revised standards were adopted prospectively, as indicated below.

2.3.1 Standards, amendments and interpretations effective in 2010

The following revised standards related to business combinations are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRS 3 (revised), "Business Combinations",
- consequential amendments to IAS 27, "Consolidated and Separate Financial Statements" and
- consequential amendments to IAS 28, "Investments in Associates".

The revised standard has resulted in the following changes:

- acquisition-related costs are expensed as incurred;
- for a business combination in which the Group achieves control without buying all of the equity of the acquiree, the non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets;
- upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognizes a gain or a loss to the income statement; and
- contingent consideration of an acquisition is measured at fair value. Changes are accounted for outside goodwill, in the income statement.

The change in accounting policy has been applied prospectively and has had no material impact on the financial position or result of the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant to the Group (they may have an impact on the accounting for future transactions and events of the Group):

- Improvements to IFRSs (2009)
- IFRIC 16 (amendment), "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17, "Distribution of Non-cash Assets to Owners"
- IFRS 2 (amendments), "Group Cash-settled Share-based Payment Transactions"
- IFRS 5 (amendment), "Non-current Assets Held for Sale and Discontinued Operations"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

Standard / Interpretation		Effective date	Planned application by Partners Group
IFRS 9, "Financial Instruments"	***	1 January 2013	Reporting year 2013
Revised IAS 24 (revised), "Related party disclosures"	**	1 January 2011	Reporting year 2011
IAS 32, (amendment), "Financial Instruments: Presentation" - "Classification of rights issues"	*	1 February 2010	Reporting year 2011
IFRIC 19, "Extinguishing financial liabilities with equity instruments"	*	1 July 2010	Reporting year 2011
IFRIC 14, IAS 19 (amendment), "The limit on a defined benefit asset, minimum funding requirements and their interaction"	*	1 January 2011	Reporting year 2011
Improvements to IFRSs (2010)	**	1 January 2011	Reporting year 2011

* 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

2.4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' gross segment results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment for which discrete financial information is available and to assess its performance.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

(c) 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 are translated to Swiss francs at average rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

Foreign currency translation differences are recognized in other comprehensive income, and presented in the translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When the disposal or partial disposal of a foreign operation results in losing control or significant influence over an entity (i.e. the foreign operation) the cumulative amount in the translation reserve (related to the specific foreign operation) is reclassified to profit or loss as part of gain or loss on disposal.

When the partial disposal of an interest in a subsidiary that includes a foreign operation does not result in a change in control, the relevant proportion of the cumulative amount (in the translation reserve) is re-attributed to non-controlling interest.

When the partial disposal of an interest in an associate that includes a foreign operation results in retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Applied foreign currency rates

The Group applied the following currency rates against Swiss francs:

Year	Currency	Balance sheet rate	Average rate
2010	EUR	1.2507	1.3820
	USD	0.9352	1.0428
	GBP	1.4597	1.6099
	SGD	0.7283	0.7648
2009	EUR	1.4831	1.5098
	USD	1.0349	1.0852
	GBP	1.6711	1.6961
	SGD	0.7366	0.7460

2.6 Accounting for derivative financial instruments and hedging activities

The Group uses derivative financial instruments to economically 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 the present value of the quoted forward price.

2.7 Revenue recognition

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

- 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 25.
- No revenue is recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

2.8 Expenses

(a) Leases

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 total lease expense.

(b) Net finance income and expense

Other finance income / expense, net, comprises interest income on funds invested, dividend income, gains and losses on revaluations of held for trading and fair value through profit or loss instruments, foreign exchange gains and losses, and gains and losses on derivative financial instruments (see note 2.6) that are recognized in the income statement.

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.

2.9 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 directly 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

2.10 Property and equipment

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

- Interior fittings	5–10 years
- Office furniture	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 assets' 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 2.15).

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

2.11 Intangible assets

(a) Goodwill

Goodwill arises upon the acquisition of subsidiaries and is included in intangible assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities (including contingent liabilities) assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

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 2.15).

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(b) Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software recognized as an asset is carried at cost less accumulated amortization and impairment losses (see note 2.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(c) Placing expenses

In the course of its business, the Group selectively uses placement agents to place some of its investment 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) Cost of initial put option

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 (see note 16); nevertheless this additional commitment increased the Group's overall exposure and thus was recognized as additional derivative liability (see note 27). 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 (see note 13 and note 27).

(e) Client contracts

Client contracts, which the Group acquired and are recognized as assets, have a definite useful life. Such intangible assets are carried at cost less accumulated amortization and impairment losses (see note 2.15).

(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 at least annually tested for impairment at the balance sheet date (see note 2.15). Intangible assets with a determinable useful life are amortized from the date they are available for use.

The estimated useful lives are as follows:

- Computer software	3 years
- Placing expenses	3-5 years
- Cost of initial put option	4 years
- Client contracts	3.5 years

2.12 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(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 as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading. 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(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 2.13), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

(c) Recognition and measurement

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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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.

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 values by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances. Regarding further explanations in connection with the determination of fair value please refer to note 4.6.

2.13 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.

2.14 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.

2.15 Impairment of assets

(a) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

2.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(c) Repurchase of share capital and options

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.

2.17 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 obligation.

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.

When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service cost and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(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

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 that the employees unconditionally become 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.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

2.18 Provisions

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

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

2.19 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Income and expenses from discontinued operations are reported separately from income and expenses related to continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is presented separately in the income statement.

Property and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

3. 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 CHF 0.09 million (2009: CHF 3.7 million). The carrying amounts of deferred income tax assets are disclosed in note 17 (see also note 11).

(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 2.11, 13 and 27). As explained, the Group has an exposure to the maximum extent of the value of the assets contained in the corresponding experience account.

When determining the value of its effective exposure (which may be lower than the aforesaid assets), the Group applies a Black-Scholes model. However, as referred to in note 4.6, some of the parameters are subject to estimation and may differ from the final result. For further details refer to note 27.

(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, in which 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 15.

(d) Revenue recognition

The Group describes its policy of revenue recognition in notes 2.7 and 7. Although the application is straight-forward, instances may arise where the Group has to decide whether a revenue should be recognized or not. This mainly relates to performance fees, which are foreseeable, but have not yet been distributed to the Group or are subject to claw-back (see note 2.7). As long as distributed performance fees are under a claw-back provision, they are recognized as deferred income and disclosed separately in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(e) Accounting for share-based payment transactions

In 2010 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 26. 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 has only been listed since 24 March 2006, the expected five year volatility applied for the options granted in 2010 has been estimated by comparing the applicable historic volatility of the Company's stock with the historic volatility of the MSCI World Index ("MXWO"). Based on this comparison the Group applied the respective ratio to the five years historic volatility of the MXWO to derive the respective expected five year volatility of the Company's stock.

Although the options and shares granted imply a service period of 5 years, the Group already as of grant date recognizes 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 26.

(f) Fair value

A significant portion of the Group's assets and liabilities are carried at fair value. The fair value of some of these assets (including "marketable securities") is based on quoted prices in active markets or observable inputs.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumption about risk). These instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

The Group applies control processes to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

These control processes include the review and approval of new investments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

4. FINANCIAL RISK MANAGEMENT

4.1 Overview

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

- credit risk
- liquidity risk
- market risk

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

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group, through its training and 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.

4.2 Credit risk

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

(a) 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.

The Group's counterparties are mostly regulated financial institutions or institutional investors with a high credit quality. In addition the Group periodically reviews the client exposure and concentration. There is no substantial concentration of credit risk.

The Group has never suffered from any material loss from its trade and other receivables; no allowance for individual exposures or a collective loss allowance is currently established.

(b) Other

The Group's other credit risk arises from cash and cash equivalents, derivative financial instruments, loans, other financial assets (represents mainly restricted cash investments) and deposits with banks. The surplus cash (see note 4.3) is transferred to the Group's holding company for cash pooling. For these bank deposits only independently rated parties with a minimum rating of "A" are accepted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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	
	2010	2009 ¹⁾
Other financial assets	88'502	100'638
Loans	116'569	119'088
Trade receivables	40'093	38'659
Other receivables	1'391	3'389
Marketable securities	–	72
Cash and cash equivalents	226'566	169'676
Forward exchange contracts (derivative assets)	22'724	5'279
	495'845	436'801
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Other receivables (VAT etc.)	839	316
Marketable securities (equity securities)	488	10'098
Cash and cash equivalents (petty cash)	6	6
Prepaid expenses	2'636	2'077
<i>Split of trade receivables into counterparty risk categories:</i>		
– invoiced to clients	10'080	12'351
– to be collected by Group through management contracts	30'013	26'308
	40'093	38'659

1) Presentation amended to be consistent with 2010 disclosures

4.3 Liquidity risk

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

In order to assess the development of its liquidity the Group uses a tool which is integrated in the budgeting and reporting process, assisting in monitoring cash flow requirements and optimizing its cash return on investments. Cash flow forecasting is performed on an overall level by the Group. 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. Surplus cash held by the operating entities, over and above the balance required for working capital management, are transferred to the Group's holding company. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts. In addition, the Group maintains the following lines of credit:

- An overall facility of CHF 50 million that can be used as follows:
 - CHF 30 million overdraft facility that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to six months. Interest would be payable at current market rates.
 - CHF 50 million contingent commitments such as security guarantees and deposits.
 - CHF 50 million as margin for over-the-counter trades (used mainly for foreign exchange trading purposes) with a maturity of up to 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

The debt covenants include a negative pledge clause. The debt covenants have been met throughout the current and prior period. The overall facility is currently used for rental deposits and for the margins for forward exchange contracts.

The following are the financial liabilities (including estimated interest) with their expected maturities:

In thousands of Swiss francs						2010
	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Trade payables	14'797	14'797				
Unfunded commitments	72'814		24'271	24'271	24'272	
	87'611	14'797	24'271	24'271	24'272	–
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	12'113	12'113				
Accrued expenses (bonus accruals, deferred income, etc.)	35'212	35'212				
Derivatives arising from insurance contracts	84'588				84'588	

In thousands of Swiss francs						2009 ¹⁾
	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Trade payables	18'446	18'446				
Accrued expenses	202	202				
Unfunded commitments	81'526		20'382	20'382	40'762	
	100'174	18'648	20'382	20'382	40'762	–
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	7'898	7'898				
Accrued expenses	37'191	37'191				
Derivatives arising from insurance contracts	96'618				96'618	

1) Presentation amended to be consistent with 2010 disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

4.4 Market risk

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 BoD.

(a) Currency risk

The Group is exposed to currency risk on revenues, purchases, expenses and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR), but also US Dollar (USD), Sterling (GBP) and Singapore Dollar (SGD).

As a general guidance the Group economically hedges between 50% to 85% of its estimated future foreign currency exposure of the main currencies (i.e. EUR, USD, GBP, and SGD) in respect of forecast revenues, expenses and purchases over the following twelve months. The respective economic hedging ratio for each of the main currencies is reviewed and determined on a quarterly basis. The Group uses forward exchange contracts to economically 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 economically hedge recognized assets and liabilities in foreign currencies.

On a quarterly basis the Group reviews the estimated future foreign currency exposure, which is subject to changes due to the actual development of its revenues and expenses and adjusts its derivative contracts accordingly to reflect the changes in the foreign currency exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

The table below shows the Group's exposure to foreign currency risk (before elimination of intercompany balances, based on the balance sheets in local currencies of all the group entities and without considering the impact of the forward exchange contracts):

In thousands of Swiss francs					2010
	CHF	EUR	USD	GBP	SGD
Other financial assets	-	-	1'373	-	-
Prepaid expenses and loans	-	92'693	23'899	-	-
Trade receivables	338	40'652	6'813	56	-
Other receivables	-	-10'656	12'196	-11'689	-3'507
Cash and cash equivalents	43	3'799	1'605	134	48
Trade payables	-17	-934	-643	-	-
Accrued expenses	-16	-3'566	-472	-	-
Forward exchange contracts		16'080	7'105	-264	-196
Total	348	138'068	51'876	-11'763	-3'655

In thousands of Swiss francs					2009
	CHF	EUR	USD	GBP	SGD
Other financial assets	-	-	1'277	-	-
Prepaid expenses and loans	-	104'517	14'762	71	-
Trade receivables	-	50'735	11'093	206	-
Other receivables	4	-24'137	10'249	9'800	-1'750
Marketable securities	-	72	-	-	-
Cash and cash equivalents	12	9'988	1'199	2'557	9
Trade payables	-311	-3'904	-470	-2	-
Accrued expenses	-	-4'279	-824	-78	-
Forward exchange contracts		2'762	2'592	-51	-24
Total	-295	135'754	39'878	12'503	-1'765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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 7.90% (2009: 5.63%), calculating the corresponding effect).

Volatilities	2010	2009
CHF/EUR	7.90%	5.63%
CHF/USD	10.32%	12.05%
CHF/GBP	10.74%	13.40%
CHF/SGD	9.20%	10.10%
EUR/USD	11.47%	11.73%
EUR/GBP	9.33%	12.05%
EUR/SGD	8.65%	8.39%
USD/GBP	9.75%	13.41%
USD/SGD	5.84%	5.86%
GBP/SGD	8.05%	11.35%
	Profit or loss	
Effect in thousands of CHF	2010	2009
CHF/EUR	- 16'919	- 8'684
CHF/USD	- 10'177	- 11'056
CHF/GBP	- 1'025	1'894
CHF/SGD	342	430
EUR/USD	407	397
EUR/GBP	538	999
USD/GBP	85	458
Total	- 26'749	- 15'562

The above sensitivity analysis is based on the local balance sheet positions in the group entities, but taking into account the forward exchange contracts for the expected future revenue streams in foreign currencies.

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Forward exchange contracts

As of the balance sheet date the Group has no outstanding derivative instruments for which it applied hedge accounting.

While it continues to economically hedge its future revenue streams in foreign currencies the effect of the revaluation of these contracts is directly recognized in profit or loss.

The net fair value of forward exchange contracts at the balance sheet date amounted to CHF 22.7 million with an outstanding volume of CHF 478 million (2009: CHF 5.3 million; volume CHF 393 million).

(b) 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 assets (see note 16). Such cash flows are dependent on changes in short-term market interest rates. Currently, the Group does not manage its cash flow interest rate risk actively.

As of the balance sheet date the Group has not entered into any borrowings with banks.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of Swiss francs	2010	2009 ¹⁾
Variable rate instruments		
Financial assets	311'154	266'295
Financial liabilities	–	–
	311'154	266'295
Fixed rate instruments		
Financial assets	120'483	123'180
Financial liabilities	–	–
	120'483	123'180

1) Presentation amended to be consistent with 2010 disclosures

The Group does not designate 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 as for the previous year.

	Variable rate instruments	
In thousands of Swiss francs	2010	2009
Profit or loss		
50 bp increase	1'556	1'331
50 bp decrease	– 1'556	– 1'331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(c) 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 at fair value through profit or loss. The Group is not exposed to commodity price risk. The majority of such investments are performed under existing investment management contracts whereby the Group invests alongside its investors in the private equity, private debt, private real estate or private infrastructure vehicles managed by the Group.

In assessing the price risk associated with the Group's investments, it applied a volatility ratio to each of its investments classified as marketable securities or other investments. The Group used long-term data (at least 5 years) to assess the volatilities for each asset class. 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			
	2010	Volatility	2009	Volatility
Marketable securities	488	24%	10'098	20%
Other investments:				
– Private equity	111'339	15%	73'912	17%
– Private debt	14'061	8%	12'238	8%
– Private real estate	6'044	13%	2'390	13%
– Other segments	49'036	11%	36'332	6%
Total	180'968		134'970	

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

In thousands of Swiss francs	Profit or loss	
	2010	2009
Marketable securities	118	2'043
Other investments:		
– Private equity	16'998	12'386
– Private debt	1'087	932
– Private real estate	768	319
– Other segments	5'384	2'340
Total	24'355	18'020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

4.5 Capital management

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

The BoD's target is that each employee of the Group holds 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 price. Primarily the shares are intended to be used for issuing shares/covering options under the Group's share and option programs. Buy and sell decisions are made within the limits defined by the Group, however the BoD reviews the transactions quarterly. The Group does not have a defined share buy-back plan; however the annual general meeting of shareholders on 6 May 2010 approved the establishment of a second trading line at the SIX Swiss Exchange for the potential repurchase of up to 10% of the shares of the Company during the three year period to May 2013.

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:

- The Financial Services Authority (FSA) requires that Partners Group (UK) Limited maintained GBP 1.0 million minimum capital as of 31 December 2010 (2009: GBP 0.7 million)
- The Guernsey Financial Services Commission requires that Partners Group (Guernsey) Limited maintained net assets of 25% of annual audited expenditure subject to a minimum of GBP 100'000 (2009: GBP 25'000) and that the other relevant Guernsey based Group entities maintained net assets of 25% of annual audited expenditure subject to a minimum of GBP 10'000 as of 31 December 2010
- Article 1982 of the Law of 10th August 1915 on commercial companies requires that Partners Group (Luxembourg) S.à.r.l., Partners Group Management I S.à.r.l. and Partners Group Management II S.à.r.l. maintain EUR 12'395 minimum corporate capital as of 31 December 2010 (2009: EUR 12'395).

All these capital requirements have been met during 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

4.6 Fair value estimation

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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; these instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

The factors and assumptions for the determination of the fair value of derivatives arising from insurance contracts are described in note 27.

Note that the majority of the Group's financial instruments are included in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs				2010
	Level 1	Level 2	Level 3	Total
Other investments	10'149		170'331	180'480
Marketable securities	488			488
Derivative assets held for risk management		22'724		22'724
	10'637	22'724	170'331	203'692
Derivatives arising from insurance contracts		84'588		84'588
Derivative liabilities held for risk management		-		-
	-	84'588	-	84'588

In thousands of Swiss francs				2009
	Level 1	Level 2	Level 3	Total
Other investments			124'872	124'872
Marketable securities	10'170			10'170
Derivative assets held for risk management		5'279		5'279
	10'170	5'279	124'872	140'321
Derivatives arising from insurance contracts		96'618		96'618
Derivative liabilities held for risk management		-		-
	-	96'618	-	96'618

The Group classifies the majority of the "other investments" as level 3 investments. No other financial instruments are classified as level 3 investments and no other financial instruments have been transferred into or out of level 3 during the reporting period. Therefore please refer to the disclosures in note 15 for reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy as well as the gains and losses that were recognized in profit or loss. All gains and losses on "other investments" are attributable to investments that are held at the end of the reporting period.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3 of the fair value hierarchy, the Group believes that by changing the weighted volatility (as the unobservable input) best reflects the possible effects on profit or loss for the "other investments". Please refer to note 4.4.(c) for the (equity price risk) effects based on the weighted volatility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

4.7 Financial instruments by category

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

In thousands of Swiss francs	2010	2009 ¹⁾
Financial assets		
Financial assets at fair value through profit or loss		
<i>Designated upon initial recognition</i>		
Other investments	180'480	124'872
Other financial assets	84'588	96'618
	265'068	221'490
<i>Held for trading</i>		
Marketable securities	488	10'170
Derivative assets (forward exchange contracts)	22'724	5'279
	23'212	15'449
Loans and receivables		
Trade receivables	40'093	38'659
Other receivables	2'230	3'705
Loans	116'569	119'088
Other financial assets	3'914	4'020
	162'806	165'472
Cash and cash equivalents		
Cash and cash equivalents	226'572	169'682
	226'572	169'682
Total financial assets	677'658	572'093
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivatives arising from insurance contracts	84'588	96'618
	84'588	96'618
Financial liabilities measured at amortized cost		
Trade payables	14'797	18'446
	14'797	18'446
Total financial liabilities	99'385	115'064

1) Presentation amended to be consistent with 2010 disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

5. CHANGES IN SCOPE OF CONSOLIDATION

(a) Incorporation of new Group entities

- On 17 December 2010 the Group incorporated Partners Group Management (Scots) LLP, Scotland. The entity's main purpose is to serve as investment manager/general partner for Scotland based investment vehicles.
- On 1 March 2010 the Group incorporated Alternative Beta Partners AG, Switzerland. The entity's main purpose is to serve as investment manager/adviser for alternative beta strategies and insurance linked securities and absolute return strategies. The Group holds an investment of 55% into the new and fully consolidated group entity.
- On 11 December 2009 the Group incorporated Partners Group US Management LLC, Delaware (USA). The entity's main purpose is to serve as investment manager/general partner for US based investment vehicles.
- On 1 April 2009 the Group incorporated Partners Group Management XI Limited, Guernsey. The entity's main purpose is to serve as investment manager/general partner for Scotland based investment vehicles.

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

(b) Restructurings

No restructurings took place during the reporting period.

(c) Acquisition of subsidiaries

The Group did not acquire additional subsidiaries in 2010 and 2009.

(d) Disposal of subsidiaries

On 5 March 2010 the Group sold Partners Group Fund Services Limited, Guernsey, to a third party for an amount of USD 1.3 million (CHF 1.4 million) in cash plus potential earn-out payments with effect from 1 January 2010. The sale of this previously fully consolidated Group company results in a profit before tax of USD 1.0 million (CHF 1.0 million) in the consolidated financial statements and in proceeds net of cash and cash equivalents of USD 1.3 million (CHF 1.3 million). Partners Group Fund Services Limited achieved a profit of USD 1.1 million (CHF 1.2 million) for the twelve months ended 31 December 2009. As of the effective date, the balance sheet of Partners Group Fund Services Limited consisted of the following items (in thousands of USD):

– Cash and cash equivalents	37
– Other current assets	1'994
– Current liabilities	1'738
– Equity	293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

6. SEGMENT INFORMATION

The chief operating decision-maker (CODM) has been identified as the BoD. The BoD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The BoD considers the business from a business line perspective. This results in an identification of the following operating segments:

- Private equity
- Private debt
- Private real estate
- All other segments

In these business lines the Group services its clientele with investment advisory and management services in the private markets spectrum, comprising structuring and investment advising as relates to investments in third party managed vehicles and direct investments in operating companies or assets, typically alongside specialized managers. In its advisory and management services, the Group offers diversified as well as more focused investment programs as relates to investment styles, industry and geography of the investments in private markets. The majority of the investments are situated in the United States of America, Europe or Asia.

Private equity

Private equity refers to investments made in private – i.e. not publicly traded – companies. Private equity investments are characterized according to financing stage, which refers to the stage of development of a company at the point of investment. Each financing stage carries distinct risk, return and correlation characteristics. Accordingly, each financing stage can play a different role within a diversified private equity portfolio. Partners Group covers the full range of opportunities offered by this type of investment, from investments in venture and growth capital to buyouts and restructuring as well as other special situations opportunities.

Private debt

Private debt refers to debt financing for private – i.e. not publicly traded – corporations or large projects. Private debt allows investors to access investment opportunities that are not available in the public corporate bond market. Partners Group mainly invests in subordinated debt associated with buyout transactions (mezzanine or second lien). Mezzanine directs are a direct infusion of capital into selected companies within the framework of corporate takeovers.

Private real estate

Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. Within this sector, there is a wide range of investment opportunities, from housing complexes and office space to shopping centers and industrial buildings.

All other segments

All other segments include the Group's private infrastructure activities and revenues from affiliated companies with activities in alternative beta strategies and private wealth management activities. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2010 or 2009.

The activities in all operating segments consist of:

- Strategic asset allocation and portfolio management
- Investment management and monitoring
- Risk management
- Reporting and portfolio administration
- Relationship management
- etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

6. SEGMENT INFORMATION (CONTINUED)

The BoD assesses the performance of the operating segments based on a segment result, determined from the allocation of directly attributable revenues and expenses for the respective operating segment. Therefore this result per operating segment does not include allocation of expenses which are not directly attributable, such as overhead and general operating expenses etc. All not directly attributable elements of the income statement are summarized in the "unallocated" column.

Management believes that this reporting is most relevant in evaluating the results of its segments.

The Group discloses no inter-segment transactions, as there are none; consequently no eliminations are necessary.

In thousands of Swiss francs						2010
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	273'006	42'890	35'323	21'333	–	372'552
Share of results of associates	3'650	–	–	–	–	3'650
Net revenues	276'656	42'890	35'323	21'333	–	376'202
Third party services	–428	–	–168	–285	–5'001	–5'882
Personnel expenses	–19'291	–4'256	–5'748	–7'937	–60'472	–97'704
General and administrative expenses	–207	–86	–30	–167	–13'779	–14'269
Marketing and representation expenses	–1'438	–261	–867	–463	–5'558	–8'587
Depreciation and amortization					–7'624	–7'624
Gross segment result	255'292	38'287	28'510	12'481	–92'434	242'136
<i>Reconciliation to income statement:</i>						
Change in fair value of derivatives arising from insurance contracts						–3'436
Net finance income and expense						78'328
Income tax expense						–20'493
Net profit for the period						296'535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

6. SEGMENT INFORMATION (CONTINUED)

In thousands of Swiss francs						2009
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	264'201	27'190	14'001	16'389		321'781
Share of results of associates	2'942	–	–	–	–	2'942
Net revenues	267'143	27'190	14'001	16'389	–	324'723
Third party services	– 880	– 103	– 134	– 2'082	– 1'842	– 5'041
Personnel expenses	– 22'930	– 5'036	– 5'747	– 11'801	– 28'178	– 73'692
General and administrative expenses	– 226	– 118	– 40	– 148	– 11'544	– 12'076
Marketing and representation expenses	– 841	– 222	– 703	– 573	– 4'394	– 6'733
Depreciation and amortization					– 5'342	– 5'342
Gross segment result	242'266	21'711	7'377	1'785	– 51'300	221'839
<i>Reconciliation to income statement:</i>						
Change in fair value of derivatives arising from insurance contracts						– 5'580
Net finance income and expense						866
Income tax expense						– 12'253
Net profit for the period						204'872

As Partners Group pursues a fully integrated investment approach, most professionals engage in assignments across several segments within the private markets asset class. Thus only those few professionals entirely dedicated to a single segment have been allocated to the various segments, leading to the majority of personnel expenses being unallocated. The same applies to third party services, general and administrative expenses, marketing and representation expenses, as well as depreciation and amortization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The segments are managed on a worldwide basis with Guernsey as a general management hub. However, advisory services are provided from Switzerland whereas local offices ensure the access to worldwide markets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location where the respective revenues are accounted for; i.e. in which locations the revenues are shown in the Group's entities' financial statements.

In thousands of Swiss francs	Net revenues	
	2010	2009
Switzerland	161'649	132'671
Guernsey	146'009	160'304
North America	37'102	12'401
Other European countries	15'974	7'952
Rest of world	11'818	8'453
Total revenues from management and advisory services, net	372'552	321'781

No client of the Group is responsible for more than 10% of the Group's revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET

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

Investment management

Typically based on long-term contracts, the Group earns investment management fees for discretionary mandates. The fee is typically based on the commitments by investors into investment structures. The fees are typically payable quarterly in advance. The fees may include a performance-related remuneration. In the process of structuring new products, the Group often receives a fee for its services in connection with establishing 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. Occasionally, the Group also derives transaction fee income relating to corporate finance activities for private market transactions. These fees are usually one-time occurring.

Insurance premiums

The private equity insurance premiums exclusively relate to Pearl Holding Limited where 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 notes 16 and 27).

Revenue deductions

The revenue deductions represent the Group's payments to third parties, who introduce clients to it as well as 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 mostly for fees charged which were earned when investing through a pooling vehicle, in order to avoid double charging of fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET (CONTINUED)

In thousands of Swiss francs	2010	2009
Private equity		
Private equity investment management	315'339	305'747
./.. Revenue deductions	-42'333	-41'546
<i>Net private equity investment management</i>	273'006	264'201
Private equity insurance premiums	21'322	25'527
./.. Insurance fees, where group acts as policyholder only	-21'322	-25'527
<i>Net private equity insurance premiums</i>	-	-
Total revenues from private equity, net	273'006	264'201
Private debt		
Private debt investment management	44'783	33'705
./.. Revenue deductions	-1'893	-6'515
<i>Net private debt investment management</i>	42'890	27'190
Total revenues from private debt, net	42'890	27'190
Private real estate		
Private real estate investment management	45'928	18'579
./.. Revenue deductions	-10'605	-4'578
<i>Net private real estate investment management</i>	35'323	14'001
Total revenues from private real estate, net	35'323	14'001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET (CONTINUED)

In thousands of Swiss francs	2010	2009
Other revenues		
Public markets	–	13'785
./.. Revenue deductions	–	–4'509
<i>Net public markets</i>	–	9'276
Private infrastructure investment management	19'160	4'092
./.. Revenue deductions	–4'253	–536
<i>Net private infrastructure investment management</i>	14'907	3'556
Revenues from affiliated companies	6'097	3'299
./.. Revenue deductions	–447	–252
<i>Net revenues from affiliated companies</i>	5'650	3'047
Other revenues	776	510
Total other revenues, net	21'333	16'389
Revenues from management and advisory services, net	372'552	321'781
Summary		
Total gross revenues	453'405	405'244
./.. Revenue deductions	–59'531	–57'936
./.. Insurance fees, where group acts as policyholder only	–21'322	–25'527
Revenues from management and advisory services, net	372'552	321'781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

8. THIRD PARTY SERVICES

In thousands of Swiss francs	2010	2009
Consulting and legal fees	- 5'204	- 4'384
Sundry third party service expenses	- 678	- 657
Total third party expenses	- 5'882	- 5'041

9. PERSONNEL EXPENSES

In thousands of Swiss francs	2010	2009
Wages and salaries	- 66'462	- 51'751
Retirement schemes – defined contribution plans	- 4'752	- 3'191
Retirement schemes – defined benefit plans	- 1'660	- 1'620
Other social security expenses	- 6'077	- 3'257
Share-based payment expenses	- 15'505	- 11'343
Sundry personnel expenses	- 3'248	- 2'530
Total personnel expenses	- 97'704	- 73'692

In addition to the expense recognized for non-vested shares and share options granted in 2010 (refer to note 26) the Group recognized the following expenses for grants in previous periods as well as expenses for shares granted to employees at start of employment:

In thousands of Swiss francs	2010	2009
Grant 2006	- 1'388	- 1'805
Grant 2007	- 2'527	- 2'811
Grant 2008 (options and non-vested shares)	- 2'507	- 2'771
Grant 2009 (options and non-vested shares)	- 3'512	- 3'735
Grant 2010 (options and non-vested shares)	- 4'797	-
Share grants at start of employment in the respective year	- 774	- 221
Total share-based payments	- 15'505	- 11'343

The average number of employees in 2010 was 404 (2009: 352).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

10. NET FINANCE INCOME AND EXPENSE

In thousands of Swiss francs	2010	2009
Interest income on fair value through profit or loss instruments	16'677	10'241
Net gains / losses on:		
Held for trading instruments	1'092	2'963
Fair value through profit or loss instruments	28'188	-8'679
Net change in fair value of other long-term liabilities	- 11	-
Net foreign exchange gain / (loss)	32'206	- 3'361
Net gain on disposal of subsidiary	1'043	-
Total other finance income / (expense), net	79'195	1'164
Interest expense on financial liabilities	- 26	- 36
Other financial expense	- 841	- 262
Total finance cost	- 867	- 298
Net finance income and expense	78'328	866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

11. INCOME TAX EXPENSE

Recognized in the income statement:

In thousands of Swiss francs	2010	2009
Current tax expense:		
Current year	18'946	13'217
Under / (over)provided in prior years	- 196	- 729
Total current tax expense	18'750	12'488
Deferred tax expense / income:		
Deferred tax expense / income, net relating to the origination and reversal of temporary differences	1'743	- 235
Total income tax expense	20'493	12'253

In thousands of Swiss francs	2010	2009
Profit before tax	317'028	217'125
Weighted average expected Group tax rate	7.61%	5.90%
Expected tax expense	24'124	12'814
Non-tax-deductible expense	434	176
Applicable tax rates differing from expected rate	- 312	-
Utilization of unrecognized tax loss carry-forwards	- 3'610	- 8
Under / (over)provided in prior years	- 196	- 729
Other impacts	53	-
	20'493	12'253

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.

Deferred tax assets and liabilities are disclosed separately in note 17.

The Group regularly reviews the applied transfer pricing model. In 2010 the transfer pricing model was further developed with support from external consultants to reflect the developments in the international OECD guidelines for transfer pricing as well as the growth and changes within the Group. This resulted in slight adjustments to the used model which led to an increased weighted average expected Group tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

12. PROPERTY AND EQUIPMENT

In thousands of Swiss francs				2010
	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost				
Balance at 1 January 2010	4'819	7'259	6'527	18'605
Additions (cash out)	558	777	2'621	3'956
Disposals	–	–	– 354	– 354
Effect of movements in exchange rates	– 137	– 120	– 214	– 471
Balance at 31 December 2010	5'240	7'916	8'580	21'736
Accumulated depreciation				
Balance at 1 January 2010	3'314	3'914	5'130	12'358
Additions	689	914	1'333	2'936
Disposals	–	–	– 338	– 338
Effect of movements in exchange rates	– 93	– 94	– 133	– 320
Balance at 31 December 2010	3'910	4'734	5'992	14'636
Carrying amount				
At 1 January 2010	1'505	3'345	1'397	6'247
At 31 December 2010	1'330	3'182	2'588	7'100
Impairment losses incurred in 2010				nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

12. PROPERTY AND EQUIPMENT (CONTINUED)

In thousands of Swiss francs					2009
	Office furniture	Interior fittings	Equipment and IT fittings	Cars	Total
Cost					
Balance at 1 January 2009	4'459	5'832	5'582	322	16'195
Additions (cash out)	364	1'445	955	–	2'764
Disposals	–7	–	–	–	–7
Removals	–	–	–	–322	–322
Effect of movements in exchange rates	3	–18	–10	–	–25
Balance at 31 December 2009	4'819	7'259	6'527	–	18'605
Accumulated depreciation					
Balance at 1 January 2009	2'692	3'153	3'871	322	10'038
Additions	626	775	1'232	–	2'633
Disposals	–	–	37	–	37
Removals	–	–	–	–322	–322
Effect of movements in exchange rates	–4	–14	–10	–	–28
Balance at 31 December 2009	3'314	3'914	5'130	–	12'358
Carrying amount					
At 1 January 2009	1'767	2'679	1'711	–	6'157
At 31 December 2009	1'505	3'345	1'397	–	6'247
Impairment losses incurred in 2009					nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

13. INTANGIBLE ASSETS

In thousands of Swiss francs

	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing expenses ¹⁾	2010 Total
Cost						
Balance at 1 January 2010	42'200	885	10'315	5'478	10'877	69'755
Additions	–	–	–	1'367	1'026	2'393
Effect of movements in exchange rates	–6'613	–85	–993	–8	–1'110	–8'809
Balance at 31 December 2010	35'587	800	9'322	6'837	10'793	63'339
Accumulated amortization						
Balance at 1 January 2010	–	632	–	4'672	8'565	13'869
Additions	2'458	255	–	713	1'262	4'688
Effect of movements in exchange rates	–234	–87	–	–3	–944	–1'268
Balance at 31 December 2010	2'224	800	–	5'382	8'883	17'289
Carrying amount						
Opening carrying amount	42'200	253	10'315	806	2'312	55'886
Closing carrying amount	33'363	–	9'322	1'455	1'910	46'050
Impairment losses incurred in 2010						nil

1) relating to securing investment management contracts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

13. INTANGIBLE ASSETS (CONTINUED)

In thousands of Swiss francs						2009
	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing expenses ¹⁾	Total
Cost						
Balance at 1 January 2009	42'440	914	10'654	4'798	9'467	68'273
Additions (cash out)	-	-	-	680	1'467	2'147
Effects of movement in FX	-240	-29	-339	-	-57	-665
Balance at 31 December 2009	42'200	885	10'315	5'478	10'877	69'755
Accumulated amortization						
Balance at 1 January 2009	-	391	-	3'969	6'820	11'180
Additions	-	266	-	648	1'798	2'712
Disposals	-	-	-	56	-	56
Effects of movement in FX	-	-25	-	-1	-53	-79
Balance at 31 December 2009	-	632	-	4'672	8'565	13'869
Carrying amount						
At 1 January 2009	42'440	523	10'654	829	2'647	57'093
At 31 December 2009	42'200	253	10'315	806	2'312	55'886
Impairment losses incurred in 2009						nil

1) relating to securing investment management contracts

Initial put option

The cost of the initial put option represents the incremental cost directly attributable to securing the extension of the investment management contract for Pearl Holding Limited (see note 27). The cost of the initial put option is amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014; i.e. the first part of the amortization is recognized in the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

13. INTANGIBLE ASSETS (CONTINUED)

Placing expenses

The Group selectively uses third party placing agents for the distribution of its investment structures (usually limited partnership structures). It is common to compensate such services with a one-off payment dependent 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 note 2.11).

Existing client contracts

In the 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 at the net present value of the intangible asset acquired. It was 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 amount of goodwill has been allocated to the private real estate operating segment.

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 (2011–2015). 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 2011 to 2015.
- General expense as well as third party expense growth was considered at a constant rate of 10% p.a. (2009: 20% p.a.)
- Personnel expense growth was considered at a constant rate of 8% p.a. (2009: constant rate of 25% p.a.) plus additional personnel expenses for additional business revenues (i.e. 30% of additional revenues are expensed as additional personnel expense).
- A pre-tax discount rate of 17.22% (2009: 13.18%) 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 3.45% (2009: 3.84%), adjusted by a market risk premium and 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 2010 AND 2009

14. INVESTMENTS IN ASSOCIATES

In thousands of Swiss francs	Country	Investment at cost	Carrying value	Ownership
LGT Private Equity Advisers, Vaduz	LI	400	3'902	40%

In thousands of Swiss francs	2010	2009
Balance at the beginning of the year	3'382	5'130
Dividends received from investments in associates	- 3'005	- 4'413
Other movements	- 125	- 277
Share of results	3'650	2'942
Balance at the end of the year	3'902	3'382

Summary financial information on associates – 100%:

In thousands of Swiss francs	Total assets	Total liabilities	Equity	Revenues	Profit / (loss)
2010					
LGT Private Equity Advisers, Vaduz	11'311	1'556	9'755	10'593	9'124
2009					
LGT Private Equity Advisers, Vaduz	10'236	1'780	8'456	8'594	7'356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

15. OTHER INVESTMENTS

Other investments comprise investments into investment programs and investments in investment companies.

Investment programs

Investment programs are non-current investment holdings, which may have a long-term or temporary character.

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 investment program 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.

Investments with a temporary character are selected investments that the Group bridges for products, which are currently in the marketing phase and have not yet held a closing; i.e. these products do not yet have sufficient cash available for entering into investments. Such bridged investments typically represent a small portfolio of investment programs and are transferred to the respective product once they have held their closing.

Investments into investment programs are classified as at "fair value through profit or loss" and are measured at fair value (refer to note 2.12).

Investment companies

The Group holds a majority of the shares of a few investment companies managed by the Group; currently Pearl Holding Limited and Partners Group Private Equity Performance Holding Limited. However the Group is not the ultimate beneficial owner of the assets held by these investment 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. These investment company 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 measured at fair value.

In thousands of Swiss francs	2010	2009
Balance at 1 January	124'872	108'869
Additions	54'788	32'533
Disposals	- 4'661	- 5'750
Revaluation to fair value ¹⁾	28'188	- 8'679
Effect of movements in exchange rates	- 22'707	- 2'101
Balance at 31 December	180'480	124'872

1) The revaluation of other investments is included in net finance income and expense (see note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

15. OTHER INVESTMENTS (CONTINUED)

At the relevant balance sheet dates the Group was holding the following investments into investment programs and investments in following segments:

In thousands of Swiss francs	FV 2010	FV 2009
Private Equity	111'339	73'912
Private Debt	14'061	12'238
Private Real Estate	6'044	2'390
Other investments:		
Partners Group managed	37'509	34'667
Third party managed	11'527	1'665
Total other investments	49'036	36'332
Total investments	180'480	124'872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

16. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	2010	2009
Assets held in experience account:		
Restricted cash and cash equivalents	84'588	96'618
Loans to directors and officers of the Group	3'217	3'697
Other financial assets	697	323
Total	88'502	100'638

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:

	2010	2009
Effective interest rate of restricted cash and cash equivalents	0.76%	1.67%

Once the aforesaid convertible bond for Pearl Holding Limited, Guernsey, 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 32). According to SIC 12, the company has to consolidate its beneficial ownership in the experience account. 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 at fair value through profit or loss.

The loans to directors and officers of the Group of CHF 3.2 million (2009: CHF 3.7 million) bear interest at market related interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of expenses for employee benefits (see note 26) in the applicable accounting period in accordance with IFRS 2, 'Share-based Payment', but the tax deduction based on these expenses is not received until the options and non-vested shares are exercised or vested, with the measurement of their tax deduction based on the share price at the date of exercise or vesting. (2010: CHF 0.6 million; 2009: CHF 0.4 million)

Deferred tax 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 (2010: CHF 1.9 million; 2009: CHF nil). The revaluation is included in net finance income and expense (see note 10).

In addition the Group recognizes deferred tax liabilities in connection with its assets arising out of the application of IAS 19. (2010: CHF 0.1 million; 2009: CHF nil)

Development of deferred tax assets and liabilities

In thousands of Swiss francs	2010	2009
Deferred tax assets		
Balance at 1 January	396	188
Additions recognized in the income statement	330	235
Used during reporting period	–	– 23
Effect of movements in exchange rates	– 80	– 4
Balance as of 31 December	646	396
Deferred tax liabilities		
Balance at 1 January	–	–
Additions recognized in the income statement	2'073	–
Effect of movements in exchange rates	– 39	–
Balance as of 31 December	2'034	–

The ultimate parent 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 a tax rate of 0% is applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

17. 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 companies generate a net profit. The analysis of the net operating losses carried forward is as follows:

In thousands of Swiss francs	2010	2009
Tax relevant losses carried forward on 1 January	9'819	7'643
Effect of movements in foreign exchange rates	59	- 281
Additional losses in the current reporting period	2	2'708
Utilized losses carried forward	- 9'306	- 251
Balance as of 31 December	574	9'819

The losses carried forward expire within the following time frame:

In thousands of Swiss francs	2010	2009
5 years	553	-
6 years	-	1'640
11 to 20 years	21	8'179
Total losses carried forward	574	9'819

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 2010 AND 2009

18. PREPAID EXPENSES, DERIVATIVE ASSETS, LOANS, TRADE AND OTHER RECEIVABLES

In thousands of Swiss francs	2010	2009
Derivative assets	22'724	5'279
Other prepaid expenses	2'636	2'077
Current loans	116'569	119'088
Trade receivables	40'093	38'659
Other receivables	2'230	3'705
Total	184'252	168'808

No material allowances were recognized during and at the end of the current and prior year. 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 4.2, as of the balance sheet date the Group can collect 75% (2009: 69%) of the trade receivables based on discretionary management agreements; the remaining 25% (2009: 31%) is invoiced to clients who are mainly major institutional clients. As part of its risk management, the Group has reviewed all the major counterparties with respect to their current credit standing.

"Current loans" includes loans to investment structures. Of the outstanding balance as of 31 December 2010, the majority relates to the following short-term financing:

As of 25 September 2009, one of the Group entities (Partners Group Finance CHF IC Limited, Guernsey) entered into 3-year term loans and revolving facilities available to three investment structures, namely Princess Private Equity Limited, Pearl Holding Limited and Partners Group Global Opportunities Limited. The credit facilities have been arranged by a large international bank and entered alongside other lenders including the arranging bank. Each facility forms part of syndicated term loan and revolving facilities of EUR 170 million in aggregate, which may, subject to certain minimum and maximum limits, be allocated across the three borrowers as per individual demand and as determined by Partners Group AG, in its capacity as allocation agent. The syndicated facilities comprise senior and junior facilities of EUR 85 million each. A borrower may not, fully or partially, repay any amount of its junior facility before its senior facility has been repaid in full. The credit facilities mature on 25 September 2012 unless they are repaid earlier.

The Group participates with a maximum credit amount of EUR 101.3 million being comprised of EUR 69.3 million in the junior facilities and EUR 32 million in the senior facilities. As at the end of the reporting period, the junior facilities of EUR 69.3 million have been drawn.

In relation to the senior facilities, interest on drawn amounts is calculated at a rate of 5% per annum (calculated as a margin of 2.75% on drawn amounts plus a facility fee of 2.25% on the applicable senior facility amount) above the applicable EURIBOR rate. In addition there is a facility fee of 2.25% per annum on the remaining undrawn applicable senior facility amount. The margin on drawn amounts under the junior facility is 8.75% per annum above EURIBOR. No facility fee is due under the junior facilities.

In addition there is a one-off participation fee of 2% of the committed facility amount payable by the borrowers. This one-off participation fee has been received for the junior facilities as well as for EUR 18.8 million of the senior facilities. The facilities are, where applicable, secured, inter alia, by way of pledge of certain assets/investments, shares and bank accounts of the three borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

19. MARKETABLE SECURITIES

In thousands of Swiss francs	2010	2009
Equity securities held for trading	488	10'098
Debt securities held for trading	–	72
Total	488	10'170

20. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	2010	2009
Bank balances	226'566	169'676
Petty cash	6	6
Total	226'572	169'682

21. SHARE CAPITAL AND RESERVES

In effective number of shares	2010	2009
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 (2009: 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 reserves

The legal reserves comprise the reserves which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The Group's legal reserves amounted to CHF 218'100 as of 31 December 2010 (2009: CHF 218'100) consisting of CHF 217'100 (2009: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (2009: CHF 1'000) for capital reserves.

Own equity instruments

Own equity instruments include treasury shares and share options of the Company. They are recognized at cost and presented separately within equity. At the balance sheet date the Group held 1'952'821 (2009: 1'953'389) of the Company's issued shares.

The Group holds treasury shares to provide for shares for existing share and option programs.

Translation reserves

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

21. SHARE CAPITAL AND RESERVES (CONTINUED)

Dividends

After the balance sheet date the Directors proposed a dividend distribution of CHF 133.5 million (CHF 5.00 per share). During the reporting period the Company has paid a dividend of CHF 110.8 million (CHF 4.50 per share) (2009: CHF 105.4 million, CHF 4.25 per share). The Group's treasury shares were not eligible for a dividend payment.

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		2010	
	Shares issued	Treasury shares	Out-standing
Balance as of 1 January 2010	26'700'000	1'953'389	24'746'611
Purchase of treasury shares for cash		1'892'257	- 1'892'257
Sale of treasury shares for cash		- 1'892'825	1'892'825
Balance as of 31 December 2010	26'700'000	1'952'821	24'747'179
Weighted average number of shares outstanding during the period (360 days)			24'811'400
Shareholders above 5% (in % of shares issued)		Shares held	in %
Gantner Alfred		3'790'326	14.20%
Erni Marcel		3'790'326	14.20%
Wietlisbach Urs		3'790'326	14.20%

In effective number of shares		2009	
	Shares issued	Treasury shares	Out-standing
Balance as of 1 January 2009	26'700'000	1'972'246	24'727'754
Purchase of treasury shares for cash		1'328'486	- 1'328'486
Sale of treasury shares for cash		- 1'347'343	1'347'343
Balance as of 31 December 2009	26'700'000	1'953'389	24'746'611
Weighted average number of shares outstanding during the period (360 days)			24'719'999
Shareholders above 5% (in % of shares issued)		Shares held	in %
Gantner Alfred		3'790'326	14.20%
Erni Marcel		3'790'326	14.20%
Wietlisbach Urs		3'790'326	14.20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

22. EARNINGS PER SHARE

	2010	2009
Basic and diluted earnings per share		
Net profit for the period (in thousands of Swiss francs)	296'294	204'838
Weighted average number of ordinary shares outstanding	24'811'400	24'719'999
Average fair value of one ordinary share during the period (in Swiss francs)	154.00	102.80
Weighted average number of shares under option during the period	4'280'478	4'776'497
Weighted exercise price for shares under option during the period (in Swiss francs)	97.00	82.65

		2010
	Per share	Earnings
Net profit for the period (in thousands of Swiss francs)		296'294
Weighted average number of ordinary shares outstanding		24'811'400
Basic earnings per share (in Swiss francs)	11.94	
Weighted average number of shares under option during the period		4'280'478
Number of shares that would have been issued at fair value ¹⁾		- 2'660'227
Diluted earnings per share (in Swiss francs)	11.21	26'431'651
		2009
	Per share	Earnings
Net profit for the period (in thousands of Swiss francs)		204'838
Weighted average number of ordinary shares outstanding		24'719'999
Basic earnings per share (in Swiss francs)	8.29	
Weighted average number of shares under option during the period		4'776'497
Number of shares that would have been issued at fair value ¹⁾		- 3'070'386
Diluted earnings per share (in Swiss francs)	7.75	26'426'110

1) calculated on the basis of each individual share option grant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

23. BORROWINGS

As of the balance sheet date the Group had no borrowings outstanding (2009: nil). For information regarding the Group's exposure to interest rate and foreign currency risk see note 4.4.

24. ACCRUED EXPENSES

In thousands of Swiss francs	2010	2009
Bonus accruals – to be paid out in the following year	22'308	12'380
Third party fees	1'653	16'295
Outstanding invoices	2'952	2'322
Derivative liabilities	–	202
Other accrued expenses	8'299	6'194
Total accrued expenses	35'212	37'393

25. OTHER CURRENT LIABILITIES

In thousands of Swiss francs	2010	2009
Deferred income	1'426	1'691
Social securities and other taxes	8'209	4'509
Other current liabilities	2'478	1'698
Total other current liabilities	12'113	7'898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS

(a) Pension obligations

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.

Balance sheet at 31 December

In thousands of Swiss francs	2010	2009
Fair value of plan assets	29'383	23'596
Present value of benefit obligation	- 32'765	- 28'150
Funded status	- 3'382	- 4'554
Unrecognized actuarial (gain) / loss	4'209	4'347
Net asset / (liability) in balance sheet	827	- 207

Movements in net asset / (liability) recognized in balance sheet

In thousands of Swiss francs	2010	2009
Net liability in balance sheet at 1 January	- 207	- 373
Expense recognized in the income statement	- 1'660	- 1'620
Employer's contributions	2'694	1'786
Net asset / (liability) in balance sheet at 31 December	827	- 207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS (CONTINUED)

Development of obligations and assets

In thousands of Swiss francs	2010	2009
Present value of benefit obligation at 1 January	- 28'150	- 25'829
Service cost	- 2'854	- 2'622
Past service cost	- 214	-
Interest cost	- 915	- 839
Benefits paid	590	326
Actuarial gain / (loss) on benefit obligation	- 1'222	814
Present value of benefit obligation at 31 December	- 32'765	- 28'150

In thousands of Swiss francs	2010	2009
Fair value of plan assets at 1 January	23'596	19'730
Expected return on plan assets	1'180	987
Employer's contributions	2'694	1'786
Employees' contributions	1'259	1'100
Benefits paid	- 590	- 326
Actuarial gain / (loss) on plan assets	1'244	319
Fair value of plan assets at 31 December	29'383	23'596

Expense recognized in income statement

In thousands of Swiss francs	2010	2009
Service cost	- 2'854	- 2'622
Interest cost	- 915	- 839
Expected return on plan assets	1'180	987
Actuarial gain / (loss) outside corridor recognized in year	- 116	- 246
Past service cost recognized in year	- 214	-
Periodic pension cost	- 2'919	- 2'720
Employees' contributions	1'259	1'100
Expense recognized in the income statement	- 1'660	- 1'620

The expense is recognized in personnel expenses (see note 9).

Return

	2010	2009
Actual return on plan assets	6.90%	8.91%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS (CONTINUED)

Principal actuarial assumptions at 31 December

	2010	2009
Discount rate	2.75%	3.25%
Expected net return on plan assets	3.50%	5.00%
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	2010	2009	Expected long-term rate of return	Contribution to rate of return
Cash	5.60%	1.70%	1.00%	0.06%
Bonds	27.30%	40.60%	2.00%	0.55%
Equities	19.40%	29.50%	6.00%	1.16%
Property	0.00%	0.00%	4.00%	0.00%
Other	47.70%	28.20%	5.00%	2.39%
Total	100.00%	100.00%		4.15%
			Cost, rounding	-0.65%
			Net return	3.50%
Entity's own transferable bonds	n/a	n/a		
Entity's own transferable equities	n/a	n/a		
Property occupied by entity	n/a	n/a		
Other assets used by entity	n/a	n/a		

Development of defined benefit pension plans

In thousands of Swiss francs	2010	2009	2008	2007	2006
Fair value of plan assets	29'383	23'596	19'730	17'563	15'400
Present value of benefit obligation	-32'765	-28'150	-25'829	-21'380	-16'969
Funded / (unfunded) status	-3'382	-4'554	-6'099	-3'817	-1'569
Change in assumptions gain / (loss) on plan liabilities	-1'921	-50	-	914	-
Experience gain / (loss) on plan liabilities	699	864	-948	-1'803	1'389
Experience gain / (loss) on plan assets	1'244	319	-4'753	-143	959
Total actuarial gain / (loss)	22	1'133	-5'701	-1'032	2'348

The expected employer's contribution in 2011 amounts to CHF 1.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payments

Options and share grants

The Group started to establish share option programs in 2000. Up until 30 June 2006 the option grants have been vested at grant. Thereafter the Group implemented vesting conditions consisting of a five respectively six year service period. For more junior employees, the Group implemented a new plan with vesting conditions of a two year service period for 35% of the non-vested shares granted in 2010.

Option and non-vested share grants	Grant date	Number of instruments	Vesting conditions	Expiry date
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	24.11.2008	185'960	5 years' service	indefinite
Options	26.11.2009	4'070	none	26.11.2019
Options	26.11.2009	269'880	5 years' service	26.11.2019
Non-vested shares	26.11.2009	134'940	5 years' service	indefinite
Options	17.11.2010	219'450	5 years' service	17.11.2020
Non-vested shares	17.11.2010	90'869	5 years' service	indefinite
Non-vested shares	17.11.2010	18'856	2 years' service	indefinite
Non-vested shares	17.11.2010	10'905	2.3 yrs' service	indefinite
Total options / non-vested shares granted		12'661'324		
Options / non-vested shares expired / forfeited since inception		- 523'148		
Repurchase / redemption of options	2004	- 1'201'500		
Exercised alongside IPO	2006	- 5'493'525		
Exercised	2007	- 160'200		
Exercised	2008	- 56'070		
Exercised	2009	- 53'400		
Exercised	2010	- 426'132		
Net options outstanding as of 31 December 2010		4'747'349		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS (CONTINUED)

In 2010, the Group has further granted 5'330 (2009: 2'885) shares to new employees of the Group. These shares are 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.

Share grants	Date	Number of instruments	Vesting conditions
Shares	2006	13'241	1 year service
Shares	2007	4'812	1 year service
Shares	2008	5'070	1 year service
Shares	2009	2'885	1 year service
Shares	2010	5'330	1 year service

The number and weighted average exercise prices of share options and non-vested shares are as follows:

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
In effective number of options	2010	2010	2009	2009
Outstanding at the beginning of the period	83.58	5'051'479	82.04	4'835'909
Forfeited during the period	105.99	- 218'078	110.65	- 139'920
Exercised during the period	3.91	- 426'132	1.87	- 53'400
Granted during the period - options	209.00	219'450	150.00	273'950
Granted during the period - shares	-	120'630	-	134'940
Outstanding at the end of the period	93.38	4'747'349	83.58	5'051'479
Exercisable at the end of the period		1'602'890		395'160

Of the outstanding 4'747'349 options and non-vested shares under the diverse programs of the Group, 1'602'890 options are exercisable immediately and all other options are subject to a restriction period of at least until 30 June 2011.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

26. EMPLOYEE BENEFITS (CONTINUED)

Fair value of share options and non-vested shares granted in 2010, and related assumptions

	Options	Non-vested shares	Non-vested shares	Non-vested shares
Date of grant	17.11.2010	17.11.2010	17.11.2010	17.11.2010
Fair value per option / non-vested share at measurement date (in CHF)	27.60	174.20	174.20	174.20
Share price (in CHF)	174.20	174.20	174.20	174.20
Exercise price (in CHF)	209.00	–	–	–
Expected volatility	33.90%			
Expected term of execution	5 years			
Expected dividend ratio	3.70%			
Risk-free interest rate (based on Swap rates)	0.89%			
Total options/non-vested shares granted	219'450	90'869	18'856	10'905
Amount to be recognized as service expense (in CHF)	6'056'820	14'246'442	2'956'244	1'709'686
Amount recognized in current year (in CHF)	1'009'470	2'374'407	985'415	427'421
Total amount recognized in current year (in CHF)				4'796'713

As the Company's stock has only been listed since 24 March 2006, the expected five year volatility applied for the options granted in 2010 has been estimated by comparing the applicable historic volatility of the Company's stock with the historic volatility of the MSCI World Index ("MXWO"). Based on this comparison the Group applied the respective ratio to the five years historic volatility of the MXWO to derive the respective expected five year volatility of the Company's stock.

Furthermore in 2010, the Group granted "non-vested shares" together with options. These shares are subject to vesting periods of either two years, two and one-third years, or five years since they were granted.

The Group already as of granting date recognized a sixth of the corresponding amount in the income statement in the year of grant. For the non-vested shares with a service period of 2 years, the Group already as of granting date recognized a third of the corresponding amount in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

27. DERIVATIVES ARISING FROM INSURANCE CONTRACTS

(a) Introduction

Pearl Holding Limited

In 2000, the Group entered into an agreement with Pearl Holding Limited ("Pearl") through its fully consolidated 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.

PML only acts as policyholder and pays certain amounts into an experience account which serves as first-level-coverage in the case of a default of Pearl. The Group's exposure is dependent on the value development of the outstanding portfolio of Pearl and thus is classified as a derivative financial instrument. Given the exposure is limited to the value of the assets contained in the experience account, the Group has no net exposure left anymore relating to the agreement with 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. 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 at the time) 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; but the additional payment was recognized as an additional intangible asset (see note 13) and an additional derivative liability.

(b) Basic assumptions

The derivative is valued applying a Black-Scholes model. The following assumptions have been made for the input parameters of the model:

	2010	2009
Net asset value (in relation to bond notional)	100%	88%
Strike price (in millions)	EUR 712.8	EUR 712.8
Dividend yield	4.42%	5.07%
Risk free interest rate (government bonds)	2.57%	2.44%
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 2010 AND 2009

27. DERIVATIVES ARISING FROM INSURANCE CONTRACTS (CONTINUED)

Share price

The share price reflects 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	2010	2009
Balance at beginning of period	96'618	91'654
Change in fair value	3'436	5'580
Effect of movements in exchange rates	- 15'466	- 616
Balance at end of period	84'588	96'618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

28. OPERATING LEASES

Leases as a lessee

Non-cancelable operating lease rentals are payable as follows:

In thousands of Swiss francs	2010	2009
Less than one year	6'035	3'030
Between one and five years	25'043	15'026
More than five years	11'703	835
Total	42'781	18'891

The Group classifies its office rental liabilities 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.

During the current year CHF 4.3 million was recognized as an expense in the income statement in respect of operating leases (2009: CHF 4.3 million).

29. CAPITAL COMMITMENTS

As of 31 December 2010 the Group had capital commitment contracts for CHF 173.3 million (2009: CHF 165.8 million), whereof CHF 72.8 million (2009: CHF 81.5 million) 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 (see note 15).

As described in note 18, the Group entered into 3-year term loans and revolving facilities with three investment structures. Currently the Group participates with a maximum credit amount of EUR 101.3 million of which EUR 69.3 million have been drawn as at the end of the reporting period. Therefore a further EUR 32.0 million is still available to the three investment structures.

30. CONTINGENCIES

The Group currently has contingent assets resulting from the sale of Partners Group Fund Services Limited, Guernsey, where the transaction price includes potential earn-out payments. Currently the future financial impact cannot be assessed.

The Group currently has no contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

31. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries (see note 32), associates (see note 14), investment companies/vehicles (see note 15 and 16), with its pension funds (see note 26) and with its management and significant shareholders.

Associates purchased services from the Group in the amount of CHF 0.3 million (2009: CHF 0.3 million) and at the balance sheet date associates owed CHF 75'000 to the Group (2009: CHF nil). The Group received dividends of CHF 3.0 million (2009: CHF 4.4 million) from associates.

Loans to directors and officers of the Group amount to CHF 3.2 million (2009: CHF 3.7 million) and are included in "other financial assets" (see note 16).

The Group purchased treasury shares from its shareholders as follows (see also note 21):

In effective number of shares	2010	2009
From shareholders, which are employed by the Group	642'384	411'964
	642'384	411'964
Purchase price per share	CHF 128.57	CHF 118.44

The Group is managed by the Board of Directors of the Company and the Executive Board of the Group. The total personnel expenses for the Board of Directors of the Company as well as the Executive Board of the Group included in personnel expenses (see note 9) amounts to:

In thousands of Swiss francs	2010	2009
Board members of Partners Group Holding AG:		
Short-term employment benefits	1'100	800
Post-employment benefits	143	129
Share-based payment expenses	–	100
	1'243	1'029
Executive Board:		
Short-term employment benefits	6'941	4'415
Post-employment benefits	614	578
Share-based payment expenses	2'247	1'164
	9'802	6'157
Total Board members and Executive Board	11'045	7'186

The Group provides the members of the Board of Directors and the Executive Board who hold investments in Partners Group products with a partial rebate on management fees (i.e. preferential management fee rates are granted). The same conditions apply to all employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

31. RELATED PARTY TRANSACTIONS (CONTINUED)

The Board of Directors of the Company and the Executive Board of the Group can also participate in the Group's share option program (see note 26). At the relevant balance sheet date, they were entitled to the following number of options, non-vested shares and shares:

In effective number of options and non-vested shares	2010	2009
Board members	9'331	9'331
Members of the Executive Board	942'298	942'500
Total	951'629	951'831
Outstanding shares		
In effective number of shares	2010	2009
Board members	11'380'978	11'380'978
Members of the Executive Board	1'381'490	1'709'350
Total	12'762'468	13'090'328

For further information 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 2010 AND 2009

32. GROUP ENTITIES

Name	Country of incorporation	Ownership interest	
		2010	2009
(a) Significant subsidiaries (full consolidation)			
Partners Group AG	Switzerland	100%	100%
Asset Management Partners AG	Switzerland	84%	84%
Alternative Beta Partners AG	Switzerland	55%	n/a
Partners Group (Luxembourg) S.à r.l.	Luxembourg	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	100%	100%
Partners Group Management (Deutschland) GmbH ¹⁾	Germany	100%	100%
Partners Group (Guernsey) Limited	Guernsey	100%	100%
Partners Group Management 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%	100%
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%
Partners Group Management XI Limited	Guernsey	100%	100%
Partners Group Fund Services Limited	Guernsey	n/a	100%
Partners Group Finance ICC Limited	Guernsey	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	100%	100%
Partners Group Finance USD IC Limited	Guernsey	100%	100%
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 Private Equity Management Inc.	Cayman Islands	100%	100%
Partners Group (Scotland) Limited	Scotland	100%	100%
Partners Group Management (Scots) LLP	Scotland	100%	n/a
Partners Group (UK) Limited	UK	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group Real Estate LLC	USA	100%	100%
Partners Group US Management LLC	USA	100%	100%
Partners Group (Singapore) Pte Limited	Singapore	100%	100%
(b) Investments in associates (equity method)			
LGT Private Equity Advisers	Liechtenstein	40%	40%

1) formerly known as: Partners Group (Deutschland) GmbH

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009****33. SUBSEQUENT EVENTS**

No events took place between 31 December 2010 and 1 March 2011 that would require material adjustments to the amounts recognized in these consolidated financial statements.

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

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2. Financial Statements of Partners Group Holding AG

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3. Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December

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



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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

As statutory auditor, we have audited the accompanying financial statements of Partners Group Holding AG, which comprise the balance sheet, income statement and notes (pages 106 to 117) for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

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 of Shareholders*

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

A handwritten signature in blue ink, appearing to read 'C. Gröbli'.

Christoph Gröbli
*Licensed Audit Expert
Auditor in Charge*

A handwritten signature in blue ink, appearing to read 'C. Jaeger'.

Corinne Jaeger
Licensed Audit Expert

Zurich, 1 March 2011

INCOME STATEMENT OF PARTNERS GROUP HOLDING AG FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

In thousands of Swiss francs	2010	2009
Income from financial investments	208'771	235'421
Value adjustments on financial investments	2'292	3'461
Other financial income	11'637	2'147
Total income	222'700	241'029
Personnel expenses	–	– 2
General and administrative expenses	– 635	– 679
Other financial expenses	– 42'524	– 7'920
Profit before taxes	179'541	232'428
Taxes	– 9'051	– 1'207
Net profit for the period	170'490	231'221

BALANCE SHEET OF PARTNERS GROUP HOLDING AG **AS OF 31 DECEMBER 2010 AND 2009**

In thousands of Swiss francs	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents		172'859	163'515
Securities		488	10'170
Treasury shares	3	172'388	169'019
Accounts receivables		70	18
Other receivables:			
– third parties		197	13'332
– group companies		46'922	33'172
Deferred expenses and accrued income		51'062	54'205
Total current assets		443'986	443'431
Non-current assets			
Financial investments:			
– participations	2	342'013	237'296
– loans to employees		3'146	3'664
– other financial assets		5'774	5'645
Total non-current assets		350'933	246'605
Total assets		794'919	690'036
Liabilities and shareholders' equity			
Liabilities			
Other current liabilities:			
– third parties		9'428	581
– group companies		120'226	85'511
Accrued expenses		1'742	115
Total liabilities		131'396	86'207
Shareholders' equity			
Share capital		267	267
General legal reserves:			
– legal reserves		1	218
– legal reserves from capital contributions		217	–
– reserves for treasury shares	3	257'043	206'617
– reserves for options granted		100	100
Available earnings:			
– retained earnings	4	235'405	165'406
– net profit for the period		170'490	231'221
Total shareholders' equity		663'523	603'829
Total liabilities and shareholders' equity		794'919	690'036

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

1. ACCOUNTING PRINCIPLES

These financial statements have been established according to the accounting, presentation and valuation principles of the Swiss Code of Obligations.

2. COMMITMENTS AND CONTINGENT LIABILITIES

In thousands of Swiss francs	2010	2009
Guarantees		
Guarantees for subsidiaries	53'035	30'840

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

3. PARTICIPATIONS

In thousands of currency units	Share capital		Ownership interest	
	2010	2009	2010	2009
Partners Group AG, Baar	CHF 200	CHF 200	100%	100%
Princess Management Limited, Guernsey	USD 600	USD 600	100%	100%
Partners Group (USA) Inc, New York	USD 75	USD 75	100%	100%
Partners Group (Guernsey) Limited, Guernsey	GBP 40	GBP 40	100%	100%
Partners Group (UK) Limited, London	GBP 450	GBP 450	100%	100%
Partners Group (Luxembourg) S.à r.l., Luxembourg	EUR 4'985	EUR 4'985	100%	100%
Partners Group (Singapore) Pte Limited, Singapore	SGD –	SGD –	100%	100%
Pearl Management Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Fund Services Limited, Guernsey	n/a	USD 200	n/a	100%
Penta Management Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Private Equity Management Inc, Cayman Island	USD –	USD –	100%	100%
Partners Private Equity Management Limited, Guernsey	CHF –	CHF –	100%	100%
LGT Private Equity Advisers AG, Vaduz	CHF 1'000	CHF 1'000	40%	40%
Partners Group Private Equity Performance Holding Limited, Guernsey	EUR 10	EUR 10	100%	100%
Pearl Holding Limited, Guernsey	EUR 10	EUR 10	100%	100%
Partners Group Management Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management II Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management III Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management IV Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management V Limited, Guernsey	USD 20	USD 20	100%	100%
Partners Group Management VI Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management VII Limited, Guernsey	USD 20	USD 20	100%	100%
Partners Group Management VIII Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management IX Limited, Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management X Limited, Guernsey	USD 20	USD 20	100%	100%
Partners Group Management XI Limited, Guernsey	USD 28	USD 28	100%	100%
Partners Group Management I S.à r.l., Luxembourg	EUR 31	EUR 31	100%	100%
Partners Group Management II S.à r.l., Luxembourg	EUR 31	EUR 31	100%	100%
Partners Group Management (Deutschland) GmbH, Munich ¹⁾	EUR 25	EUR 25	100%	100%
Partners Group Finance ICC Limited, Guernsey	CHF –	CHF –	100%	100%
Asset Management Partners AG, Baar	CHF 200	CHF 200	84%	84%
Alternative Beta Partners AG, Baar	CHF 100	n/a	55%	n/a

1) formerly known as: Partners Group (Deutschland) GmbH

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

4. NUMBER OF TREASURY SHARES AS OF 31 DECEMBER

	Number of shares	Average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2009	2'044'446		
Purchase of treasury shares for cash	1'328'486	108.41	144'020
Exercised options	-80'100	11.23	-900
Sale of treasury shares for cash	-1'339'443	101.74	-136'277
Balance as of 31 December 2009	1'953'389		
Purchase of treasury shares for cash	1'876'385	142.88	268'095
Shares forfeited during the period	15'872	77.86	1'236
Shares granted during the period	-118'037	161.93	-19'114
Exercised options	-399'432	2.54	-1'016
Sale of treasury shares for cash	-1'375'356	151.12	-207'848
Balance as of 31 December 2010	1'952'821		

The shares are valued at the lower of transactions or market price. The average value per share amounts to CHF 88.28 (31 December 2009: CHF 86.53).

The company has 4'747'349 (31 December 2009: 5'051'479) outstanding employee options (including non-vested shares) which will vest over the next 10 years (see also note 26 of the consolidated financial statements).

5. RETAINED EARNINGS

In thousands of Swiss francs	2010	2009
Balance as of 1 January	165'406	43'694
Allocation of previous year's result	231'221	215'237
Payment of dividend	-110'796	-105'365
Net treasury shares bought in period / reallocation to reserve for treasury shares	-50'426	11'840
Balance as of 31 December	235'405	165'406

6. GENERAL LEGAL RESERVES

Due to new regulations, Partners Group Holding AG split the legal reserves into legal reserves of CHF 1'000 and legal reserves from capital contributions of CHF 217'100 as of 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

7. CONDITIONAL CAPITAL

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

	2010	2009
Number of registered shares	4'005'000	4'005'000
Par value (in Swiss francs)	40'050	40'050

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

	2010	2009
Gantner Alfred	14.20%	14.20%
Erni Marcel	14.20%	14.20%
Wietlisbach Urs	14.20%	14.20%

**NOTES TO THE FINANCIAL STATEMENTS
OF PARTNERS GROUP HOLDING AG****9. RISK ASSESSMENT DISCLOSURE IN ACCORDANCE WITH ART.
663B PAR. 12 SWISS CODE OF OBLIGATIONS**

The Board of Directors performed an assessment of the risks to which Partners Group Holding AG is exposed to at its meeting on 17 November 2010. The risk management covers in particular the strategic and business risks, operational risks, financial risks as well as reputational 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

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

In thousands of Swiss francs					2010
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/ shares	Total ⁴⁾
Board of Directors					
Gantner Alfred, Executive Chairman	300	–	36	–	336
Erni Marcel, Executive Vice Chairman	300	–	43	–	343
Wietlisbach Urs, Executive Vice Chairman	300	–	44	–	344
Fehring Ulrich	50	–	2	–	52
Wuffli Peter	100	–	14	–	114
Zürcher Wolfgang	50	–	4	–	54
Total Board of Directors	1'100	–	143	–	1'243
Executive Board					
Meister Steffen, Chief Executive Officer	270	630	71	344	1'315
Wenger Jürg, Chief Operating Officer	270	330	51	–	651
Wipfli Cyrill, Chief Financial Officer	220	230	41	229	720
Alsterlind Pamela	261	365	26	871 ³⁾	1'523
Biner Rene	250	350	45	–	645
Birchler Kurt	270	330	44	–	644
Gysler Philipp ²⁾	250	350	109	–	709
Haldner Felix	270	380	67	344	1'061
Näf Stefan	270	430	64	459	1'223
Schäli Stephan	270	430	48	–	748
Trommsdorff Tilman	270	245	48	–	563
Total Executive Board	2'871	4'070	614	2'247	9'802

1) Amounts include payments by the Group for pension and other benefits

2) Member of Executive Board until 30 September 2010

3) Not provided under the regular equity incentive system within the annual compensation of 2010 but in conjunction with the acquisition of PCA Real Estate Asset Management LLC as of 1 July 2007

4) Amounts include payments of all Group entities

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

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

In thousands of Swiss francs					2009
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/ shares	Total
Board of Directors					
Gantner Alfred, Executive Chairman	250	–	87	–	337
Erni Marcel, Executive Vice Chairman	250	–	55	–	305
Wietlisbach Urs, Executive Vice Chairman	250	–	92	–	342
Fehring Ulrich	50	–	2	–	52
Wuffli Peter	–	–	–	50	50
Zürcher Wolfgang	–	–	–	50	50
Total Board of Directors	800	–	236	100	1'136
Executive Board					
Meister Steffen, Chief Executive Officer	263	387	45	–	695
Wenger Jürg, Chief Operating Officer	270	210	59	–	539
Birchler Kurt, Chief Financial Officer	270	180	64	291	805
Biner Rene	250	190	59	291	790
Gysler Philipp	250	250	112	–	612
Haldner Felix	250	250	59	–	559
Näf Stefan	270	205	62	291	828
Schäli Stephan	270	230	64	291	855
Trommsdorff Tilman	270	150	54	–	474
Total Executive Board	2'363	2'052	578	1'164	6'157

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

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

Number of shares / options held as of 31 December 2010			2010
	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	3'790'326	–	–
Erni Marcel, Executive Vice Chairman	3'790'326	–	–
Wietlisbach Urs, Executive Vice Chairman	3'790'326	–	–
Fehring Ulrich	2'500	–	3'288
Wuffli Peter	6'000	–	2'035
Zürcher Wolfgang	1'500	–	4'008
Executive Board			
Meister Steffen, Chief Executive Officer	467'250	7'900	188'800
Wenger Jürg, Chief Operating Officer	160'000	1'600	33'100
Wipfli Cyrill, Chief Financial Officer	13'450	5'200	66'900
Alsterlind Pamela	1'540	9'998	52'200
Biner Rene	61'200	5'000	99'800
Birchler Kurt	40'000	1'800	83'700
Haldner Felix	347'100	4'700	95'900
Näf Stefan	66'750	8'600	136'900
Schäli Stephan	144'200	5'800	99'700
Trommsdorff Tilman	80'000	1'600	33'100
Total	12'762'468	52'198	899'431

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

11. MANAGEMENT SHARE OWNERSHIP IN ACCORDANCE WITH ART. 663C SWISS CODE OF OBLIGATIONS (CONTINUED)

Number of shares / options held as of 31 December 2009			2009
	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	3'790'326	–	–
Erni Marcel, Executive Vice Chairman	3'790'326	–	–
Wietlisbach Urs, Executive Vice Chairman	3'790'326	–	–
Fehring Ulrich	2'500	–	3'288
Wuffli Peter	6'000	–	2'035
Zürcher Wolfgang	1'500	–	4'008
Executive Board			
Meister Steffen, Chief Executive Officer	534'000	6'400	185'800
Wenger Jürg, Chief Operating Officer	168'900	1'600	33'100
Birchler Kurt, Chief Financial Officer	121'300	1'800	83'700
Biner Rene	66'200	5'000	99'800
Gysler Philipp	152'500	3'200	92'900
Haldner Felix	347'100	3'200	92'900
Näf Stefan	13'350	6'600	186'300
Schäli Stephan	196'000	5'800	99'700
Trommsdorff Tilman	110'000	1'600	33'100
Total	13'090'328	35'200	916'631

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	2010	2009
Profit for the year	170'490	231'221
Retained earnings	235'405	165'406
Available earnings	405'895	396'627
Proposal by the Board of Directors to the General Meeting:		
To be distributed to shareholders	- 133'500	- 110'796
To be carried forward	272'395	285'831



IN SEARCH OF INVESTMENT OPPORTUNITIES AROUND THE WORLD

Rene Biner Head Private Finance, **Juri Jenkner** Head London and **Manuel Martiny** Investment Solutions Germany.

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" issued by economiesuisse 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.

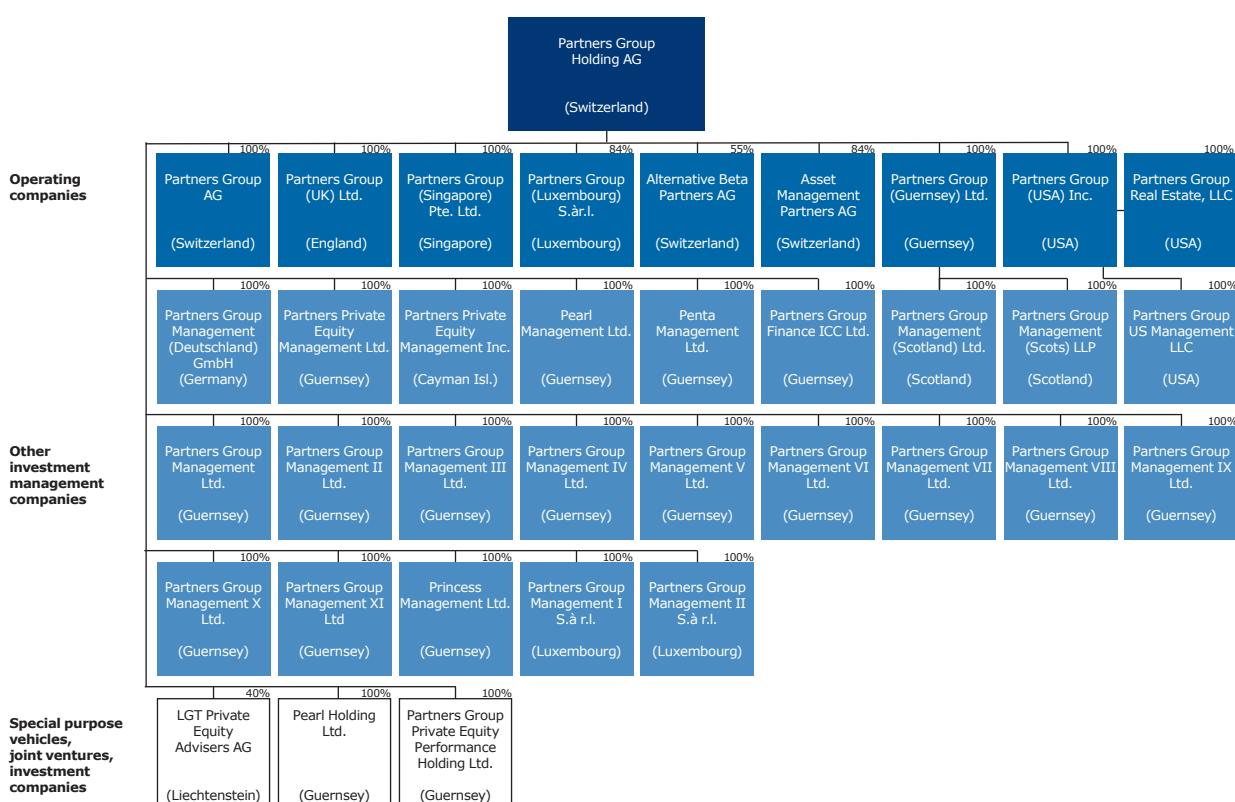
1. Group structure and shareholders

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 2010.

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 and ISIN number CH0024608827. The market capitalization of



CORPORATE GOVERNANCE

the company as of 31 December 2010 is CHF 4.7 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 32 to the consolidated financial statements and note 3 to the financial statements of Partners Group Holding AG in the annual report 2010.

1.2 Significant shareholders

Partners Group Holding has three shareholders holding over 3% of the shares and voting rights of the company as of 31 December 2010. Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach each hold 3'790'326 shares, corresponding to 14.20% of the total share capital each. At year-end Partners Group Holding held 1'952'821 treasury shares, corresponding to 7.31% of the total share capital.

During the reporting year, a group of shareholders composed of Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach along with 26 other Partners of Partners Group owning 17.68% of the total share capital as of 24 March 2009 was dissolved for administrative reasons on 18 June 2010. This group was formed at the time of the IPO of Partners Group and has now been substituted with all involved signing a non-compete agreement which expires at the end of March 2013.

In addition, William Blair & Company LLC, 222 W Adams, Chicago IL 60606, USA disclosed an acquisition of shares resulting in a shareholding of 801'519 shares, corresponding to 3.0019% of the total share capital, on 22 January 2010. On 22 July 2010, William Blair disclosed a sale of shares resulting in a shareholding of 624'856 shares, corresponding to 2.34% of the total share capital.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2010 can be found on the SIX Swiss Exchange homepage:

http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

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.

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 and/or hold 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 26 (b) to the consolidated financial statements in the annual report 2010 for comprehensive information on the employee shares and options. In order to be able to cover all outstanding options at any point in time, even on a fully diluted basis, 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 all details of the terms of any issue of conditional capital, such as each amount of issue, date of dividend entitlement, and kind of contributions, and will establish the related equity investment plan. 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.

Partners Group has disclosed all details of its option plan according to art. 20 SESTA on the SIX Swiss Exchange: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

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2.3 Changes in capital

Apart from the 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. The shares have been issued in form of book-entry securities. 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 to call and to attend shareholders' meetings, may be exercised only after a shareholder has been registered in the share register of Partners Group Holding as a shareholder with voting rights. Such registration requires the approval of the board of 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 in-

heritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be canceled 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 and/or hold 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 26 (b) to the consolidated financial statements in the annual report 2010 for comprehensive information on the employee shares and options.

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

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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	2013	Swiss	42	RAC, NCC, BDC ²	Director, Executive Chairman
Dr. Marcel Erni	1997	2011	Swiss	45	BDC	Director, Executive Vice Chairman
Urs Wietlisbach	1997	2012	Swiss	49	BDC	Director, Executive Vice Chairman
Ulrich Fehring	1998	2011	German	69	NCC ²	Director
Dr. Peter Wuffli	2009	2013	Swiss	53	RAC ²	Director
Dr. Wolfgang Zürcher	2005	2012	Swiss	46	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

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 2010, 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 mandates as member of the board of IHAG Holding AG, Zurich, and Perennius Capital, Milan, 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 co-founder of Partners Group and serves as the firm's Executive Chairman, leading the business strategy and corporate development of the firm. He is chairman of the business development committee and a member of the global portfolio investment committee and the private infrastructure investment committee. 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 from the Marriott School of Management at Brigham Young University.



Dr. Marcel Erni is a co-founder of Partners Group and serves as Executive Vice Chairman, having responsibility for the firm's investment strategy and development. He is a member of the business development committee and the global portfolio investment committee. He is also a member of the private equity Asia, MENA and emerging markets investment committee, the private equity North America investment committee and the private equity directs investment committee, as well as of the private real estate investment committee. Prior to founding Partners Group, he was a banker at Goldman Sachs & Co. and a



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management consultant at McKinsey & Co. He is a member of the board of directors of IHAG Holding AG, Zurich and of Perennius Capital, Milan. He holds an MBA from the University of Chicago and a PhD and master's degree in finance and banking from the University of St. Gallen (HSG).

Urs Wietlisbach is a co-founder of Partners Group and serves as an Executive Vice Chairman, having responsibility for the international business development of the firm. He is a member of the business development committee, the global portfolio investment committee as well as the private equity Asia, MENA and emerging markets investment committee and the private debt investment committee. He was initially responsible for the firm's partnership investment activities and was 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 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. 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 a board mandate (Aufsichtsratsvorsitzender) with LUPUS alpha KaG, Frankfurt (asset management firm). Mr. Fehring holds a commercial apprenticeship degree. Apart from his advisory capacity and function at Partners Group (Deutschland) GmbH as mentioned above, neither Mr. Fehring nor any of his close family members have ever been members of the senior management of Partners



Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Mr. Fehring does not exercise any official functions or hold a political post. Mr. Fehring does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Dr. Peter Wuffli has been a member of the board of directors of Partners Group since 2009 and is chairman of the risk and audit committee. Dr. Wuffli holds mandates in various other organizations. He chairs the philanthropic elea Foundation for Ethics in Globalization that he established together with his wife in 2006. He is also the designated chairman (as of 1 April 2011) of the board of the International Institute of Management Development IMD in Lausanne/Switzerland and vice chairman of the Zurich Opera House. Peter Wuffli studied economics at the University of St. Gallen where he gained his PhD in 1984. From 1984 to 1993 he worked for McKinsey & Company as a management consultant where he became a Partner and member of the Swiss office leadership team in 1990. In 1994 he joined the Swiss Bank Corporation (today UBS) as Chief Financial Officer. Following the merger of the Swiss Bank Corporation and the Union Bank of Switzerland in 1998, he continued to serve as Chief Financial Officer until 1999 when he became Chairman and CEO of UBS Global Asset Management. From 2001 he was President and from 2003 onwards Group CEO of UBS until his resignation in 2007. Neither Dr. Wuffli 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. Wuffli 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, LL.M. 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 & Völi, Attorneys-at-Law. He advises national and international clients with respect to mergers and acquisitions, capital mar-



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

3.2 Elections and terms of office

The board of directors consists of at least three members, all of which are elected individually (staggered renewal) by the shareholders' meeting, usually for a term of three years, unless the shareholders' meeting establishes different terms of office for individual members. The year of first appointment to the board of directors and the expiry of the current term of each member are listed in the table 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 for the management of the company and of its subsidiaries pursuant to article 716b of the Swiss Code of Obligations, 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 2010, four meetings were held, which each lasted approximately three hours. The external auditors attended one meeting of the board of directors in 2010. 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 2010, the members of the risk and audit committee were Dr. Peter Wuffli (chair), Mr. Alfred Gantner and Dr. Wolfgang Zürcher. The risk and audit committee held four meetings in 2010, 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 2010. 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-

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ing: (i) the composition of the board of directors and (ii) the remuneration policy and strategy for directors and personnel. As of 31 December 2010, 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 2010 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 of guidelines and practices. The business development committee instructs and directs the executive board on these issues and their implementation. As of 31 December 2010, the members of the business development committee were Messrs. Alfred Gantner (chair), Urs Wietlisbach and Dr. Marcel Erni. The chief executive officer, chief financial 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-

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;
5. filing of lawsuits within the limits established, 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 to 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.

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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 chief executive officer, chief financial officer and chief operating officer are in a regular 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.

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 regulatory obligations of the group entities as well as products and mandates.

3.5.1 Group risk management

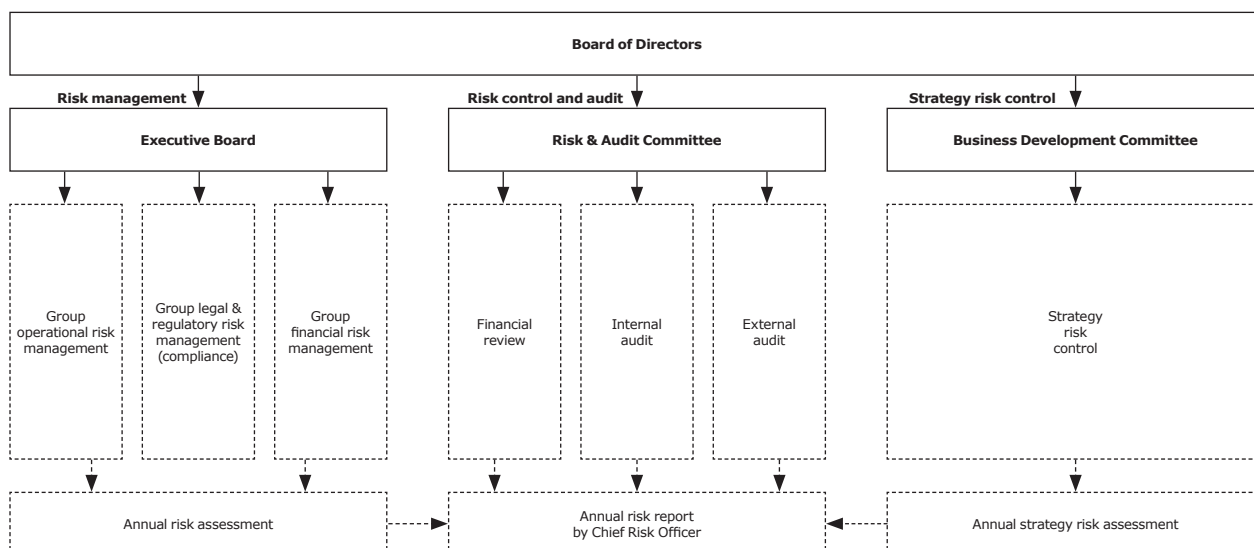
Partners Group Holding is aware that the proper assessment and control of risks are critical for the continued success of the company. The board of directors holds the ultimate responsibility for the establishment of a framework relating to the group risk management, which comprises the following elements, (i) risk management, (ii) risk control and audit, and (iii) strategy risk control. The overall risk management of Partners Group Holding is illustrated below.

3.5.1.1 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.



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Internal audit supports the board of directors, the risk and audit committee and the executive board of the company in their supervisory and risk management tasks. In doing so, internal audit provides an independent view based on objective analysis regarding material risks and quality issues at Partners Group, and it develops and suggests recommendations for improvement. Internal audit reports to the chairman of the board of directors and works closely with the chairman of the risk and audit committee as well as the chief executive officer, chief financial officer and chief operating officer. The scope, responsibilities, tasks and priorities of internal audit are regularly discussed with and approved by the risk and audit committee. Audit findings will be reported in a standard format together with the comments of the responsible line management. Appropriate measures for avoiding or mitigating risks will be suggested to management. A systematic process tracks the timely resolution of audit issues, measures and action plans.

3.5.1.3 Strategy risk control

The business development committee of 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, chief financial officer and chief operating officer on a monthly basis and to the board of directors on a quarterly basis while ad hoc reports can be generated as needed.

3.5.3 Conflict resolution

Partners Group strives to avoid situations that result in conflicts of interest. However, in certain situations conflicts cannot be avoided and for such instances the conflict resolution board has been appointed by the group companies as the governing committee for handling all conflicts of interest within the group. The members of the conflict resolution board are the executive chairman (chair), the chief executive officer, the chief financial officer and the general counsel.

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

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	40	Chief Executive Officer
Pam Alsterlind	2007	American	47	Co-Head Private Real Estate
René Biner	1999	Swiss	40	Head Private Finance
Kurt Birchler	1997	Swiss	42	Head Product Operations
Felix Haldner	2001	Swiss	47	Head Investment Structures
Stefan Näf	2000	Swiss	37	Co-Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	42	Head Private Equity
Tilman Trommsdorff	1999	Swiss	47	Head Portfolio & Risk Management
Jürg Wenger	1999	Swiss	51	Chief Operating Officer
Dr. Cyrill Wipfli	2002	Swiss	37	Chief Financial Officer

4. Executive board

4.1 Members of the executive board

As mentioned in section 3.4 above, 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 otherwise defined in section 3.4. The general counsel attends executive board meetings and takes an advisory role in order to ensure the compliance with all legal and regulatory requirements.

Steffen Meister is a Partner, Chief Executive Officer (CEO) of Partners Group and leads the executive board. He is a non-voting member of the business development committee, as well as a member of the global portfolio investment committee and of the private equity secondaries investment 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. Prior to joining Partners Group, he spent five years at Credit Suisse Financial Products (CSFP) in London and Zurich, where 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.



Pam Alsterlind is a Partner, co-head of the private real estate business department and a member of the executive board and the private real estate investment committee. She is responsible for the day-to-day operations of the private real estate investment team, and also oversees the real estate investment activities in the Asia-Pacific region. Prior to joining Partners Group in the San Francisco office, she was a Managing Director serving key clients in all aspects of real estate investing, and acting as Chief Operating Officer for real estate at Pension Consulting Alliance, a global leader in real estate asset management. Previously, she was a Senior Manager in the real estate consulting practice at Kenneth Leventhal & Company, and its successor, Ernst & Young, LLP, as well as an investment manager for Prudential Realty Group in Boston and involved in all aspects of managing a large real estate portfolio. She holds an MBA in finance and marketing from the University of Michigan.



René Biner is a Partner, head of the private finance business department and a member of the executive board and the global portfolio investment committee. He is chairman of the private debt investment committee and also a member of the private infrastructure investment committee. He previously worked on private equity direct investments and transactions before taking on responsibility for partnership investments in Europe and later, relocating



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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, co-head of the product operations business department and a member of the executive board. He joined the firm shortly after its inception. In his previous 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.



Felix Haldner is a Partner, head of the investment structures business 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 business department and a member of the executive board. The investment solutions team is globally responsible for 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 equity business department and a member of the executive board. He is chairman of the global portfolio investment committee and the private equity secondaries investment committee. In addition, he is a member of the private equity North America 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 PhD and master's degree in business administration from the University of St. Gallen (HSG).



Tilman Trommsdorff is a Partner, head of the portfolio & risk management business department and a member of the executive board. He is chairman of the portfolio management committee and a member of the global portfolio investment committee. He started his career at Partners Group in the private equity team with responsibilities in buyout partnerships selection. Subsequently, he had 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 Finance Institute in Zurich.



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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.



Dr. Cyrill Wipfli is a Partner, chief financial officer, a member of the executive board and a non-voting member of the business development committee, and is head of the communications (investor relations and public relations) team. Previously, he was a member of the private equity team, concentrating on investment due diligence for venture, buyout and mezzanine investments, followed by an assignment focused on strategic development activities within the markets department. Prior to joining Partners Group, he was a consultant at McKinsey & Co. and a financial analyst at Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation. He holds a doctorate in finance and banking from the University of St. Gallen (HSG).



4.2 Other activities and vested interests

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.

4.3 Management contracts

Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group.

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5. Compensation, shareholdings and loans

5.1 Overall compensation approach

The compensation for all employees of the firm is based on overall compensation guidelines set out by the board of directors, and is focused on ensuring team members retain a long-term perspective. Shares and/or options are granted to all employees of the company, though not every year, thereby placing a strong emphasis on the company's long-term success and further incentivizing all team members to participate in delivering superior performance to clients and strong results to shareholders. We believe our employees consider our reward structures fair and attractive, which is essential in ensuring Partners Group can continue to attract and retain talent.

Partners Group's compensation structure for senior management is focused on ensuring the alignment of long-term value creation interests between clients, shareholders and senior management. The bulk of the financial incentivization for the firm's senior management results from equity participation programs that can provide capital gains in the case of a long-term share price increase as a result of future investment success with clients. In addition, a large part of the annual total financial consideration of senior management is based on dividend payments resulting from significant existing shareholdings in the company. Within this philosophy, Partners Group pays a total compensation which includes the following individual components: (i) base salary, (ii) additional employee benefits (pension fund, expense allowance etc.) (iii) variable bonus payment and (iv) equity participation program.

In defining the total compensation awarded to any member of the board of directors or the executive board, no set formula is applied but rather the compensation is at the full discretion of the board. In the interests of disclosure the firm strives to describe the compensation process in as detailed a manner as possible. A number of factors are taken into consideration which are however not mechanically weighted and also not necessarily included in compensation deliberations for each individual. These include but are not limited to (i) the development of the company's year-end EBITDA as compared to the previous years, (ii) the amount of performance fee generated during the financial year under review and (iii) the successful implementation of Partners Group's cost conscious

operations, carefully balanced with (iv) a detailed and thorough review of the respective individual, department and company achievements for the year.

5.2. Decision process for defining compensation paid to the members of the board of directors and of the executive board

The compensation of the members of the board of directors and of the executive board is set by the board of directors, which is advised in these matters by the nomination and compensation committee. Please also see section 3.3 for further information regarding the nomination and compensation committee.

At its annual meeting, the nomination and compensation committee discusses the group's general compensation guidelines for the current year and the salary policy for the coming year and provides a proposal to the board of directors for approval. After having set this framework of the overall compensation strategy for the current year's bonus and equity incentives and the coming year's fixed annual salary, the proposed compensation for the members of the board of directors and of the executive board is reviewed individually in a second step. 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. Additionally, important decisions such as senior management promotions are approved by the full board of directors.

5.3. Compensation for members of the board of directors

The compensation of the members of the board of directors has been set at the full discretion of the board. The basic remuneration of the 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. Board members may receive a higher annual compensation should they be assigned additional tasks and responsibilities. Any compensation above CHF 50'000 awarded to a board member is again at the full discretion of the board, advised by the nomination and compensation committee.

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The chairman of the risk and audit committee receives an additional fixed salary of CHF 50'000 with no variable component, with his total compensation thus amounting to CHF 100'000. This has been awarded at the board's discretion to reflect the workload stemming from the additional responsibilities in this position.

The executive members of the board of directors receive an additional annual fixed compensation of CHF 250'000 with no variable component, resulting in a total overall compensation of CHF 300'000. This additional element stems from their role as executives at Partners Group contributing to the firm's success on a daily basis and has been set on a discretionary basis. As co-founders of Partners Group, all three executive members of the board of directors hold significant shareholdings in the company. This compensation structure further underlines the commitment of the executive members of the board of directors to focus on long-term value creation for shareholders and clients.

5.4. Compensation for members of the executive board

The compensation of the members of the executive board has been set at the full discretion of the board of directors.

The annual remuneration of the members of the executive board is proposed by the nomination and compensation committee and approved by the board of directors. The 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, which are typically awarded to each individual member of the executive board every two to three years. The variable portion is performance-based and approved at the board's absolute discretion. The members of the executive board were selectively granted stocks and options in the employee participation plan during the reporting year. Please see note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2010 for a complete overview of the compensation paid to the members of the executive board in 2010. The ratio of the executive board's variable component (cash bonus, equity incentives and other compensation) compared to the base compensation ranged from 109% to 387% in the reporting year (2009: 76% to 217%). The alignment of interests with clients and 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 their significant shareholdings in the firm.

5.5. Equity participation program

Partners Group options are awarded free of charge and out of the money (typically 20%) and both these as well as shares awarded are subject to a cliff vesting or blocking period of typically five years, followed by a two year non-compete period. The vesting parameters of equity incentives are rather stringent. Any holder of blocked shares leaving the firm has the obligation to render his or her blocked interest back to the company and any option holder leaving the firm will forfeit his or her unvested options. Granting stock option and share awards to the members of the executive board as well as other Partners Group employees is considered on an annual basis at the absolute discretion of the board. Further information on duration, exercise price etc. of Partners Group's stock option program can be found in note 26 (b) to the consolidated financial statements included in the annual report 2010.

5.6. Provisions for departure of a member of senior management

There are no special provisions such as severance payments, "golden parachutes", reduced option vesting periods etc. in place in case of departure of a member of the board of directors or of the executive board.

5.7. Compensation report

Pursuant to Art. 663b bis and 663c of the Swiss Code of Obligations (i) the total compensation paid in 2010 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. Partners Group goes beyond these requirements and discloses the full compensation paid to each individual member of the board of directors and the executive board. In this regard, please see notes 10 and 11 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2010.

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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 2011, the AGM is scheduled for 5 May.

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, Christoph Gröbli, has been in charge of the mandate since 27 August 2010 and is subject to a seven-year rotation interval.

8.2 Auditing Fees

In the financial year 2010, KPMG AG and other KPMG companies received a total of CHF 0.5 million for audit services.

8.3 Additional fees

In addition, KPMG AG and other KPMG companies received TCHF 192 in fees for consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2010.

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 2010, 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.

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Key factors in assigning the external audit mandate to KPMG AG were:

- 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
- quality of service provided
- international expertise in regard to audit and accounting
- independence and reputation of the audit firm
- industry knowledge and qualifications
- competitive fees

The risk and audit committee reviews and assesses the auditor's performance on an annual basis. In this context and in the spirit of upholding a good corporate governance, 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.

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 2011 are as follows:

Event	Date
Annual general meeting of shareholders	5 May 2011
Pre-close announcement AuM as of 30 June 2011	14 July 2011
Publication semi-annual report	6 September 2011

Partners Group Holding's semi-annual and annual reports are available for download on the website at <http://www.partnersgroup.com/financialreports>

Partners Group Holding also distributes all current news via regular press releases. All published press releases are available on the website at <http://www.partnersgroup.com/pressreleases>

To receive all information automatically upon publication via email, shareholders and other interested parties may subscribe to press releases at <http://www.partnersgroup.com/subscriptionform>

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EVALUATING AN INVESTMENT IN THE HEALTHCARE SECTOR

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