



**Sandra Pajarola** and **Kelvin Yu** Private Equity Investments,  
**Jochen Weirich** Co-Head Investment Solutions Europe and **Armin Weiland** Private Equity Investments

# DEMONSTRATING SCALE, STABILITY AND RELIABILITY

ANNUAL REPORT 2011



**Partners Group**  
Passion for Private Markets



## IDENTIFYING GROWTH IN ASIA

**Alex Cho** Head Seoul, **Junichiro Kawamura** Head Tokyo and **Andreas Baumann** Co-Head Singapore.



KEY FIGURES

574 professionals

15 offices

around the world

EUR 24.8 billion

assets under management

1.23%

net revenue margin

CHF 346 million

net revenues

CHF 212 million

EBITDA

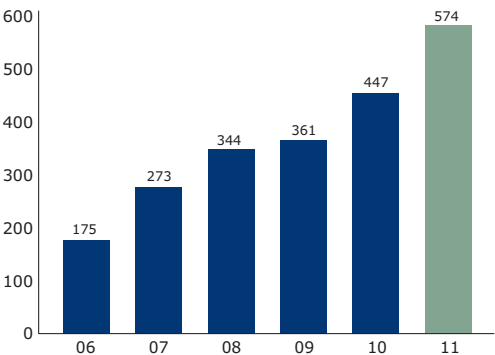
CHF 202 million

net profit

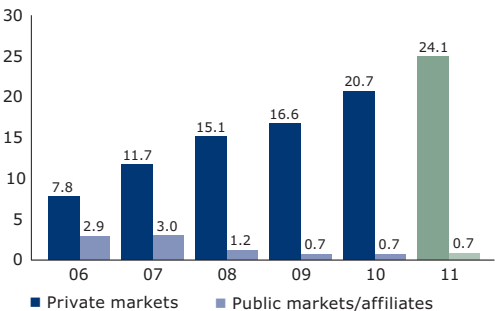
CHF 212 million

adjusted net profit

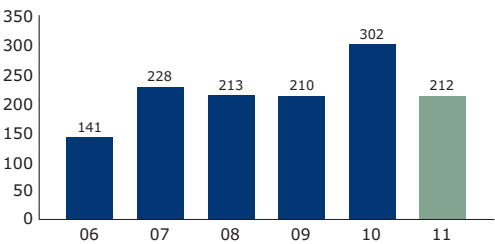
Number of professionals



Assets under management (in EUR bn)



Adjusted net profit (in CHF m)



Share price development



	2010	2011
Average assets under management (in EUR bn, daily)	20.0	22.8
Net revenue margin <sup>1</sup>	1.36%	1.23%
Net revenues (in CHF m)	376	346
EBITDA margin	66%	61%
EBITDA (in CHF m)	250	212
Financial result (in CHF m)	78	26
Net profit (in CHF m)	297	202
Adjusted net profit (in CHF m) <sup>2</sup>	302	212
Cash and cash equivalents at end of year (in CHF m)	227	97
Shareholders' equity (in CHF m)	572	571
Return on shareholder's equity (ROE) <sup>2</sup>	56%	39%
Equity ratio <sup>2</sup>	87%	89%

<sup>1</sup> based on average AuM calculated on a daily basis

<sup>2</sup> adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

#### Share information as of 31 December 2011

Share price	CHF 163.90
Total shares	26'700'000
Market capitalization	CHF 4.4 bn
Free float <sup>1</sup>	52.38%
Diluted shares	26'062'319
Adjusted diluted earnings per share <sup>2</sup>	CHF 8.14
Dividend <sup>3</sup>	CHF 5.50
Dividend yield <sup>3</sup>	3.4%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

<sup>1</sup> according to SIX Swiss Exchange definition

<sup>2</sup> adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

<sup>3</sup> as per proposal to be submitted to the annual general meeting of shareholders

#### Forthcoming events

3 May 2012	Annual general meeting of shareholders
12 July 2012	Pre-close announcement assets under management as of 30 June 2012
4 September 2012	Interim results and report as of 30 June 2012

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## TAKING ADVANTAGE OF CAPITAL SCARCITY IN DEBT MARKETS

**Juri Jenkner** Co-Head Private Debt, **Scott Essex** Private Debt, **René Biner** Head Private Finance and **Manuel Martiny** Investment Solutions Europe.

## MESSAGE FROM THE MANAGEMENT

Dear clients, shareholders and business partners

At the end of 2011, we are pleased to be able to look back on a solid year for our firm. We continued to achieve strong investment performance for our clients and were rewarded with EUR 4.2 billion in client demand for 2011, a further sign of trust in an environment which has remained challenging. Despite this strong growth, our adjusted net profit has decreased compared to 2010 and amounted to CHF 212 million for the year. This can be seen as a direct result of both the strong Swiss franc as well as certain effects in non-recurring revenues, which, after being exceptionally high in 2010, were at a significantly lower level in 2011 and are expected to normalize in 2012. Based on this nevertheless solid result, the board of directors is pleased to be able to propose an increased dividend of CHF 5.50 per share to our shareholders at the upcoming annual general meeting.

The market dislocation has brought attractive investment opportunities to light and we were able to transact on a significant number for our clients, investing a total of USD 5.6 billion throughout 2011. The highest relative attractiveness was offered by direct investments, of which we closed 40 new transactions in 2011, and by secondaries, where we invested USD 2.5 billion, for a total of close to USD 4 billion in these two segments. We also saw solid underlying distribution activity during the year, amounting to a total of USD 3 billion. We remain committed to carefully balancing the amount of asset inflows with the existing investment opportunities in the market and are thus able to stay focused on the investments which offer the highest relative value for the benefit of our clients.

In the current market environment, institutional investors face a number of challenges regarding their long-term asset allocation decisions. Following the balance sheet problems across the entire financial and sovereign community, market participants will be forced to deleverage and, as we predicted in 2009, we believe that the long-term economic growth path has experienced a structural shift and resumed its path at a lower level, thereby not reaching its previous potential. With bond yields at current low levels, volatile public markets and rising inflation expectations, traditional avenues for investing capital will no longer provide institutional investors such as pension funds with the returns they need to fulfill their obligations and we believe a fundamental shift of allocation focus is in order. We therefore expect that investors will turn to private markets even more.

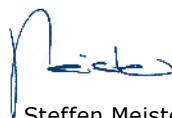
In private equity, we see compelling opportunities in small and mid cap companies with resilient business models that should continue to perform solidly throughout an economic downturn. Understanding a company's underlying business is more important than ever and we focus on active value creation in each individual asset. Furthermore, we see appealing opportunities in private debt investments, in particular given their highly attractive downside protection. Amidst the supply/demand imbalance currently seen in debt markets, we believe the capital scarcity is an optimal opportunity for providers of long-term capital. In addition, we are convinced that the potential for long-term asset price inflation will remain a prominent investment theme, despite short-term deflationary trends and thus look to the inflation-protective nature of real assets, such as certain real estate and infrastructure investments. In real estate, risk premiums remain attractive versus other asset classes while investors are advised to avoid the overheated core markets and deploy their capital in the more attractive niche opportunities. In the infrastructure sector, capacity-based revenue models in brownfield assets in developed markets are attractive in economically difficult times as they typically offer highly stable revenues not dependent on usage.

Going forward, we will continue to build out our investment platform across all sectors and regions in order to be able to seize opportunities arising from both the changed environment as well as from the firm's expansion into new regions around the globe. In addition, we will work on further increasing the proximity to our clients and strengthening our relationships with them while enhancing our product offering to better meet the needs of our global and highly sophisticated clientele. We are additionally committed to further developing our global operations setup to increase support for both our investment and client activities while also fulfilling the requirements of the evolving regulatory environment as well as having the scope to meet new operational challenges. In pursuing these ambitious goals, we are pleased to be able to count on our global team, which now numbers over 550 motivated professionals who all live our passion for private markets on a daily basis.

We are pleased to present you with a comprehensive overview of the development of our business during 2011 and thank you for your continued trust in our global team.



Alfred Gantner  
Executive Chairman



Steffen Meister  
Chief Executive Officer



## DISCUSSING REGULATORY IMPACTS ON A CLIENT MANDATE

**André Frei** Head Product Operations, **Michael Studer** Head Portfolio & Risk Management and **Erik Gunnervall** Investment Solutions Europe.



## 2011 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

### THE PRIVATE MARKETS INDUSTRY REWARDS SCALE, STABILITY AND RELIABILITY

In 2011, the continued divide in private markets between successful global managers and regional/thematic specialists on the one hand and groups with a less clearly defined focus on the other hand has further demonstrated the importance of a distinct positioning in private markets investment management. Partners Group's well-defined strategy combined with its continued stability, size and reliability should form the base for a sustained expansion of the business for the benefit of its clients.

#### Private markets management at Partners Group

Partners Group provides global investment management with a local presence and identifies the investments with the highest relative value through dedicated regional and industry teams. Specialized sector, industry and market knowledge enable the firm to pursue investment opportunities across all private markets segments. The firm's team offers global scope and benchmarking while enabling local sourcing and investments and thus allows continuous adjustments of investment focus across all sectors, regions and investment types as well as according to economic cycles.

In addition to supporting its extensive investment sourcing activities, Partners Group's global network ensures proximity to clients around the world. Specialized client servicing teams in all regions focus on clients' overall needs and on developing long-term asset allocation strategies. Furthermore, strong in-house structuring and servicing capabilities are geared at meeting all individual client requirements, such as tailor-made separate accounts.

Having long recognized the importance of a strategic global development of the firm's operations, Partners Group continues to place an increased focus on further advancing its in-house capabilities and set-up. The firm's comprehensive tailor-made reporting, tax and structuring solutions are mainly based on proprietary and highly automated systems and processes to address growing regulatory and institutional requirements and ensure quality and reliability in client servicing.

#### Review of 2011 results

In this review of the financial figures, we provide additional information on the investment activities in 2011, 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. Additional information on recurring revenues, margins and other factors such as foreign exchange fluctuations offer full transparency concerning the business and support the assessment of its development.

	2010	2011
AuM as of the end of the year (in EUR bn)	21.4	24.8
Average AuM (in EUR bn, daily)	20.0	22.8
Net revenue margin <sup>1</sup>	1.36%	1.23%
Recurring net revenue margin <sup>1, 2</sup>	1.14%	1.13%
Net revenues (in CHF m)	376	346
Recurring net revenues (in CHF m) <sup>2</sup>	314	317
EBITDA margin	66%	61%
EBITDA (in CHF m)	250	212
Net profit (in CHF m)	297	202
Adjusted net profit (in CHF m) <sup>3</sup>	302	212

<sup>1</sup> Based on average AuM calculated on a daily basis

<sup>2</sup> Recurring revenues are based on stable, long-term management fees and recur every year

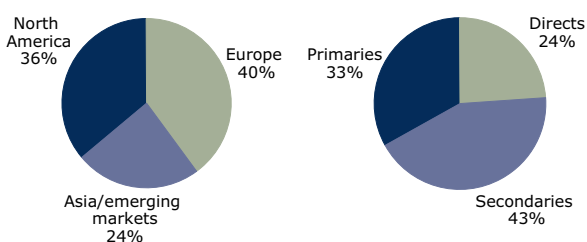
<sup>3</sup> Adjusted net profit is adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

## 2011 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

### Private markets investments 2011

With a total of 40 new direct investments completed and USD 5.6 billion invested overall, Partners Group was one of the most active private markets players around the world in 2011. In particular, direct and secondary investments offered the highest relative attractiveness during 2011 with over two-thirds of total investment activity in these two segments (2010: 75%). In direct investing, small and mid cap opportunities in the buyout sector as well as small- and medium-sized transactions in real assets offered compelling options, in particular as both of these segments were characterized by scarcity of capital. In terms of secondary transactions, more than 80% of the USD 2.5 billion invested were in developed markets and consisted mainly of proprietary opportunities from balance sheet stress of larger institutions, especially in the second half of the year, where Partners Group took advantage of increased volatility in the public market space and secured high quality transactions at attractive valuations. Considering only direct and primary investments, the firm's activities in the Asia-Pacific and emerging markets regions outweighed those in North America in 2011. Partners Group has also seen solid underlying distribution activity during the year across all asset classes, amounting to a total of USD 3 billion.

### Private markets investments 2011



### Assets under management

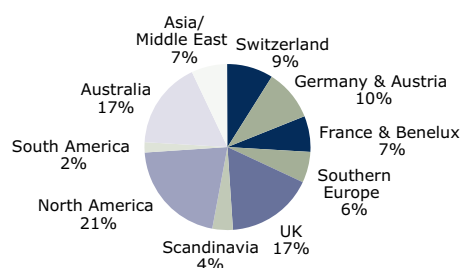
The general fundraising environment in the asset management industry remained at a low level in 2011 although first signs of improvement compared to the previous year emerged. However, the bifurcation in the private markets industry enabled only a few successful players in the industry to attract significant client interest, whereas many others struggled to see demand. By virtue of being a globally leading investment manager with a local presence and a strong track record, Partners Group was once again able to gain further market share with asset inflows of EUR 4.2 billion in 2011. As of 31 December 2011, private markets assets totaled EUR 24.8 billion. The breakdown of AuM as of 31 De-

cember 2011 is as follows: EUR 17.7 billion private equity, EUR 3.3 billion private real estate, EUR 2.0 billion private debt, EUR 1.2 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 seen well-diversified client demand from around the globe, with existing and new clients contributing to overall inflows nearly equally and the firm's "glocal" presence and regional specialists offering clients greater scope for accessing local markets. Client demand of EUR 4.2 billion in 2011 was spread across all asset classes. Partners Group saw gross growth in all investment strategies, with private equity assets increasing by 20%, private real estate by 29%, private debt by 4% and private infrastructure by 32%. The firm currently sees stronger momentum than ever before from clients in North America and in the Asia-Pacific region, with close to half of all client demand in 2011 stemming from these geographic areas. Of these clients, many were expanding their existing private markets investment programs, while increased interest was also seen from clients new to the private markets asset class exploring its potential for the first time. The majority of inflows again stemmed from public and private pension funds, which continue to demonstrate a strong interest in the private markets asset class. The firm also saw interest from select larger insurance companies coming back to the market. However, insurance companies in general still demonstrate a cautious approach towards the new Solvency II regulation standards and many are consequently more reluctant to commit into the private markets asset class. While initially, Solvency II regulations may mistakenly seem to have disadvantageous implications for allocations to private markets, many sophisticated insurance companies are signaling growing allocations to private markets.

### Assets raised during 2011

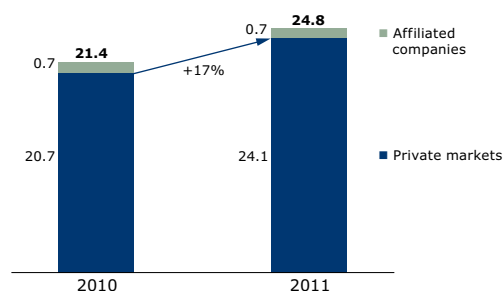


## 2011 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

### Factors influencing AuM development

The inflows of EUR 4.2 billion combined with redemptions of EUR -0.4 billion and other factors of EUR -0.4 billion resulted in assets under management standing at EUR 24.8 billion as of 31 December 2011.

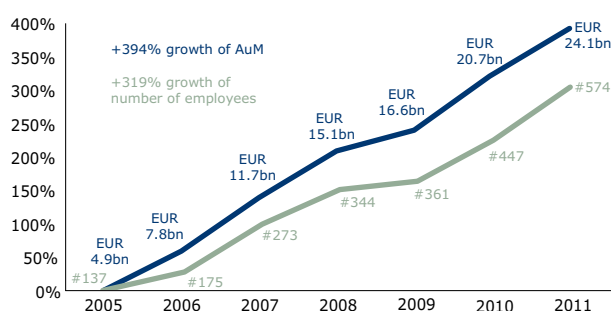
### Assets under management (in EUR bn)



### AuM growth also reflected in development of number of professionals

Partners Group remains committed to its principle of aligning the growth of its business to the size of its team. Private markets investing is a resource- and knowledge-intensive business which requires a strong team in a multitude of locations around the world to identify the best investments on behalf of the firm's clients. Since its IPO, Partners Group has nearly quadrupled its private markets AuM from EUR 4.9 billion to EUR 24.1 billion at the end of 2011. Over the same period, the firm has tripled its number of professionals. In 2011, Partners Group continued to build its global team across investment management, client relationship management, structuring and global operations to further prepare the firm for the significant opportunities anticipated in the coming years. Headcount increased by 127 to 574 employees as of 31 December 2011 (2010: 447 employees). The firm expects to see continued growth of the team in 2012 alongside the development of its business.

### Number of employees and private markets AuM



### Profitability and earnings stability

#### Revenues mainly stem from stable recurring revenues based on long-term contracts

Partners Group has two types of revenue streams, recurring and non-recurring (one-time). Recurring revenues consist of management fees and offer a high amount of visibility unmatched by traditional asset management models. This is due to (i) the long duration of investment programs of typically 10-12 years, and (ii) the fact that management fees are mostly not based on net asset values (NAV) but on the amount committed to the programs by clients. Non-recurring revenues consist of several factors, with the major contributors being (i) so-called late management fees and (ii) performance fees. Late management fees stem from clients committing to investment programs launched in the year prior to the accounting period as management fees are due for the entire lifetime of the fund irrespective of when the commitment was made. Typically, investment programs are raised within 12-18 months, with a longer fundraising period leading to higher late management fees. Due to the general environment in 2009, most funds stayed open for new clients into late 2010, leading to exceptionally high late management fees in 2010. In contrast, late management fees were exceptionally low in 2011, as most of the programs available for investment were not launched before the summer of 2011. This effect is expected to revert back to normalized levels in 2012.

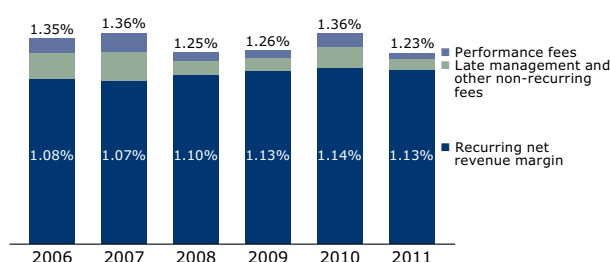
#### Stable recurring net revenue margin

Over the last three years, Partners Group achieved an average recurring revenue margin (recurring net revenues divided by average AuM) of 1.13% and continues to expect stability in this margin going forward. The total net revenue margin decreased to 1.23% (2010: 1.36%, based on average AuM calculated on a daily basis) mainly due to (i) significantly lower one-time fees as referred to above and (ii) slightly lower performance fee income. These one-timers accounted for a combined total of CHF 29 million in 2011 (2010: CHF 62 million).

## 2011 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

In 2012, we expect the net revenue margin from recurring management fees and late management fees, not including any potential additional effects from performance fees, to be more in line with previous years. Potential performance fees can further benefit the net revenue margin going forward. Partners Group's performance fees are not based on unrealized/accrued NAV gains, but based on cashflows when realizing/exiting the investments.

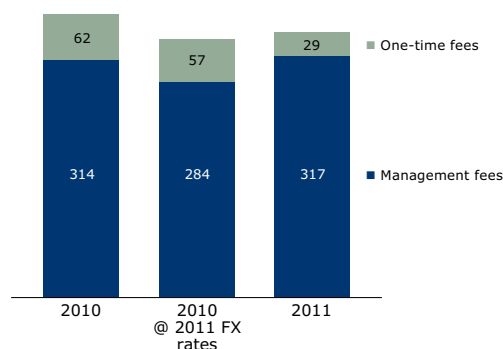
### Net revenue margin



### Private markets revenues impacted by foreign exchange and one-timers

Private markets AuM in EUR rose by 16% although the new revenues generated as a result were almost completely offset by the negative development of the foreign exchange rate (average rate of USD and EUR for the year further weakened by -15% and -11% respectively). The unfavorable foreign exchange development in combination with the exceptionally low one-time fee income in 2011 resulted in a significant impact on revenues. Hence, overall revenues decreased by 8% to CHF 346 million (2010: CHF 376 million) despite the solid client commitments during the year.

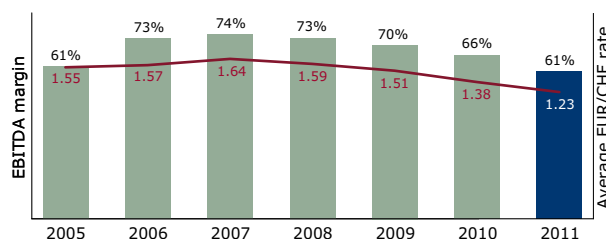
### Net revenues (in CHF m)



### EBITDA impacted by foreign exchange

Although Partners Group's investment activity is truly global, a majority of clients prefer their investment programs to be denominated in euro. The weakening of the euro therefore had a strong impact on the firm's revenues while its impact on costs was only limited due to the majority of the firm's operating costs not being incurred in euro. With the firm's global workforce being spread across 15 offices around the world, a large portion of the costs are generated in a number of local currencies, with a significant portion in Swiss francs. With the average foreign exchange appreciation of the Swiss franc, EBITDA decreased by 15% to CHF 212 million (2010: CHF 250 million). In parallel, the EBITDA margin decreased to 61% (2010: 66%) as a consequence of foreign exchange rate changes. Partners Group continues to place a strong emphasis on disciplined cost management and new recurring costs have remained proportional to assets raised and in line with previous practice.

### EBITDA margin development (in CHF m)



### Adjusted net profit supported by a normalized financial result

The adjusted net profit amounted to CHF 212 million (2010: CHF 302 million), impacted especially by a significantly lower financial result of only CHF 26 million (2010: CHF 78 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 showed a positive performance during the full year 2011 resulting in net gains of CHF +19 million on Partners Group's own contribution to these programs (typically 1% of program size). Net interest income on the liquidity position of CHF 310 million on the firm's balance sheet (including working capital facilities to products provided by the group) contributed a further CHF +9 million to the financial result. Finally, CHF -3 million stemmed from extraordinary foreign exchange

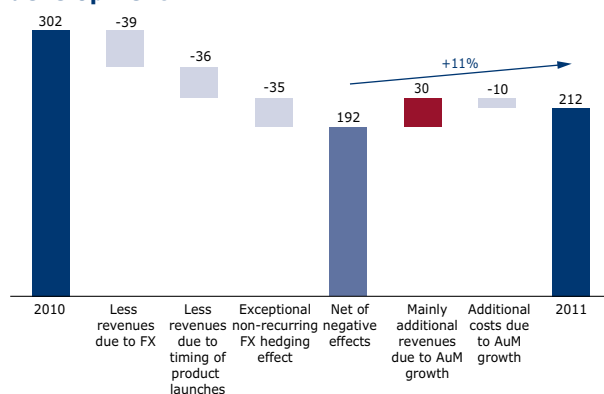


## 2011 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

losses due to a weakening of the euro vs. the Swiss franc during 2011. This small loss stands in contrast to a CHF 32 million gain in 2010. For the time being, Partners Group has decided to not enter into new future revenue hedges.

(in CHF m)	2010	2011
Net gains on investments	+30	+19
Net interest income	+16	+9
Net foreign exchange result	+32	-3
<b>Net financial result</b>	<b>+78</b>	<b>+26</b>

### Factors influencing adjusted net profit development



### Proposed dividend for the financial year 2011

After having seen further growth in its core business followed by a solid operating result considering the environment, Partners Group's board of directors intends to propose a dividend of CHF 5.50 per share to shareholders at the annual general meeting on 3 May 2012. This dividend is increased from the previous year (2010: CHF 5.00 per share) and the total proposed payout of CHF 147 million is above the targeted 50% payout rate. The proposal represents a dividend yield of 3.4% as of the share price on 31 December 2011.

### Sustained client interest anticipated in 2012

Partners Group expects to see continued interest from clients in all major regions around the globe with in-flows anticipated from both existing and new clients. While certain client segments such as larger financial institutions are not likely to return to the market in the near future, we expect many client segments to increasingly use private markets to address the current mid- to long-term global investment challenges:

- (i) Negative economic outlook: low global growth trend results in lower return expectations for equity investors, resulting in investors turning to private equity investment strategies which have shown superior long-term outperformance especially in difficult economic environments
- (ii) Declining real yields: negative real yields provide significant challenges for income-oriented investors, resulting in investors turning to private capital instruments with variable base rates and attractive spreads
- (iii) Market volatility: major market uncertainty translates into volatility of portfolio values, resulting in many public markets investors turning to private markets asset classes such as investments which typically offer high cash flow visibility combined with more consistent valuations

Most importantly however, Partners Group remains dedicated to the achievement of a superior long-term performance for clients, and considers this its ultimate goal. In the private markets industry, track record drives client demand. Hence, despite the general economic environment for the year ahead being less favorable now than at the beginning of 2011, based on the current level of client interest, the firm anticipates demand from clients will amount to EUR 4-5 billion of new commitments for the full year 2012.



## EVALUATING A NEW OFFICE COMPLEX IN A TIER 2 CITY

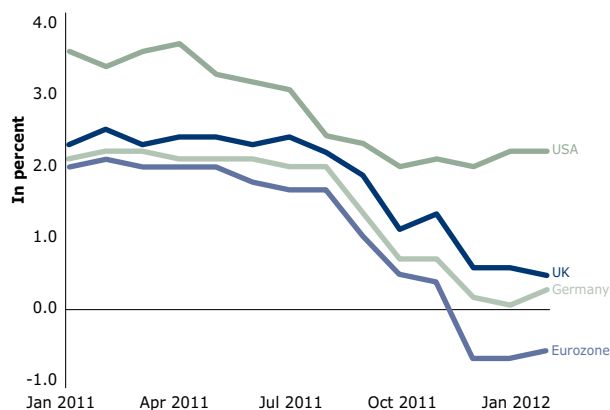
**Pam Alsterlind** Co-Head Private Real Estate, **Nan Leake** Private Real Estate Americas, **Scott Higbee** Head Investment Solutions Americas and **Claude Angéloz** Co-Head Private Real Estate.

## ADDRESSING MARKET CHALLENGES

### ADDRESSING THE CHALLENGES IN TODAY'S MARKET

Since the beginning of 2011, world growth forecasts for 2012 have been continuously and sharply revised downwards and the median consensus forecasts are now at a much lower level than previously anticipated. Overall, the world finds itself in a state of crisis with the most imminent risk to the global recovery being the Eurozone sovereign debt crisis and any potential escalation.

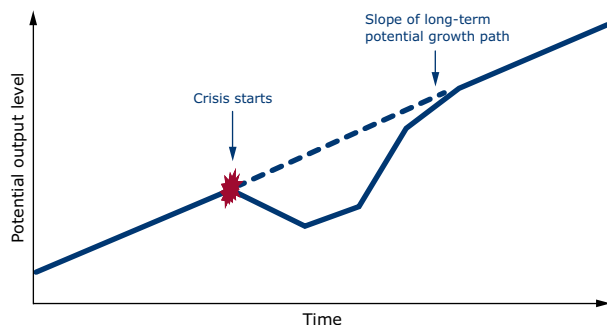
#### 2012 real GDP growth consensus forecast over time



Source: Median of estimates from Morgan Stanley, Bank of America Merrill Lynch, UBS, Goldman Sachs, Barclays Capital, JP Morgan and Deutsche Bank, 2011/2012

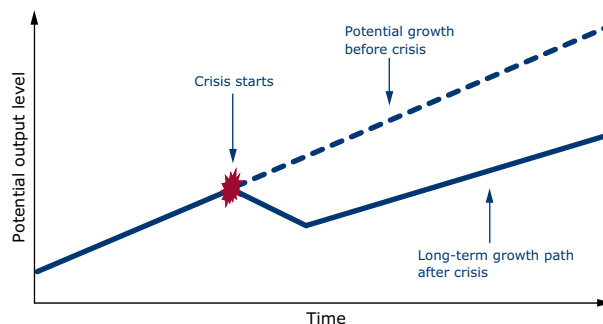
Over the past decades, most crises have however only had a temporary impact on GDP development. Economic growth has typically returned to its original trend after having digested the crisis and the long-term global growth prospects have remained intact while only a short-term output loss was experienced by the economy.

#### Isolated crisis leads to temporary output loss



This time, however, is different. The roots of the crisis we are currently in the midst of can be found in households in many parts of the advanced world as well as the financial sector having over-leveraged themselves – made vividly clear by the housing bubble burst in 2007 and the bankruptcy of Lehman Brothers in September 2008. Governments have seen themselves pressed to counteract the aftermaths of excessive balance sheet expansion and have launched massive bank bailouts and stimulus programs. These, in combination with irresponsible fiscal policy, have led to a government debt crisis in the US as well as particularly in Europe. We currently see balance sheet problems across the entire economy and as a consequence, all economic participants will be forced to deleverage. We therefore believe that, as we predicted in 2009, the long-term trend has experienced a structural shift and resumed its growth path at a lower level, thus establishing a new trend and not reaching its previous potential.

#### Structural crisis leads to shift in trend growth

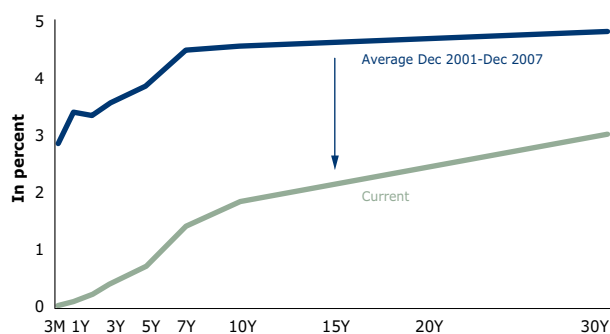


Amid volatile markets in a changing world, investors have flocked to the perceived safety and stability of safe-haven government bonds. This flight to safety has in turn led to a strong decline in bond yields. In addition, central banks are keeping interest rates low while maintaining their accommodative monetary policy stance. For instance, the US Federal Reserve Bank (Fed) recently announced its intention of keeping its target rate at the current level at least through late 2014. We expect measures such as this to increase the difficulties investors currently face in their search for yield. Apart from keeping target rates at record lows in many parts of the advanced world, central banks have also reverted to unprecedented unconventional expansionary monetary pools. The Fed launched quantitative easing (QE) in November 2008 which to date approximately amounts to a staggering USD 2.3 trillion. The Bank of England engaged in GBP 325 billion (USD 518 billion) of QE while QE by the Bank of Japan totals JPY 65 trillion (USD 801 billion). The most recent 3-year li-

## ADDRESSING MARKET CHALLENGES

quidity facilities to the European banking sector (LTRO) by the European Central Bank can be seen as a light version of QE and have amounted to more than EUR 1 trillion to date (USD 1.3 trillion). The Swiss National Bank expanded its balance sheet primarily via currency interventions, thereby growing it nearly three-fold. As a result, achievable yields across the entire yield curve have fallen far below the long-term average, as can be seen in the example of the US yield curve below. In fact, we have even seen bond yields fall into negative territory, with for instance Germany issuing six-month bills with a negative yield for the first time at the beginning of January 2012. This situation now finds investors such as pension funds faced with a fundamental dilemma, as consistent low yields will leave them unable to meet their required rates of return and thus, their long-term liabilities.

### US yield curve



Source: Bloomberg and Partners Group calculations, February 2012

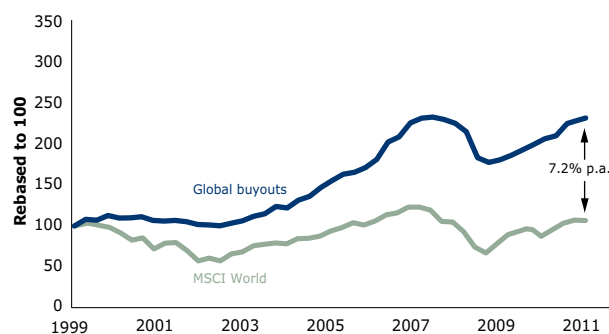
This tide of excess liquidity could in due course lead to asset price inflation. However, we continue to believe that inflation will initially not be felt by the average consumer and will also not be reflected in conventional inflation measures, such as consumer price indices. We rather expect that, in their search for yield in new sectors, investors will consider a number of investment opportunities they believe to be safe. On the one hand, investors are likely to invest in the perceived stability of core real estate. On the other hand, investors are expected to "go where the growth is" by increasing allocations to emerging market equities and commodities. As a result, we expect to see a re-pricing of risk in the core real estate space and overvaluation in emerging markets. The resulting rising asset prices should feed through into the real economy and lead to accelerating inflation at the tail end.

With bond yields at current low levels, volatile public markets and rising inflation expectations, institutional investors are expected to face difficulties in their asset allocation decisions and be required to find new areas

in which to deploy their capital. The traditional avenues for accessing capital markets will no longer provide them with the returns they need to fulfill their obligations and we believe a fundamental shift of allocation focus is currently taking place. In attempting to preserve value while bond yields are expected to remain low, create value while economic growth is expected to be slow and protect value while inflation expectations still remain anchored, we expect investors to turn to private markets for assistance in addressing these challenges. We are convinced that in the current global economic scenario of a stagnating advanced world, value must be created at the individual asset level.

Private equity has demonstrated a long-term outperformance over public markets, especially in times of economic crisis. We see compelling opportunities in the sector and currently favor small and mid cap companies with resilient business models that should continue to perform solidly throughout an economic downturn. In contrast to the large cap space, in which the amount of available capital has caused prices to rise, we have been able to complete a number of transactions at highly attractive valuations in this segment. In addition, investing in consumer businesses in the developing world will enable investors to access the anticipated growth in these regions despite the stagnation in the advanced world. Understanding a company's underlying business is more important than ever, including a detailed analysis of the cross-border revenue streams and customer base with potential exposures to sovereigns. Companies headquartered in and regulated by advanced economies that generate a large share of their revenues in emerging markets are also highly attractive.

### Performance of global buyouts vs. public equities



Source: Global buyouts: Thomson Reuters Cash Flow Summary Report as of Q2 2011 (global buyout performance is calculated as the average of NAM (in USD) and WEU (in EUR) buyout performance); MSCI World: Bloomberg GDGLWI Index in local currencies



## ADDRESSING MARKET CHALLENGES

Private equity additionally offers a certain amount of protection against the continued high expectations of volatility on public markets, as the sector typically displays significantly lower drawdowns than public markets. This can likely be attributed to the fact that private equity owners tend to act more swiftly and decisively in challenging times and thus protect their companies better while more consistent valuations eliminate the idiosyncratic volatility on public markets. Given our long-term inflation predictions, we place an increased emphasis on any company we invest in being well-equipped to address such an outcome and able to pass increasing input prices on to their clients.

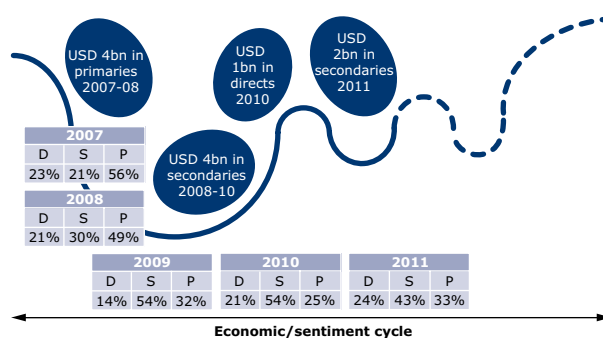
We further see appealing opportunities in private debt investments, in particular given the inherent inflation protection offered by floating rates. Given the current bank de-leveraging and the fact that many collateralized loan obligation (CLO) funds are reaching the end of their investment cycle, a shortfall of credit supply is expected in the leveraged buyout space, especially in Europe. Amidst this supply/demand imbalance, we believe capital scarcity is an optimal opportunity for alternative providers of capital to fill the gap; in particular as current risk-adjusted returns are highly attractive given the inherent scarcity premium, while at the same time corporate fundamentals remain mostly sound. In particular, dedicated senior debt funds should benefit from higher relative spreads, lower risk and a strong position in the capital structure.

In addition, we are convinced that long-term asset price inflation will remain a prominent investment theme in the coming years, despite short-term deflationary trends on the back of easing commodity prices and sluggish final demand. As a result, we like the inflation-protective nature of real assets, such as certain real estate and infrastructure assets. In real estate, investors will be well-advised to avoid the overheated core markets and deploy their capital in the more attractive niche opportunities, for example in secondary locations in Tier 1 cities and prime locations in Tier 2 cities. These typically attract less capital and are better able to compensate weaker fundamentals in the developed world or price exaggerations in the developing regions. In an environment of declining real yields, real estate risk premiums outside of traditional core assets remain attractive while development assets provide protection against asset price inflation.

In infrastructure investing, capacity-based revenue models in brownfield assets in developed markets are attractive in times of economic downturns as they typically offer highly stable revenues not dependent on usage. Furthermore, the substantial public financing gap continues to provide significant net real yields which are expected to demonstrate resilience in inflationary scenarios due to price adjustment mechanisms.

To summarize, we believe investors with a long-term perspective will be required to pursue new areas for investment in order to achieve their return objectives. We expect private markets to attract increased interest going forward and believe that generating value at the individual asset level combined with inflation protection is currently of the utmost importance. In all private markets investment activities, applying a relative value approach continues to be imperative and will aid investors in drawing the benefits from investing through the cycle. For our clients, we have deployed various instruments in all regions around the globe throughout the crisis and have remained committed to identifying the most attractive investments in any region at any point in time. For instance, at the beginning of the economic downturn, we committed a large amount to primary funds, which then deployed their capital into the attractive opportunities arising from the downturn. At the bottom of the cycle, secondaries offered the highest relative attractiveness and we invested a total of USD 4 billion in this segment from 2008 to 2010. In 2010, compelling opportunities emerged in small and mid cap private equity direct transactions at attractive valuations and we invested in 32 opportunities in 2010/11 while a large number of attractive secondaries emerged again during 2011. Going forward, we continue to invest according to our relative value approach and currently overweight secondaries and directs across the board.

### Investing through the cycle



Source: Partners Group

(Definition: D=Directs, S=Secondaries, P=Primaries)



## INVESTING IN A COMPANY IN THE FOOD SECTOR

**Philipp Schnyder** Co-Head Private Equity Secondaries, **Stephan Schäli** Head Private Equity and **Robert Lustenberger** Investment Solutions Europe.

## CORPORATE RESPONSIBILITY

### COMMITTED TO RUNNING OUR BUSINESS RESPONSIBLY

Partners Group is passionate about making a positive contribution to society and the environment and is committed to ensuring all its activities are carried out in a responsible manner.

In our opinion, social responsibility, environmental awareness and good corporate citizenship are crucial elements of a company's strategy. In all our operations, we pledge to respect the interests of society at large as well as of our clients, shareholders and employees and to take full responsibility for our actions while being committed to preserving our environment. We are as committed to running our business responsibly as we are to our "passion for private markets". Our corporate responsibility program is focused on protecting our environment and additionally follows one overriding goal: fostering entrepreneurial development by supporting future entrepreneurs.

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:

- Incorporating ESG issues into investment analysis and decision-making processes
- Being active investors and incorporating ESG issues into investment policies and practices
- Seeking appropriate disclosure on ESG issues by the entities in which investments are completed
- Promoting acceptance and implementation of the principles within the investment industry
- Working together to enhance effectiveness in implementing the principles
- 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 private equity sectors these projects are active 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)
- 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)



## 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 in various projects throughout 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 18 different projects in 16 countries and has significantly impacted the lives of over 5'000 people. Two examples of recent projects supported are:

### Kitchen and cooking education / IT infrastructure at Manjughoksha Academy, Kathmandu, Nepal

This project was introduced by Josef Bieri, a Partner in the investment solutions Switzerland team in the Zug office. Josef Bieri has built up a close relationship with the Manjushri Association, which was founded by Melanie Meichle in Bern. The Manjushri Association was responsible for building the new school in Nepal. As part of a travel group from Switzerland, Josef Bieri also attended the opening ceremony of the new school in September 2011.



The Manjughoksha Academy, situated in the Tibetan quarter at Boudhanath in Nepal's capital Kathmandu, offers a comprehensive education to children of the poorest Tibetan refugee families. The previous school premises were subject to high rental costs even though the buildings were in a dilapidated state so the Manjushri Association started raising funds to build a new school for the Manjughoksha Academy. PG Alternative IMPACT participated in this ambitious project by donating the funds to equip the school kitchen. The kitchen is used to train students in culinary basics, thus providing them with an additional useful skill in their daily lives. Seen in the larger context of the students' basic education, learning about nutrition, hygiene and health will provide them with a crucial skill set for their lives.



## CORPORATE RESPONSIBILITY

In addition to financing the kitchen, PG Alternative IMPACT also donated a substantial amount of IT hardware to the school. After noticing upon his trip to Nepal that the IT infrastructure at the school was extremely rudimentary, Josef Bieri initiated a donation of fully equipped Partners Group IT hardware to the Manjughoksha Academy and hence provided the school with an opportunity to further enrich their students' training. In today's environment, receiving training in IT is highly important and the equipment will allow the students to build basic skills in this area.



The two projects funded by PG Alternative IMPACT will support the training of the Tibetan children at the Manjughoksha Academy, providing them with highly relevant skills for their future. They will offer them new perspectives and allow them to benefit from basic training in two crucial areas.

### Medical training material for treatment of hip dysplasia, Mongolia

This project was introduced by René Biner, Partner and Head Private Finance at Partners Group, through his longstanding relationship with Dr. med. Raoul Schmid, one of the initiators of the project. Alfred Gantner, co-founder and executive chairman of Partners Group, furthermore gained first-hand insight into this project when he visited the project site in Ulaanbaatar while traveling with his family.

As part of an extraordinary study on early detection and treatment of developmental dysplasia of the hip ("DDH") related to children living in Ulaanbaatar, Mongolia, the project responds to a basic health problem for babies in underdeveloped countries where pediatricians and orthopedists lack the relevant pediatric know-how and skills. The relatively simple method for early detection of DDH is based on ultrasound screening. Although not the predominant health problem in Mongolia, DDH can cause a physical impairment which

will require life-long and painful treatment and which will most likely lead to unemployment. DDH has implications not only for the baby and its family, but is of enormous consequence for public health. With the training of the medical personnel in Mongolia being the predominant concern, PG Alternative IMPACT supported a crucial milestone for the implementation of the treatment by sponsoring a first set of training materials, including translation, printing and publishing of 500 books ("Hip Sonography", Prof. R. Graf) as well as further educational materials. In addition, information and training materials for parents have been put together and will be handed out. With this educational material, crucial steps have been taken in the detection and treatment of DDH in Mongolia.



This project has the goal of ensuring a smooth know-how transfer of a proven and practiced detection method for DDH from trained specialists in Switzerland to physicians in Mongolia, offering a new perspective to the newborns who will be afflicted by DDH in the region. Through this donation and the training materials, PG Alternative IMPACT will positively impact the lives of hundreds of children and their families every year.

## CORPORATE RESPONSIBILITY

### Passion for education

We are as committed to furthering education in young, promising people as ever and are convinced this will have a positive impact on shaping the entrepreneurs of the future. One of our main areas of focus remains education and training, both internally for our own team as well as externally in cooperation with leading universities around the world. Our in-house program offers a variety of different initiatives in the areas of education and training, with the most important of these being the associate program. Through this program, we hire and internally train many of our investment professionals. The associate program is aimed at refining core skills and furthering industry knowledge while identifying participants' individual skill sets.

In the associate program, participants gain exposure to different areas of our business activities through a rotational system, which includes stints in various global offices. The program, in which participants typically spend 12-24 months, allows them to broaden their knowledge and to build an extensive network within the firm before being assigned to their specific team. We additionally offer apprenticeships and internships for young professionals at the beginning of their careers. We believe that in addition to training young professionals in this manner, it is our civic responsibility to offer such training programs and thus contribute to the general options for education in the region. We pride ourselves on the quality of our training programs and team members across the entire firm invest their time and knowledge to ensure that these run smoothly and are beneficial to the participants. Furthermore, we support the further education of our more senior professionals such as the CFA, etc., thus ensuring that they are offered the opportunity to deepen their professional knowledge should they so desire. Finally, we are also strongly committed to coaching all our team members on a continuous basis to further their professional and personal development. Partners and senior professionals have committed themselves to setting aside time each week which is solely dedicated to coaching both their junior team members as well as other employees within the firm. Within these coaching sessions, we place a strong emphasis on coaching by feedback as we believe that receiving input based on concrete completed tasks is an ideal format for providing constructive suggestions.

We are additionally involved in furthering education outside Partners Group. To this end, we work together with many globally leading universities (such as Har-

vard University, University of St Gallen etc.) and collaborate with them on research or other efforts. As we are committed to sharing our industry expertise and knowledge with future private markets practitioners, a number of our team members regularly lecture at a number of institutions dedicated to higher education.

### Passion for entrepreneurship

All our endeavors have the ultimate goal of supporting and fostering entrepreneurship. In addition to devoting ourselves to entrepreneurship through our corporate responsibility program, our investment activities themselves are dedicated to this overriding goal. By their nature, investments in the private markets asset class are investments into the development of a company or a project as well as into innovative business ideas and new inventions. In supporting entrepreneurship, we have invested into opportunities in different stages and at different points in their lifecycles as well as into a variety of sectors. In 2011, we evaluated close to 3'000 opportunities and completed 40 new direct investments, making us one of the most active private markets investors around the world.

We have supported a large number of entrepreneurial ideas in the years of our existence and accompanied many companies from their beginnings through the development of successful and growing businesses. An example of an organization Partners Group invested into during the past year for its clients is Nobel Learning in the US, an operator of private schools ranging from preschools to K-12. Nobel Learning has the largest market share based on number of schools in the private K-12 segment as well as the fourth largest in private preschools. This investment is also aligned with our corporate responsibility principles and passion for education. Through our extensive expertise in investments in the educational sector, we are able to actively support Nobel Learning in further growing and evolving its business. Particularly in the current crisis, being an active investor will be a key advantage and our board seat will allow us to contribute to the further development of this company in a hands-on manner.



## DEVELOPING A NEW PRODUCT STRUCTURE

**Felix Haldner** Head Investment Structures, **Stefan Näf** Co-Head Investment Solutions, **Reto Munz** Listed Strategies and **Markus Pimpl** Investment Solutions Europe.

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# REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



**KPMG AG**  
**Audit Financial Services**  
 Badenerstrasse 172  
 CH-8004 Zurich

P.O. Box  
 CH-8026 Zurich

Telephone +41 44 249 3  
 Fax +41 44 249 23 19  
 Internet [www.kpmg.ch](http://www.kpmg.ch)

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 102) for the year ended 31 December 2011.

### *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 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 2011 give a true and fair view of the financial position, the results of operations and 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 be 'C. Gröbli', written over a horizontal line.

Christoph Gröbli  
*Licensed Audit Expert  
Auditor in Charge*

A handwritten signature in blue ink, appearing to be 'A. Hänggi', written over a horizontal line.

Andreas Hänggi  
*Licensed Audit Expert*

Zurich, 1 March 2012

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## CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

In thousands of Swiss francs	Note	2011	2010
Revenues from management and advisory services, net	7	343'099	372'552
Share of results of associates	14	3'386	3'650
<b>Net revenues</b>		<b>346'485</b>	<b>376'202</b>
Third party services	8	- 2'442	- 5'882
Personnel expenses	9	- 104'986	- 97'704
General and administrative expenses		- 17'714	- 14'269
Marketing and representation expenses		- 8'871	- 8'587
Depreciation and amortization	12&13	- 16'032	- 7'624
<b>EBIT</b>		<b>196'440</b>	<b>242'136</b>
Change in fair value of derivatives arising from insurance contract	27	- 1'191	- 3'436
Net finance income and expense	10	25'655	78'328
<b>Profit before tax</b>		<b>220'904</b>	<b>317'028</b>
Income tax expense	11	- 18'667	- 20'493
<b>Profit for the period</b>		<b>202'237</b>	<b>296'535</b>
Profit for the period attributable to:			
Shareholders of Partners Group Holding AG (net profit)		202'086	296'294
Non-controlling interest		151	241
Basic earnings per share (Swiss francs)	22	7.99	11.94
Diluted earnings per share (Swiss francs)	22	7.75	11.21

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010**

In thousands of Swiss francs	2011	2010
<b>Profit for the period</b>	<b>202'237</b>	<b>296'535</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	- 2'801	- 29'692
<b>Other comprehensive income for the period, net of tax</b>	<b>- 2'801</b>	<b>- 29'692</b>
<b>Total comprehensive income for the period</b>	<b>199'436</b>	<b>266'843</b>
Total comprehensive income for the period attributable to:		
Shareholders of Partners Group Holding AG	199'285	266'602
Non-controlling interest	151	241



## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011 AND 2010

In thousands of Swiss francs	Note	2011	2010
<b>Assets</b>			
Cash and cash equivalents	20	96'669	226'572
Marketable securities	19	2'297	488
Trade receivables	18	30'350	40'093
Other receivables	18	3'852	2'230
Prepaid expenses, derivative assets and loans	18	221'177	141'929
<b>Total current assets</b>		<b>354'345</b>	<b>411'312</b>
Property and equipment	12	16'971	7'100
Intangible assets	13	49'796	46'050
Investments in associates	14	3'853	3'902
Other investments	15	210'979	180'480
Other financial assets	16	88'384	88'502
Employee benefits	26	–	827
Deferred tax assets	17	872	646
<b>Total non-current assets</b>		<b>370'855</b>	<b>327'507</b>
<b>Total assets</b>		<b>725'200</b>	<b>738'819</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Trade payables		12'532	14'797
Income tax liabilities		20'583	17'649
Accrued expenses	24	34'803	35'212
Other current liabilities	25	710	12'113
<b>Total current liabilities</b>		<b>68'628</b>	<b>79'771</b>
Employee benefits	26	84	–
Derivatives arising from insurance contract	27	83'470	84'588
Deferred tax liabilities	17	1'307	2'034
Other long-term liabilities		234	194
<b>Total non-current liabilities</b>		<b>85'095</b>	<b>86'816</b>
<b>Total liabilities</b>		<b>153'723</b>	<b>166'587</b>
<b>Equity</b>			
Share capital	21	267	267
Treasury shares		– 205'111	– 283'720
Legal reserves	21	218	218
Other components of equity		775'298	854'766
<b>Equity attributable to shareholders of Partners Group Holding AG</b>		<b>570'672</b>	<b>571'531</b>
Non-controlling interest		805	701
<b>Total equity</b>		<b>571'477</b>	<b>572'232</b>
<b>Total equity and liabilities</b>		<b>725'200</b>	<b>738'819</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

In thousands of Swiss francs								
				Other components of equity				2011
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Attributable to shareholders of the parent	Non-controlling interest
								Total
Balance as of 1 January 2011	267	-283'720	218	-48'369	903'135	854'766	571'531	701
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners:</i>								
Purchase of treasury shares		-420'589				-	-420'589	
Disposal of treasury shares		492'218			-172'632	-172'632	319'586	
Equity-settled acquisition of subsidiary		6'980			-390	-390	6'590	
Share-based payment expenses					16'645	16'645	16'645	
Tax effect resulting from equity-settled transactions					4'844	4'844	4'844	
Non-controlling interest changes					8	8	8	-
Dividends paid to shareholders					-127'228	-127'228	-127'228	-47
<b>Total contributions by and distributions to owners</b>	-	<b>78'609</b>	-	-	<b>-278'753</b>	<b>-278'753</b>	<b>-200'144</b>	<b>-47</b>
<b>Total comprehensive income for the period</b>								
Profit for the period					202'086	202'086	202'086	151
<i>Other comprehensive income:</i>								
Exchange differences on translating foreign operations				-2'801		-2'801	-2'801	
<b>Total other comprehensive income</b>	-	-	-	<b>-2'801</b>	-	<b>-2'801</b>	<b>-2'801</b>	-
<b>Total comprehensive income for the period</b>	-	-	-	<b>-2'801</b>	<b>202'086</b>	<b>199'285</b>	<b>199'285</b>	<b>151</b>
<b>Balance as of 31 December 2011</b>	<b>267</b>	<b>-205'111</b>	<b>218</b>	<b>-51'170</b>	<b>826'468</b>	<b>775'298</b>	<b>570'672</b>	<b>805</b>

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010 - CONTINUED**

In thousands of Swiss francs			Other components of equity					2010	
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Attributable to shareholders of the parent	Non-controlling interest	Total
Balance as of 1 January 2010	267	– 234'800	218	– 18'677	710'660	691'983	457'668	426	458'094
<b>Transactions with owners, recorded directly in equity</b>									
<i>Contributions by and distributions to owners:</i>									
Purchase of treasury shares		– 268'095				–	– 268'095		– 268'095
Disposal of treasury shares		218'904			– 10'041	– 10'041	208'863		208'863
Share-based payment expenses		271			15'234	15'234	15'505		15'505
Tax effect resulting from equity-settled transactions					1'771	1'771	1'771		1'771
Non-controlling interest changes					13	13	13	112	125
Dividends paid to shareholders					– 110'796	– 110'796	– 110'796	– 78	– 110'874
<b>Total contributions by and distributions to owners</b>	<b>–</b>	<b>– 48'920</b>	<b>–</b>	<b>–</b>	<b>– 103'819</b>	<b>– 103'819</b>	<b>– 152'739</b>	<b>34</b>	<b>– 152'705</b>
<b>Total comprehensive income for the period</b>									
Profit for the period					296'294	296'294	296'294	241	296'535
<i>Other comprehensive income:</i>									
Exchange differences on translating foreign operations				– 29'692		– 29'692	– 29'692		– 29'692
<b>Total other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>– 29'692</b>	<b>–</b>	<b>– 29'692</b>	<b>– 29'692</b>	<b>–</b>	<b>– 29'692</b>
<b>Total comprehensive income for the period</b>									
	<b>–</b>	<b>–</b>	<b>–</b>	<b>– 29'692</b>	<b>296'294</b>	<b>266'602</b>	<b>266'602</b>	<b>241</b>	<b>266'843</b>
<b>Balance as of 31 December 2010</b>	<b>267</b>	<b>– 283'720</b>	<b>218</b>	<b>– 48'369</b>	<b>903'135</b>	<b>854'766</b>	<b>571'531</b>	<b>701</b>	<b>572'232</b>

# **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010**

In thousands of Swiss francs	Note	2011	2010
<b>Operating activities</b>			
Profit for the period		202'237	296'535
Adjustments:			
Share of results of associates	14	- 3'386	- 3'650
Net finance (income) and expense	10	- 25'655	- 78'328
Income tax expense	11	18'667	20'493
Depreciation of property and equipment	12	4'628	2'936
Amortization of intangible assets	13	11'404	4'688
Share-based payment expenses	9	16'645	15'505
Change in fair value of derivatives arising from insurance contract	27	1'191	3'436
Change in fair value of assets held in experience account		- 1'191	- 3'436
Change in employee benefits assets / liabilities	26	911	- 1'034
Gain / (loss) on derivatives		9'450	17'925
Other non-cash items		69	124
<b>Operating cash flow before changes in working capital</b>		<b>234'970</b>	<b>275'194</b>
(Increase) / decrease in prepaid expenses, derivative assets and loans, trade and other receivables		- 83'453	3'389
Increase / (decrease) in trade payables, accrued expenses and other current liabilities		- 14'068	3'284
Financial expenses (other than interest) paid		- 866	- 449
<b>Cash generated from operations</b>		<b>136'583</b>	<b>281'418</b>
Income tax paid		- 11'973	- 20'504
<b>Net cash provided by operating activities</b>		<b>124'610</b>	<b>260'914</b>

# **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010 – CONTINUED**

In thousands of Swiss francs	Note	2011	2010
<b>Investing activities</b>			
Change in marketable securities		- 2'505	10'774
Proceeds on disposal of property and equipment		1	16
Purchase of property and equipment	12	- 14'348	- 3'956
Purchase of intangible assets	13	- 6'114	- 2'393
Proceeds on disposal of other investments	15	19'143	4'661
Purchase of other investments	15	- 31'945	- 54'788
Acquisition of subsidiary, net of cash acquired	5	- 2'498	-
Disposal of subsidiary, net of cash received	5	-	1'322
Investments in assets held in experience account		-	- 2'736
Change in other financial assets		- 612	2'407
Interest received	10	11'863	16'677
Dividends received		3'556	3'005
<b>Net cash used in investing activities</b>		<b>- 23'459</b>	<b>- 25'011</b>
<b>Financing activities</b>			
Interest paid	10	- 2'176	- 26
Proceeds on increase in non-controlling interest		-	112
Dividends paid to non-controlling interest		- 39	- 65
Dividends paid to shareholders	21	- 127'228	- 110'796
Purchase of treasury shares		- 420'589	- 268'095
Disposal of treasury shares		319'586	208'863
<b>Net cash used in financing activities</b>		<b>- 230'446</b>	<b>- 170'007</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>- 129'295</b>	<b>65'896</b>
Cash and cash equivalents as of 1 January	20	226'572	169'682
Foreign exchange gains / (losses) on cash and cash equivalents		- 608	- 9'006
<b>Cash and cash equivalents as of 31 December</b>	<b>20</b>	<b>96'669</b>	<b>226'572</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 1. REPORTING ENTITY

Partners Group Holding AG (the Company) is a company domiciled in Switzerland whose shares are publicly traded. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug. The consolidated financial statements for the years ended 31 December 2011 and 2010 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 2012 and are subject to approval at the annual general meeting of shareholders on 3 May 2012.

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 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 accordance 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 on-going 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 25 November 2011. 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 2011 AND 2010

### 2.2 Basis of consolidation

#### (a) Subsidiaries

Subsidiaries are 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 for the period in the income statement.

#### (c) Associates

Associates are 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 other comprehensive income. 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 2011 AND 2010

### 2.3 Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2011 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 2011

The following revised or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are currently not relevant for the Group (they may have an impact on the accounting for future transactions and events of the Group):

- IAS 24 (revised), "Related Party Disclosures",
- IAS 32 (amended), "Classification of Rights Issued",
- IFRIC 14 (amended), "Prepayments of a Minimum Funding Requirement",
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" and
- Improvements to International Financial Reporting Standards 2010.

#### 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 the Group management.

Standard / Interpretation		Effective date	Planned application by Partners Group
<b>New standards or interpretations</b>			
IFRS 9, "Financial Instruments" and related amendments to IFRS 7 regarding transition	***	1 January 2015	Reporting year 2015
IFRS 10, "Consolidated Financial Statements"	***	1 January 2013	Reporting year 2013
IFRS 11, "Joint Arrangements"	*	1 January 2013	Reporting year 2013
IFRS 12, "Disclosures of Interest in Other Entities"	**	1 January 2013	Reporting year 2013
IFRS 13, "Fair Value Measurement"	*	1 January 2013	Reporting year 2013
IFRIC 20, "Stripping Costs"	*	1 January 2013	Reporting year 2013
<b>Revisions and amendments of standards and interpretations</b>			
IAS 27, "Separate Financial Statements" (2011)	*	1 January 2013	Reporting year 2013
IAS 28, "Investments in Associates and Joint Ventures" (2011)	*	1 January 2013	Reporting year 2013
IAS 19, "Employee Benefits" (amended 2011)	***	1 January 2013	Reporting year 2013
Presentation of Items of Other Comprehensive Income (amendments to IAS 1)	***	1 July 2012	Reporting year 2013
Deferred tax: Recovery of Underlying Assets (amendments to IAS 12)	*	1 January 2012	Reporting year 2012
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)	*	1 January 2014	Reporting year 2014
Disclosures - Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)	**	1 January 2013	Reporting year 2013
Disclosures - Transfer of Financial Assets (amendments to IFRS 7)	*	1 July 2011	Reporting year 2012

\* 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 cannot yet be determined with sufficient reliability

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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.

Foreign currency translation differences are recognized in other comprehensive income, and presented in the translation reserves 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 portion 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 portion 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
<b>2011</b>	EUR	1.2168	1.2330
	USD	0.9381	0.8866
	GBP	1.4589	1.4215
	SGD	0.7237	0.7048
<b>2010</b>	EUR	1.2507	1.3820
	USD	0.9352	1.0428
	GBP	1.4597	1.6099
	SGD	0.7283	0.7648

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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.
- On-going investment management and advisory fees including all non-performance related fees are recognized when they are 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.

### 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

Net finance income and expense comprises interest income, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 2.9 Income tax expense

Income tax expense for the period comprises current and deferred tax. Income tax expense 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 income tax relates to the expected taxes payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to taxes payable in respect of previous periods.

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 their reversal is not probable in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

### 2.10 Property and equipment

Property and equipment is 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 costs are charged to the income statement in 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 total of:

- the fair value of the total 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.

For acquisitions of subsidiaries prior to 1 July 2009, the Group applies IFRS 3 (2004). In accordance with IFRS 3 (2004), adjustments to the cost of acquisitions (e.g. contingent purchase price considerations which become probable and can be measured reliably) are treated as an adjustment to the cost of the acquisition (e.g. goodwill). The value of the adjustments is determined at the date of transfer of the additional consideration.

#### (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).

#### (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). This amount is 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### (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 tested at least annually for impairment as per 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:

- Software	3 years
- Placing expenses	3–5 years
- Cost of initial put option	4 years
- Client contracts	3 years
- Other intangible assets	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.

### (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 purchases 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 on 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 a 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### (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 purpose 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.

### (c) Repurchase of share capital and options

Where any Group company purchases the Company's issued shares, 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 reissued, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 employees in the Group's home country qualify as a post-employment defined benefit plan.

The asset or 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.

#### (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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### (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 until 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 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.19 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 reliably estimated.

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.

### 2.20 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 2011 AND 2010

### 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, seldomly 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 tax expense

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 sheets, 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 0.01 million (2010: CHF 0.1 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 a maximum exposure 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 the Black-Scholes model. However, 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 (see note 25).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

In 2011 the Group again 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 the 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.

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 options and shares 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 2011 AND 2010

### 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 (including currency risk, interest rate risk and price 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 (BoD) has overall responsibility for the establishment and oversight of the Group's risk management framework. The BoD has established the Risk and Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BoD 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 the Chief Risk Officer as well as 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 primarily influenced 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 (see note 18), 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 the bank deposits only independently rated parties with typically a minimum rating of "A-3" are accepted (as per Standard and Poor's Ratings definitions).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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	
	2011	2010
Other financial assets	88'384	88'502
Current loans	213'558	116'569
Trade receivables	30'350	40'093
Other receivables	2'100	1'391
Cash and cash equivalents	96'664	226'566
Forward exchange contracts (derivative assets)	1'203	22'724
	<b>432'259</b>	<b>495'845</b>
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Other receivables (VAT etc.)	1'752	839
Marketable securities (equity securities)	2'297	488
Cash and cash equivalents (petty cash)	5	6
Other prepaid expenses	6'416	2'636
<i>Split of trade receivables into counterparty risk categories:</i>		
invoiced to clients	8'986	10'080
to be collected by the Group through management contracts	21'364	30'013
	<b>30'350</b>	<b>40'093</b>

### 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 always has 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 cash flow forecasting 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 2011 AND 2010

The debt covenants include minimum capital requirements / ratios (see note 4.5), a negative pledge and change in ownership clause. The debt covenants have been met throughout the current and prior period. The overall facility is currently used for guarantees and for the margins for forward exchange contracts.

In addition, on 6 May 2011 the Group entered into a new overall credit facility of CHF 375 million with a syndicate of Swiss banks. The credit facility can be used as follows:

- CHF 225 million for financing of acquisitions.
- CHF 375 million, less the credit facility amount used for acquisitions, as an overdraft facility (for working capital financing).

Interest is payable at current market rates. The facility is unsecured, but subject to several debt covenants. These include maintaining certain financial key ratios (see note 4.5) as well as several information duties. The debt covenants have been met since entering into the facility agreement. As of 31 December 2011, the overall facility is not being used.

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

In thousands of Swiss francs						2011
	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Trade payables	12'532	12'532				
Accrued expenses (derivative liabilities)	1'990	1'988	2			
Unfunded commitments	93'598	93'598				
	<b>108'120</b>	<b>108'118</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	710	710				
Accrued expenses (bonus accruals, deferred income, etc.)	32'813	32'813				
Derivatives arising from insurance contract	83'470				83'470	

In thousands of Swiss francs						2010 <sup>1)</sup>
	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	72'814				
	<b>87'611</b>	<b>87'611</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<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 (derivative liabilities)	35'212	35'212				
Derivatives arising from insurance contract	84'588				84'588	

1) Presentation amended to be consistent with 2011 disclosures



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 in order to manage market risks. All such transactions are carried out within the guidelines defined in 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), British pound (GBP) and Singapore dollar (SGD).

As a general guidance, the Group selectively economically hedges a portion 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.

As of 31 December 2010, the Group had economically hedged 85% of the EUR, USD, GBP and SGD estimated future foreign exchange exposure over the following twelve months. As of 31 December 2011, the Group economically hedged approximately 25% of the EUR, USD and SGD estimated future foreign currency exposure over the following six months.

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 2011 AND 2010

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

In thousands of Swiss francs					2011
	CHF	EUR	USD	GBP	SGD
Other financial assets	-	2'434	554	-	-
Prepaid expenses and loans	458	67'074	122'706	25'325	-
Trade receivables	1	21'774	1'826	2	-
Other receivables	-	9'426	37'464	-9'366	-4'814
Cash and cash equivalents	17	2'278	1'230	291	23
Trade payables	-6	-1'862	-328	-	-
Accrued expenses	-	-3'347	-266	-17	-
Forward exchange contracts	-	579	-1'320	24	-69
<b>Total</b>	<b>470</b>	<b>98'356</b>	<b>161'866</b>	<b>16'259</b>	<b>-4'860</b>

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
<b>Total</b>	<b>348</b>	<b>138'068</b>	<b>51'876</b>	<b>-11'763</b>	<b>-3'655</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 13.09% (2010: 7.90%), calculating the corresponding effect).

Volatilities	2011	2010
CHF/EUR	13.09%	7.90%
CHF/USD	14.69%	10.32%
CHF/GBP	14.20%	10.74%
CHF/SGD	13.41%	9.20%
EUR/USD	11.35%	11.47%
EUR/GBP	8.61%	9.33%
EUR/SGD	8.10%	8.65%
USD/GBP	8.57%	9.75%
USD/SGD	7.64%	5.84%
GBP/SGD	7.35%	8.05%
	Profit or loss	
Effect in thousands of CHF	2011	2010
CHF/EUR	- 749	- 16'919
CHF/USD	4'576	- 10'177
CHF/GBP	- 1'680	- 1'025
CHF/SGD	- 1'236	342
EUR/USD	483	407
EUR/GBP	454	538
USD/GBP	131	85
<b>Total</b>	<b>1'979</b>	<b>- 26'749</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### *Forward exchange contracts*

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

The effect of the revaluation of the contracts to economically hedge the expected future revenue streams in foreign currencies is directly recognized in profit or loss.

The net fair value of forward exchange contracts at the balance sheet date amounts to CHF -0.8 million with an outstanding volume of CHF 242 million (2010: CHF 22.7 million; volume CHF 478 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, but maintains credit lines with banks (see note 4.3).

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

In thousands of Swiss francs	2011	2010
<b>Variable rate instruments</b>		
Financial assets	180'134	311'154
Financial liabilities	-	-
	<b>180'134</b>	<b>311'154</b>
<b>Fixed rate instruments</b>		
Financial assets	218'472	120'483
Financial liabilities	-	-
	<b>218'472</b>	<b>120'483</b>

### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not designate any fixed rate financial assets or liabilities as at fair value through profit or loss, nor as available-for-sale. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss and equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### *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 period.

In thousands of Swiss francs	Variable rate instruments	
	2011	2010
<b>Profit or loss</b>		
50 bp increase	901	1'556
50 bp decrease	- 901	- 1'556

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

In thousands of Swiss francs	Carrying amount / volatility			
	2011	Volatility	2010	Volatility
Marketable securities	2'297	25%	488	24%
Other investments:				
Private equity	129'699	14%	111'339	15%
Private debt	16'689	8%	14'061	8%
Private real estate	13'211	14%	6'044	13%
Other segments	51'380	32%	49'036	11%
<b>Total</b>	<b>213'276</b>		<b>180'968</b>	

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	
	2011	2010
Marketable securities	574	118
Other investments:		
Private equity	18'158	16'998
Private debt	1'335	1'087
Private real estate	1'850	768
Other segments	16'442	5'384
<b>Total</b>	<b>38'359</b>	<b>24'355</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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.

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 BoD. 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 period until May 2013. The second trading line is currently not open.

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 2.4 million minimum capital as of 31 December 2011 (2010: GBP 1.0 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 (2010: GBP 100'000) 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 2011 (2010: GBP 10'000).
- Article 182 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., Partners Group Management II S.à r.l. and Partners Group Management III S.à r.l. have a minimum corporate capital of EUR 12'395 as of 31 December 2011 (2010: EUR 12'395).
- Overall credit facility of CHF 50 million: Partners Group Holding AG is required to maintain a ratio of total equity compared to total assets of at least 40%. In addition, the ratio of net debt versus EBITDA should be equal to or less than 1.5.
- Overall credit facility of CHF 375 million: Partners Group Holding AG needs to maintain a ratio of net financial debt versus EBITDA that is equal to or less than 1.75 based on the consolidated financial statements. In addition, the ratio of total equity compared to total assets needs to represent at least 40% where the equity needs to represent at least CHF 250 million (CHF 300 million from 31 December 2012). Furthermore the ratio of financial debt divided by equity needs to be below 125%.
- Both Partners Group (USA) Inc. and Partners Group Real Estate, LLC are required to meet the minimum shareholders' equity requirements applicable to Qualified Professional Asset Managers (QPAMs) in the USA pursuant to its status as managers of ERISA plan asset vehicles.
- The issued nominal share capital of Partners Group AG amounts to CHF 200'000 and the overall equity (capital adequacy) always exceeds CHF 20 million.

All these capital requirements have been met during 2011.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 2011 AND 2010

The following table shows the fair value hierarchy of the Group's financial instruments:

In thousands of Swiss francs				2011
	Level 1	Level 2	Level 3	Total
Other investments	6'202		204'777	210'979
Marketable securities	2'297			2'297
Derivative assets held for risk management (other financial assets)		1'203		1'203
<b>Financial assets</b>	<b>8'499</b>	<b>1'203</b>	<b>204'777</b>	<b>214'479</b>
Derivatives arising from insurance contract		83'470		83'470
Derivative liabilities held for risk management		1'990		1'990
<b>Financial liabilities</b>	<b>–</b>	<b>85'460</b>	<b>–</b>	<b>85'460</b>

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
<b>Financial assets</b>	<b>10'637</b>	<b>22'724</b>	<b>170'331</b>	<b>203'692</b>
Derivatives arising from insurance contract		84'588		84'588
Derivative liabilities held for risk management		–		–
<b>Financial liabilities</b>	<b>–</b>	<b>84'588</b>	<b>–</b>	<b>84'588</b>

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 primarily attributable to investments that are held at the end of the reporting period. Please refer to note 15 for the gains or losses recognized on investments which were derecognized from the balance sheet in the 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 2011 AND 2010

### 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	2011	2010
<b>Financial assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
<i>Designated upon initial recognition</i>		
Other investments	210'979	180'480
Other financial assets (derivatives arising from insurance contract)	83'470	84'588
	<b>294'449</b>	<b>265'068</b>
<i>Held for trading</i>		
Marketable securities	2'297	488
Derivative assets	1'203	22'724
	<b>3'500</b>	<b>23'212</b>
<b>Loans and receivables</b>		
Trade receivables	30'350	40'093
Other receivables	3'852	2'230
Current loans	213'558	116'569
Other financial assets	4'914	3'914
	<b>252'674</b>	<b>162'806</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	96'669	226'572
	<b>96'669</b>	<b>226'572</b>
<b>Total financial assets</b>	<b>647'292</b>	<b>677'658</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at fair value through profit or loss</b>		
Derivatives arising from insurance contract	83'470	84'588
Derivative liabilities	1'990	–
	<b>85'460</b>	<b>84'588</b>
<b>Financial liabilities measured at amortized cost</b>		
Trade payables	12'532	14'797
	<b>12'532</b>	<b>14'797</b>
<b>Total financial liabilities</b>	<b>97'992</b>	<b>99'385</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 5. CHANGES IN SCOPE OF CONSOLIDATION

#### (a) Incorporation of new Group entities

- On 7 October 2011 the Group incorporated Partners Group Management III S.à r.l., Luxembourg. The entity's main purpose is to serve as an investment manager/manager for Luxembourg-based investment vehicles.
- On 20 September 2011 the Group incorporated Partners Group Management XIV Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 2 August 2011 the Group incorporated Partners Group (France) SAS, France. The entity's main purpose is to support Partners Group's investment activities in France whilst additionally increasing proximity to clients in the region.
- On 17 June 2011 the Group incorporated Partners Group Client Access Management I Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 11 March 2011 the Group incorporated Partners Group (Brazil) Investimentos Ltda., Brazil. The entity's main purpose is to serve as a base for Partners Group's investment activities and the growing number of client relationships in Latin America.
- On 8 March 2011 the Group incorporated Partners Group Management XIII Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 8 March 2011 the Group incorporated Partners Group Management XII Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- 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.

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

#### (b) Restructurings

No restructurings took place in 2011 and 2010.

#### (c) Acquisition of subsidiaries

On 1 January 2011 Partners Group acquired a 100% interest in D&W Service GmbH, Germany. The company provides management and advisory services to their clients to invest in direct investments. In 2011 the company was renamed to Partners Group (Deutschland) GmbH ("PGDE").

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 5. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

The following table shows the fair value of assets and liabilities acquired at acquisition date, including identifiable assets and goodwill arising from the transaction.

In thousands of Swiss francs	Fair value
Cash and cash equivalents	15
Other receivables	10
Intangible assets:	
Existing client contracts	933
Trade payables	- 10
<b>Net assets acquired at fair value</b>	<b>948</b>
Goodwill	1'565
<b>Total purchase consideration</b>	<b>2'513</b>
Cash acquired	- 15
Allocated to liabilities	-
<b>Net cash outflow on acquisition</b>	<b>2'498</b>

Since the acquisition PGDE has contributed revenues of CHF 1.8 million and a net loss of CHF 0.1 million to the Group.

The pre-acquisition net assets of PGDE amounted to CHF 14'048 and were determined based on applicable IFRSs immediately before the acquisition. In determining the fair value of existing client contracts acquired, the Group applied a discount rate of 11.92% to the estimated revenues.

The goodwill recognized on the acquisition is mainly attributable to the skills and technical talent of the acquired business' workforce and the synergies expected to be achieved from integrating the company into the Group's existing investment management business. The goodwill is not expected to be deductible for tax purposes.

Acquisition related costs borne by the Group as the acquirer amounted to CHF 27'128 during the financial years 2010 and 2011 and were recognized in the income statement as third party services or as marketing and representation expenses.

By the end of December 2011, no adjustments were made to the initial purchase price allocation as of 1 January 2011.

In 2010 the Group did not acquire any subsidiaries.

#### (d) Divestments of subsidiaries

On 12 September 2011 Partners Private Equity Management Inc., Cayman Islands, was dissolved and removed from the company register in Cayman Islands.

On 5 March 2010 and effective as of 1 January 2010, the Group sold Partners Group Fund Services, Guernsey, to a third party for USD 1.3 million (CHF 1.4 million) in cash, plus potential earn-out payments. The sale of the previously consolidated Group entity resulted in a profit before tax of USD 1.0 million (CHF 1.0 million) in the consolidated financial statements for the year 2010 and in net cash proceeds of USD 1.3 million (CHF 1.3 million). By 31 December 2011, no further earn-out payments have been received.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 direct investments in operating companies or assets and investments in third party managed vehicles. 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.

#### *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 2011 or 2010.

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 2011 AND 2010

### 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, those results per operating segment do 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						2011
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	239'458	43'902	39'758	19'981	–	343'099
Share of results of associates	3'386	–	–	–	–	3'386
<b>Net revenues</b>	<b>242'844</b>	<b>43'902</b>	<b>39'758</b>	<b>19'981</b>	<b>–</b>	<b>346'485</b>
Third party services	– 461	– 5	– 142	– 59	– 1'775	– 2'442
Personnel expenses	– 21'838	– 3'949	– 8'433	– 8'640	– 62'126	– 104'986
General and administrative expenses	– 85	– 12	– 34	– 86	– 17'497	– 17'714
Marketing and representation expenses	– 1'953	– 321	– 1'147	– 469	– 4'981	– 8'871
Depreciation and amortization					– 16'032	– 16'032
<b>Gross segment result</b>	<b>218'507</b>	<b>39'615</b>	<b>30'002</b>	<b>10'727</b>	<b>– 102'411</b>	<b>196'440</b>
<i>Reconciliation to income statement:</i>						
Change in fair value of derivatives arising from insurance contracts						– 1'191
Net finance income and expense						25'655
Income tax expense						– 18'667
<b>Profit for the period</b>						<b>202'237</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 6. SEGMENT INFORMATION (CONTINUED)

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
<b>Net revenues</b>	<b>276'656</b>	<b>42'890</b>	<b>35'323</b>	<b>21'333</b>	<b>–</b>	<b>376'202</b>
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
<b>Gross segment result</b>	<b>255'292</b>	<b>38'287</b>	<b>28'510</b>	<b>12'481</b>	<b>– 92'434</b>	<b>242'136</b>
<i>Reconciliation to income statement:</i>						
Change in fair value of derivatives arising from insurance contract						– 3'436
Net finance income and expense						78'328
Income tax expense						– 20'493
<b>Profit for the period</b>						<b>296'535</b>

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

#### Geographical information

The segments are managed on a worldwide basis with Guernsey as a general management hub. However, advisory services are primarily provided from Switzerland, whereas local offices ensure 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.

	Net revenues	
In thousands of Swiss francs	2011	2010
Switzerland	151'787	161'649
Guernsey	118'010	146'009
North America	38'259	37'102
Other European countries	19'522	15'974
Rest of world	15'521	11'818
<b>Total revenues from management and advisory services, net</b>	<b>343'099</b>	<b>372'552</b>

No client of the Group contributed more than 10% to the Group's revenues.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET

The Group is active 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 fees are typically based on the commitments by investors into investment structures and 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 receives 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 2011 AND 2010

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

In thousands of Swiss francs	2011	2010
<b>Private equity</b>		
Private equity investment management	283'413	315'339
./.. Revenue deductions	- 43'955	- 42'333
<i>Net private equity investment management</i>	239'458	273'006
Private equity insurance premiums	18'587	21'322
./.. Insurance fees, where the Group acts as policyholder only	- 18'587	- 21'322
<i>Net private equity insurance premiums</i>	-	-
<b>Total revenues from private equity, net</b>	<b>239'458</b>	<b>273'006</b>
<b>Private debt</b>		
Private debt investment management	48'090	44'783
./.. Revenue deductions	- 4'188	- 1'893
<i>Net private debt investment management</i>	43'902	42'890
<b>Total revenues from private debt, net</b>	<b>43'902</b>	<b>42'890</b>
<b>Private real estate</b>		
Private real estate investment management	48'529	45'928
./.. Revenue deductions	- 8'771	- 10'605
<i>Net private real estate investment management</i>	39'758	35'323
<b>Total revenues from private real estate, net</b>	<b>39'758</b>	<b>35'323</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

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

In thousands of Swiss francs	2011	2010
<b>Other revenues</b>		
Private infrastructure investment management	16'905	19'160
./. Revenue deductions	- 2'672	- 4'253
<i>Net private infrastructure investment management</i>	14'233	14'907
Revenues from affiliated companies	5'641	6'097
./. Revenue deductions	- 406	- 447
<i>Net revenues from affiliated companies</i>	5'235	5'650
Other revenues	513	776
<b>Total other revenues, net</b>	<b>19'981</b>	<b>21'333</b>
<b>Revenues from management and advisory services, net</b>	<b>343'099</b>	<b>372'552</b>

In thousands of Swiss francs	2011	2010
<b>Summary</b>		
Total gross revenues	421'678	453'405
./. Revenue deductions	- 59'992	- 59'531
./. Insurance fees, where the Group acts as policyholder only	- 18'587	- 21'322
<b>Revenues from management and advisory services, net</b>	<b>343'099</b>	<b>372'552</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 8. THIRD PARTY SERVICES

In thousands of Swiss francs	2011	2010
Consulting and legal fees	- 2'392	- 5'204
Sundry third party service expenses	- 50	- 678
<b>Total third party expenses</b>	<b>- 2'442</b>	<b>- 5'882</b>

### 9. PERSONNEL EXPENSES

In thousands of Swiss francs	2011	2010
Wages and salaries	- 74'970	- 66'462
Retirement schemes – defined contribution plans	- 4'613	- 4'752
Retirement schemes – defined benefit plans	- 2'275	- 1'660
Other social security expenses	- 2'899	- 6'077
Share-based payment expenses	- 16'645	- 15'505
Sundry personnel expenses	- 3'584	- 3'248
<b>Total personnel expenses</b>	<b>- 104'986</b>	<b>- 97'704</b>

In addition to the expenses recognized for non-vested shares and share options granted in 2011 (refer to note 26), the Group recognizes the following expenses for grants in previous periods as well as expenses for shares granted to employees at the start of their employment:

In thousands of Swiss francs	2011	2010
Grants 2006	- 454	- 1'388
Grants 2007	- 1'907	- 2'527
Grants 2008 (options and non-vested shares)	- 2'225	- 2'507
Grants 2009 (options and non-vested shares)	- 2'884	- 3'512
Grants 2010 (options and non-vested shares)	- 4'281	- 4'797
Grants 2011 (options and non-vested shares)	- 3'704	-
Share grants at start of employment in the respective year	- 1'190	- 774
<b>Total share-based payments</b>	<b>- 16'645</b>	<b>- 15'505</b>

The average number of employees in 2011 was 511 (2010: 404).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 10. NET FINANCE INCOME AND EXPENSE

In thousands of Swiss francs	2011	2010
Interest income	11'863	16'677
Net gains / losses on:		
Held for trading instruments	- 507	1'092
Fair value through profit or loss instruments, designated	19'829	28'188
Net change in fair value of other long-term liabilities	- 45	- 11
Net foreign exchange gain / (loss)	- 2'844	32'206
Net gain on disposal of subsidiary	-	1'043
<b>Total other finance income / (expense), net</b>	<b>28'296</b>	<b>79'195</b>
Interest expense on financial liabilities	- 2'176	- 26
Other financial expense	- 465	- 841
<b>Total finance cost</b>	<b>- 2'641</b>	<b>- 867</b>
<b>Net finance income and expense</b>	<b>25'655</b>	<b>78'328</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 11. INCOME TAX EXPENSE

*Recognized in the income statement*

In thousands of Swiss francs	2011	2010
Current tax expense:		
Current year	21'525	18'946
Under / (over)provided in prior years	-1'930	-196
<b>Total current tax expense</b>	<b>19'595</b>	<b>18'750</b>
Deferred tax expense / income:		
Deferred tax expense / income, net relating to the origination and reversal of temporary differences	-928	1'743
<b>Total income tax expense</b>	<b>18'667</b>	<b>20'493</b>

*Weighted average expected tax rate reconciliation*

In thousands of Swiss francs	2011	2010
<b>Profit before tax</b>	<b>220'904</b>	<b>317'028</b>
Weighted average expected Group tax rate	9.33%	7.61%
Expected tax expense	20'606	24'124
Non-tax-deductible expense	678	434
Applicable tax rates differing from expected rate	-628	-312
Utilization of unrecognized tax loss carry-forwards	-79	-3'610
Under / (over)provided in prior years	-1'930	-196
Other impacts	20	53
<b>Total income tax expense</b>	<b>18'667</b>	<b>20'493</b>

The Group calculates a weighted average tax rate for the whole Group, taking into account official taxation rates of the individual companies in their specific locations and their contribution to total profit before tax, 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. The expected tax rate increased in 2011 compared to the previous periods, as the new transfer pricing policy, which was applied for the first time in 2010, detaches the allocation of the taxable profit to the jurisdictions to some extent from the overall group result and emphasizes the local functions performed. Furthermore, the business performed relatively better in jurisdictions with higher tax rates than in jurisdictions with lower tax rates. The increase in taxes in jurisdictions with higher tax rates therefore consumed the decrease in taxes in other jurisdictions, entailing a steadily increasing expected overall tax burden.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 12. PROPERTY AND EQUIPMENT

In thousands of Swiss francs				2011
	Office furniture	Interior fittings	Equipment and IT fittings	Total
<b>Cost</b>				
Balance as of 1 January 2011	5'240	7'916	8'580	21'736
Additions	3'998	6'120	4'230	14'348
Disposals	–	–	–4	–4
Effect of movements in exchange rates	83	69	54	206
<b>Balance as of 31 December 2011</b>	<b>9'321</b>	<b>14'105</b>	<b>12'860</b>	<b>36'286</b>
<b>Accumulated depreciation</b>				
Balance as of 1 January 2011	3'910	4'734	5'992	14'636
Additions	1'250	1'300	2'078	4'628
Disposals	–	–	–3	–3
Effect of movements in exchange rates	16	15	23	54
<b>Balance as of 31 December 2011</b>	<b>5'176</b>	<b>6'049</b>	<b>8'090</b>	<b>19'315</b>
<b>Carrying amount</b>				
At 1 January 2011	1'330	3'182	2'588	7'100
At 31 December 2011	4'145	8'056	4'770	16'971
Impairment losses incurred in 2011				nil

The increased additions to property and equipment in 2011 are a result of the extension of the office space in Switzerland, as well as the moves into larger offices in the USA, the UK and Singapore.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 12. PROPERTY AND EQUIPMENT (CONTINUED)

In thousands of Swiss francs				2010
	Office furniture	Interior fittings	Equipment and IT fittings	Total
<b>Cost</b>				
Balance as of 1 January 2010	4'819	7'259	6'527	18'605
Additions	558	777	2'621	3'956
Disposals	–	–	– 354	– 354
Effect of movements in exchange rates	– 137	– 120	– 214	– 471
<b>Balance as of 31 December 2010</b>	<b>5'240</b>	<b>7'916</b>	<b>8'580</b>	<b>21'736</b>
<b>Accumulated depreciation</b>				
Balance as of 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
<b>Balance as of 31 December 2010</b>	<b>3'910</b>	<b>4'734</b>	<b>5'992</b>	<b>14'636</b>
<b>Carrying amount</b>				
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 2011 AND 2010

### 13. INTANGIBLE ASSETS

In thousands of Swiss francs							2011
	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
<b>Cost</b>							
Balance as of 1 January 2011	35'587	800	9'322	6'837	10'793	–	63'339
Additions	–	–	–	1'927	187	4'000	6'114
Acquisition of subsidiaries	–	933	1'565	–	–	–	2'498
Equity-settled acquisition of subsidiary	–	–	6'590	–	–	–	6'590
Effect of movements in exchange rates	–964	–21	777	–	–161	–	–369
<b>Balance as of 31 December 2011</b>	<b>34'623</b>	<b>1'712</b>	<b>18'254</b>	<b>8'764</b>	<b>10'819</b>	<b>4'000</b>	<b>78'172</b>
<b>Accumulated amortization</b>							
Balance as of 1 January 2011	2'224	800	–	5'382	8'883	–	17'289
Additions	8'771	307	–	985	741	600	11'404
Effect of movements in exchange rates	–175	–1	–	–1	–140	–	–317
<b>Balance as of 31 December 2011</b>	<b>10'820</b>	<b>1'106</b>	<b>–</b>	<b>6'366</b>	<b>9'484</b>	<b>600</b>	<b>28'376</b>
<b>Carrying amount</b>							
At 1 January 2011	33'363	–	9'322	1'455	1'910	–	46'050
At 31 December 2011	23'803	606	18'254	2'398	1'335	3'400	49'796
Impairment losses incurred in 2011							nil

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

## 13. INTANGIBLE ASSETS (CONTINUED)

In thousands of Swiss francs						2010
	Cost of initial put option	Existing client contracts	Goodwill	Software	Placing expenses	Total
<b>Cost</b>						
Balance as of 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
<b>Balance as of 31 December 2010</b>	<b>35'587</b>	<b>800</b>	<b>9'322</b>	<b>6'837</b>	<b>10'793</b>	<b>63'339</b>
<b>Accumulated amortization</b>						
Balance as of 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
<b>Balance as of 31 December 2010</b>	<b>2'224</b>	<b>800</b>	<b>–</b>	<b>5'382</b>	<b>8'883</b>	<b>17'289</b>
<b>Carrying amount</b>						
At 1 January 2010	42'200	253	10'315	806	2'312	55'886
At 31 December 2010	33'363	–	9'322	1'455	1'910	46'050
Impairment losses incurred in 2010						nil

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 13. INTANGIBLE ASSETS (CONTINUED)

#### *Cost of 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.

#### *Existing client contracts*

In the course of the acquisition of D&W Service GmbH, Germany, 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 11.92% to determine the net present value of the intangible asset acquired. The acquired existing client contracts will be amortized using the straight-line method over the period from 1 January 2011 to 31 December 2013.

In prior years, existing client contracts related to the acquisition of Partners Group Real Estate LLC. They have been fully amortized in 2010.

#### *Goodwill*

The additions to goodwill relate to the following two acquisitions of subsidiaries:

- In January 2011, goodwill of CHF 1.6 million is due to the acquisition of D&W Service GmbH, Germany (see note 5(c)).
- In July 2011, goodwill of CHF 6.6 million relates to the acquisition of Partners Group Real Estate LLC, USA, (formerly known as: PCA Real Estate Asset Management LLC) in 2007. The purchase agreement entered into in 2007 stipulates three potential contingent payments (in shares of the Company) based on future revenue targets. In 2007, the Group considered one contingent payment as probable and recognized the additional purchase consideration. In 2011, the last contingent payment was transferred, as the revenue target was reached, which was not considered probable prior to 2011. As a result, further 43'616 shares of the Company (equivalent to CHF 6.6 million) were transferred to the seller, which results in the recognition of an additional purchase consideration in accordance with IFRS 3 (2004).

Of the carrying amount as of 31 December 2011 of CHF 18.3 million (2010: CHF 9.3 million), CHF 1.6 million (2010: CHF 0) is allocated to the private equity operating segment and CHF 16.7 million (2010: CHF 9.3 million) to the private real estate operating segment.

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

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

Goodwill has been allocated to the following cash-generating units:

- Goodwill relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007 has been allocated to the private real estate operating segment.
- Goodwill relating to the acquisition of D&W Service GmbH ("D&W") in January 2011 has been allocated to the portion of private direct equity business allocable to the employees taken over in the acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 13. INTANGIBLE ASSETS (CONTINUED)

The recoverable amounts of the cash-generating units were based on their values in use. The carrying amounts of the units were determined to be lower than their recoverable amounts and thus no impairment of the goodwill was recognized. Values in use were determined by discounting the future cash flows generated from the continuing use of the units and were based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year business plan (2012–2016). Cash flows for the time thereafter were taken into account by calculating terminal values based on the discount factors applied by the Group. No growth rates were applied.
- Revenues were projected based on the development of existing business, taking into account the generation of additional business in the years 2012 to 2016.
- General expense growth, as well as third party expense growth, were considered at a constant rate of 10% p.a. (2010: 10% p.a.)
- Personnel expense growth was considered at a constant rate of 4% p.a. (2010: constant rate of 8% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel & general expense).
- Pre-tax discount rates of 10.93% [PG RE] (2010: 17.22%) respectively 11.02% [D&W] were applied in determining the recoverable amount of the units. These discount rates did not take into account any cost for leverage, as the Group used no debt to finance the transactions. The Group applied market interest rates of 1.99% [PG RE] (2010: 3.45%) respectively 1.94% [D&W], adjusted by a market risk premium and an industry weighted average beta factor.

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

#### *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, depending 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).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 14. INVESTMENTS IN ASSOCIATES

In thousands of Swiss francs	Investment at cost	Carrying value	Ownership
LGT Private Equity Advisers, Vaduz / Liechtenstein	400	3'853	40%

In thousands of Swiss francs	2011	2010
Balance as of 1 January	3'902	3'382
Dividends received from investments in associates	- 3'367	- 3'005
Other movements	- 68	- 125
Share of results	3'386	3'650
<b>Balance as of 31 December</b>	<b>3'853</b>	<b>3'902</b>

Summary of financial information of the investments in associates – 100%:

In thousands of Swiss francs	Total assets	Total liabilities	Equity	Revenues	Profit / (loss)
<b>2011</b>					
LGT Private Equity Advisers, Vaduz	12'302	2'670	9'632	9'935	8'466
<b>2010</b>					
LGT Private Equity Advisers, Vaduz	11'311	1'556	9'755	10'593	9'124

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 first closing. In some situations the Group might also provide seed financing to investment programs to enable them to start investing.

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	2011	2010
Balance as of 1 January	180'480	124'872
Additions	31'945	54'788
Disposals	- 19'143	- 4'661
Revaluation of investments held at period end <sup>1)</sup>	19'867	28'188
Revaluation of investments disposed/liquidated in the period <sup>1)</sup>	- 38	-
Effect of movements in exchange rates	- 2'132	- 22'707
<b>Balance as of 31 December</b>	<b>210'979</b>	<b>180'480</b>

1) The revaluation to fair value 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 2011 AND 2010

### 15. OTHER INVESTMENTS (CONTINUED)

As of the relevant balance sheet date, the Group held the following investments into investment programs and investments, split into the following operating segments:

In thousands of Swiss francs	2011	2010
Private equity	129'699	111'339
Private debt	16'689	14'061
Private real estate	13'211	6'044
Other operating segments:		
Partners Group managed	44'098	11'527
Third party managed	7'282	37'509
<b>Total investments</b>	<b>210'979</b>	<b>180'480</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 16. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	2011	2010
Assets held in experience account:		
Restricted cash and cash equivalents	83'470	84'588
Loans to related parties	4'629	3'217
Other financial assets	285	697
<b>Total</b>	<b>88'384</b>	<b>88'502</b>

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:

	2011	2010
Effective interest rate of restricted cash and cash equivalents	1.42%	0.76%

Once the convertible bond for Pearl Holding Limited, Guernsey, is fully repaid and a balance in the experience account remains, Pearl Management Limited, Guernsey, 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 as at fair value through profit or loss.

The loans to related parties of the Group of CHF 4.6 million (2010: CHF 3.2 million) bear interest at market related interest rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 the tax deduction based on the share price at the date of exercise or vesting (2011: CHF 0.9 million; 2010: CHF 0.6 million).

In addition, the Group recognizes deferred tax assets in connection with its assets arising out of the application of IAS 19 (2011: CHF 0.02 million; 2010: deferred tax liability of CHF 0.1 million).

#### *Deferred tax liabilities*

Taxable temporary differences arise from the application of IAS 39 and the stating of the assets valued at fair value through profit or loss at fair value (2011: CHF 1.3 million; 2010: CHF 1.9 million). The revaluation is included in net finance income and expense (see note 10).

#### *Development of deferred tax assets and liabilities*

In thousands of Swiss francs	2011	2010
<b>Deferred tax assets</b>		
Balance as of 1 January	646	396
Changes recognized in the income statement	222	330
Effect of movements in exchange rates	4	-80
<b>Balance as of 31 December</b>	<b>872</b>	<b>646</b>
<b>Deferred tax liabilities</b>		
Balance as of 1 January	-2'034	-
Changes recognized in the income statement	706	-2'073
Effect of movements in exchange rates	21	39
<b>Balance as of 31 December</b>	<b>-1'307</b>	<b>-2'034</b>

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 its assets. In such circumstances a tax rate of 0% is applied.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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	2011	2010
Tax relevant losses carried forward as of 1 January	574	9'819
Effect of movements in foreign exchange rates	–	59
Additional losses in the current reporting period	4	2
Utilized losses carried forward	– 553	– 9'306
<b>Balance as of 31 December</b>	<b>25</b>	<b>574</b>

The losses carried forward expire within the following time frame:

In thousands of Swiss francs	2011	2010
5 years	–	553
11 to 20 years	25	21
<b>Total losses carried forward</b>	<b>25</b>	<b>574</b>

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

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments, branches, associated companies 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 2011 AND 2010

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

In thousands of Swiss francs	2011	2010
Derivative assets	1'203	22'724
Other prepaid expenses	6'416	2'636
Current loans	213'558	116'569
Trade receivables	30'350	40'093
Other receivables	3'852	2'230
<b>Total</b>	<b>255'379</b>	<b>184'252</b>

No allowances were recognized during, and at the end of, the current and prior period. 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 70% (2010: 75%) of the trade receivables based on discretionary management agreements; the remaining 30% (2010: 25%) is invoiced to clients who are primarily 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. Part of the outstanding balance as of 31 December 2011 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 ("Princess"), Pearl Holding Limited ("Pearl") and Partners Group Global Opportunities Limited ("PGGO"). The credit facilities have been arranged by a large international bank and entered alongside other lenders including the arranging bank. Each facility formed part of syndicated term loan and revolving facilities of EUR 170 million in aggregate initially, which could, 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. In 2011 Princess and PGGO repaid and cancelled their respective facilities and the Group redeemed EUR 100 million with regard to Princess and PGGO. Following these repayments and cancellations, Pearl is the sole borrower under the syndicated credit facility. As of 31 December 2011, the syndicated credit facility, comprising senior and junior facilities of EUR 35 million each, was at EUR 70 million and exclusively available to Pearl. The borrower may not, fully or partially, repay any amount of its junior facility before its senior facility has been repaid in full. Both the senior and junior facility mature on 25 September 2012 unless they are repaid earlier. The Group participates with a maximum credit amount of EUR 36.8 million being comprised of EUR 28.6 million in the junior facility and EUR 8.2 million in the senior facility. As at the end of the reporting period, EUR 28.6 million were drawn under the junior facility. The senior facility was not drawn.

In relation to the senior facility, 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 facility. The facilities are, where applicable, secured, inter alia, by way of pledge of certain assets/investments, shares and bank accounts of the respective borrower. Upon repayment and cancellation of the facilities of Princess and PGGO, the respective security was released.

All other current loans relate to short-term loans to several investment structures with an expected repayment date within the next three months. Interest on these loans is calculated at a rate of 2.50% per annum above the applicable LIBOR rate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 19. MARKETABLE SECURITIES

In thousands of Swiss francs	2011	2010
Equity securities held for trading	2'297	488
<b>Total</b>	<b>2'297</b>	<b>488</b>

### 20. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	2011	2010
Bank balances	96'664	226'566
Petty cash	5	6
<b>Total</b>	<b>96'669</b>	<b>226'572</b>

The reduction of the cash and cash equivalents balance primarily results from the increase in granted current loans to investment structures (see note 18). For further details on the changes in the cash and cash equivalents balance, please refer to the cash flow statement.

### 21. SHARE CAPITAL AND RESERVES

In effective number of shares	2011	2010
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	–	–
<b>Issued as of 31 December – fully paid in</b>	<b>26'700'000</b>	<b>26'700'000</b>

The issued share capital comprises 26'700'000 registered shares (2010: 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 shareholder 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 2011 (2010: CHF 218'100) consisting of CHF 217'100 (2010: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (2010: CHF 1'000) for other legal reserves.

#### *Treasury shares*

Treasury shares are recognized at cost and presented separately within equity. At the balance sheet date the Group held 1'309'778 (2010: 1'952'821) 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 2011 AND 2010

### 21. SHARE CAPITAL AND RESERVES (CONTINUED)

#### Dividends

After the balance sheet date, the Board of Directors proposed a dividend distribution of CHF 146.9 million (CHF 5.50 per share). During the reporting period, the Company paid a dividend of CHF 127.2 million (CHF 5.00 per share) (2010: CHF 110.8 million, CHF 4.50 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution of CHF 133.5 million was not completely distributed.

#### 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		2011	
	Shares issued	Treasury shares	Out-standing
Balance as of 1 January 2011	26'700'000	1'952'821	24'747'179
Purchase of treasury shares		2'624'099	- 2'624'099
Sale of treasury shares		- 3'267'142	3'267'142
<b>Balance as of 31 December 2011</b>	<b>26'700'000</b>	<b>1'309'778</b>	<b>25'390'222</b>
Weighted average number of shares outstanding during the period (360 days)			25'291'840
<b>Shareholders above 5% (in % of shares issued)</b>		<b>Shares held</b>	<b>in %</b>
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		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		1'892'257	- 1'892'257
Sale of treasury shares		- 1'892'825	1'892'825
<b>Balance as of 31 December 2010</b>	<b>26'700'000</b>	<b>1'952'821</b>	<b>24'747'179</b>
Weighted average number of shares outstanding during the period (360 days)			24'811'400
<b>Shareholders above 5% (in % of shares issued)</b>		<b>Shares held</b>	<b>in %</b>
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 2011 AND 2010

### 22. EARNINGS PER SHARE

	2011	2010
<b>Basic and diluted earnings per share</b>		
Net profit for the period (in thousands of Swiss francs)	202'086	296'294
Weighted average number of ordinary shares outstanding	25'291'840	24'811'400
Average fair value of one ordinary share during the period (in Swiss francs)	170.65	154.00
Weighted average number of shares under option during the period	3'015'418	4'280'478
Weighted exercise price for shares under option during the period (in Swiss francs)	130.42	97.00

		2011
	Earnings per share	Number of shares
	Net profit	
Net profit for the period (in thousands of Swiss francs)	202'086	
Weighted average number of ordinary shares outstanding		25'291'840
<b>Basic earnings per share (in Swiss francs)</b>	<b>7.99</b>	
Weighted average number of shares under option during the period		3'015'418
Number of shares that would have been issued at fair value <sup>1)</sup>		- 2'244'939
<b>Diluted earnings per share (in Swiss francs)</b>	<b>7.75</b>	<b>26'062'319</b>

		2010
	Earnings per share	Number of shares
	Net profit	
Net profit for the period (in thousands of Swiss francs)	296'294	
Weighted average number of ordinary shares outstanding		24'811'400
<b>Basic earnings per share (in Swiss francs)</b>	<b>11.94</b>	
Weighted average number of shares under option during the period		4'280'478
Number of shares that would have been issued at fair value <sup>1)</sup>		- 2'660'227
<b>Diluted earnings per share (in Swiss francs)</b>	<b>11.21</b>	<b>26'431'651</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 23. BORROWINGS

As of the balance sheet date, the Group had no borrowings outstanding (2010: nil), but maintains credit lines with banks (see note 4.3). 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	2011	2010
Bonus accruals – to be paid out in the following year	21'201	22'308
Third party fees	3'617	1'653
Outstanding invoices	2'296	2'952
Derivative liabilities	1'990	–
Other accrued expenses	5'699	8'299
<b>Total accrued expenses</b>	<b>34'803</b>	<b>35'212</b>

### 25. OTHER CURRENT LIABILITIES

In thousands of Swiss francs	2011	2010
Deferred income	–	1'426
Social securities and other taxes	461	8'209
Other current liabilities	249	2'478
<b>Total other current liabilities</b>	<b>710</b>	<b>12'113</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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/Switzerland. The plan provides benefits that meet or exceed the minimum benefits required under Swiss law, including the legal coordination charge, which is also insured. The monthly premium is split equally between employer and employees.

##### *Balance sheet as of 31 December*

In thousands of Swiss francs	2011	2010
Fair value of plan assets	32'565	29'383
Present value of benefit obligation	- 35'849	- 32'765
<b>Funded status</b>	<b>- 3'284</b>	<b>- 3'382</b>
Unrecognized actuarial (gains) / losses	3'200	4'209
<b>Net asset / (liability) in the balance sheet</b>	<b>- 84</b>	<b>827</b>

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

In thousands of Swiss francs	2011	2010
Net asset / (liability) in the balance sheet as of 1 January	827	- 207
Expense recognized in the income statement	- 2'275	- 1'660
Employers' contributions	1'364	2'694
<b>Net asset / (liability) in the balance sheet as of 31 December</b>	<b>- 84</b>	<b>827</b>

##### *Development of obligations and assets*

In thousands of Swiss francs	2011	2010
Present value of benefit obligation as of 1 January	- 32'765	- 28'150
Service cost	- 3'697	- 2'854
Past service cost	-	- 214
Interest cost	- 901	- 915
Benefits paid	251	590
Actuarial gain / (loss) on benefit obligation	1'263	- 1'222
<b>Present value of benefit obligation as of 31 December</b>	<b>- 35'849</b>	<b>- 32'765</b>

In thousands of Swiss francs	2011	2010
Fair value of plan assets as of 1 January	29'383	23'596
Expected return on plan assets	1'028	1'180
Employers' contributions	1'364	2'694
Employees' contributions	1'364	1'259
Benefits paid	- 251	- 590
Actuarial gain / (loss) on plan assets	- 323	1'244
<b>Fair value of plan assets as of 31 December</b>	<b>32'565</b>	<b>29'383</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 26. EMPLOYEE BENEFITS (CONTINUED)

#### Expense recognized in the income statement

In thousands of Swiss francs	2011	2010
Service cost	- 3'697	- 2'854
Interest cost	- 901	- 915
Expected return on plan assets	1'028	1'180
Actuarial gain / (loss) outside corridor recognized in the period	- 69	- 116
Past service cost recognized in the period	-	- 214
<b>Periodic pension cost</b>	<b>- 3'639</b>	<b>- 2'919</b>
Employees' contributions	1'364	1'259
<b>Expense recognized in the income statement</b>	<b>- 2'275</b>	<b>- 1'660</b>

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

#### Return

	2011	2010
<b>Actual return on plan assets</b>	<b>2.38%</b>	<b>6.90%</b>

#### Principal actuarial assumptions as of 31 December

	2011	2010
Discount rate	2.25%	2.75%
Expected net return on plan assets	3.50%	3.50%
Average future salary increases	2.00%	2.00%
Future pension increases	0.00%	0.50%

#### Asset allocation as of 31 December

In thousands of Swiss francs	2011	2010	Expected long-term rate of return	Contribution to rate of return
Cash	8.0%	5.6%	0.13%	0.01%
Bonds	28.3%	27.3%	2.25%	0.64%
Equities	17.7%	19.4%	3.50%	0.62%
Property	0.0%	0.0%	4.00%	0.00%
Other	46.0%	47.7%	5.50%	2.53%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		<b>3.80%</b>
			Cost, rounding	- 0.30%
			<b>Net return</b>	<b>3.50%</b>
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		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 26. EMPLOYEE BENEFITS (CONTINUED)

#### *Development of defined benefit pension plans*

In thousands of Swiss francs	2011	2010	2009	2008	2007
Fair value of plan assets	32'565	29'383	23'596	19'730	17'563
Present value of benefit obligation	-35'849	-32'765	-28'150	-25'829	-21'380
<b>Funded / (unfunded) status</b>	<b>-3'284</b>	<b>-3'382</b>	<b>-4'554</b>	<b>-6'099</b>	<b>-3'817</b>
Change in assumptions gain / (loss) on plan liabilities	307	-1'921	-50	-	914
Experience gain / (loss) on plan liabilities	956	699	864	-948	-1'803
Experience gain / (loss) on plan assets	-323	1'244	319	-4'753	-143
<b>Total actuarial gain / (loss)</b>	<b>940</b>	<b>22</b>	<b>1'133</b>	<b>-5'701</b>	<b>-1'032</b>

The expected employer's contribution in 2012 amounts to CHF 1.4 million.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 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 had been vested at grant. Thereafter, the Group implemented vesting conditions consisting of a five respectively six year service period. Starting in 2010, the Group implemented an additional plan for more junior employees with vesting conditions of a two year service period for 35% of the non-vested share grants.

Option and non-vested share grants	Grant date	Number of instruments	Vesting conditions	Expiry date
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
Options	1.1.2011	39'735	5 years' service	17.11.2020
Non-vested shares	1.1.2011	20'000	5 years' service	indefinite
Options	14.11.2011	9'496	none	14.11.2021
Options	14.11.2011	137'600	5 years' service	14.11.2021
Non-vested shares	14.11.2011	51'432	5 years' service	indefinite
Non-vested shares	14.11.2011	17'367	2 years' service	indefinite
Options	14.12.2011	4'000	5 years' service	14.11.2021
Non-vested shares	14.12.2011	2'000	5 years' service	indefinite
<b>Total options / non-vested shares granted</b>		<b>5'540'379</b>		
Options / non-vested shares expired / forfeited since grant date		- 712'297		
Exercises	2009	- 37'400		
Exercises	2010	- 4'272		
Exercises	2011	- 1'529'948		
<b>Net options outstanding as of 31 December 2011</b>		<b>3'256'462</b>		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 26. EMPLOYEE BENEFITS (CONTINUED)

In 2011, the Group further granted 7'660 (2010: 5'330) shares to new employees of the Group. These shares are subject to a vesting period of one year. In addition, the shares are subject to a restriction period of maximum five years, which is shortened if the employee resigns from the Group before this date.

Share grants	Year	Number of instruments	Vesting conditions
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
Shares	2011	7'660	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
	2011	2011	2010	2010
Outstanding as of 1 January	93.38	4'747'349	83.58	5'051'479
Forfeited during the period	124.99	- 242'569	105.99	- 218'078
Exercised during the period	40.21	- 1'529'948	3.91	- 426'132
Granted during the period - options	197.92	190'831	209.00	219'450
Granted during the period - shares	-	90'799	-	120'630
<b>Outstanding as of 31 December</b>	<b>119.53</b>	<b>3'256'462</b>	<b>93.38</b>	<b>4'747'349</b>
<b>Exercisable as of 31 December</b>		<b>777'122</b>		<b>1'602'890</b>

Of the outstanding 3'256'462 options and non-vested shares under the diverse programs of the Group, 777'122 options are exercisable immediately, and all other options and non-vested shares are subject to a restriction period of at least until 19 November 2012.

The fair value of services in return for share options granted is 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 26. EMPLOYEE BENEFITS (CONTINUED)

*Fair value of share options and non-vested shares granted in 2011, and related assumptions*

	Options	Non-vested shares	Vested options	Options	Non-vested shares	Non-vested shares	Options	Non-vested shares
Date of grant	1.1.2011	1.1.2011	14.11.2011	14.11.2011	14.11.2011	14.11.2011	14.12.2011	14.12.2011
Fair value per option / non-vested share at measurement date (in CHF)	28.54	177.40	20.83	20.83	162.50	162.50	20.47	162.00
Share price (in CHF)	177.40	177.40	162.50	162.50	162.50	162.50	162.00	162.00
Exercise price (in CHF)	209.00	–	195.00	195.00	–	–	195.00	–
Expected volatility	33.50%		30.00%	30.00%			30.00%	
Expected term of execution	5 years		5 years	5 years			5 years	
Expected dividend ratio	3.70%		3.38%	3.38%			3.38%	
Risk-free interest rate (based on Swap rates)	1.10%		0.27%	0.27%			0.18%	
Total options/non-vested shares granted	39'735	20'000	9'496	137'600	51'432	17'367	4'000	2'000
Amount to be recognized as service expense (in CHF)	1'134'037	3'193'200	197'802	2'866'208	7'521'930	2'539'924	81'880	291'600
<b>Amount recognized in the income statement in the current year (in CHF)</b>	<b>226'807</b>	<b>638'640</b>	<b>197'802</b>	<b>477'701</b>	<b>1'253'655</b>	<b>846'641</b>	<b>13'647</b>	<b>48'600</b>
<b>Total amount recognized in the income statement in the current year (in CHF)</b>								<b>3'703'493</b>

The applied expected five year volatility is determined using an average volatility. The Group has calculated the average of the historic five year volatility of the Company's stock and the longest available future implied volatility for the Company's shares / options in the market. As per 14 November 2011 this average calculation resulted in an expected five year volatility of 30% (17 November 2010: 33.90%).

The Group grants non-vested shares together with options on an annual basis at the absolute discretion of the Board of Directors. These shares are subject to vesting periods of either two or five years since they were granted. For the five year vesting periods, the Group already as of grant date recognizes a sixth of the corresponding amount in the income statement. For the non-vested shares with a service period of 2 years, the Group already as of grant date recognizes a third of the corresponding amount in the income statement.

Furthermore, the Group introduced a management carry program ("MCP") in 2011, whereby a portion of the potential future performance fees ("carry pool") from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals. The Nomination and Compensation Committee and the Board of Directors envisage an allocation of approximately 25-30% in the short- to mid-term and up to 50% in the mid- to long-term of the total carry pool to eligible employees over the years. The MCP typically includes an up to five year cliff-vesting period in line with the Group's overall long term incentive schemes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 26. EMPLOYEE BENEFITS (CONTINUED)

At this point in time, future performance fees cannot be reliably predicted for investments made in 2010 and 2011, because they depend on numerous variable parameters and future events. As a consequence, costs associated with the MCP cannot be reliably estimated so that the Group did not recognize any liabilities for the MCP allocations in its consolidated financial statements as of 31 December 2011, in line with the governing accrual principle. Hence, MCP allocation costs will be recognized when the future performance fees are received and the respective contingent rights materialize and become payable.

### 27. DERIVATIVES ARISING FROM INSURANCE CONTRACT

#### (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 depends on the development of the value of the outstanding portfolio of Pearl, and thus is classified as a derivative financial instrument. Given that the exposure is limited to the value of the assets contained in the experience account, the Group has no more net exposure left relating to the agreement with Pearl.

On 30 March 2006, the Group entered into an additional agreement with Swiss Re regarding 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 financial instrument is valued applying the Black-Scholes model. The following assumptions were applied for the input parameters of the model:

	2011	2010
Net asset value (in relation to bond notional)	104%	100%
Strike price (in millions)	EUR 712.8	EUR 712.8
Dividend yield	4.08%	4.42%
Risk free interest rate (government bonds)	1.22%	2.57%
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 2011 AND 2010

### 27. DERIVATIVES ARISING FROM INSURANCE CONTRACT (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 Pearl, as these 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 Pearl, 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.

#### *Fair value of derivative financial instrument*

The fair value calculated, using the Black-Scholes model and the assumptions as indicated above, result in an option liability that is above the respective amount shown as assets held in experience account (see note 16). Therefore, the balance of the derivative liabilities arising from insurance contract relating to Pearl represents the maximum exposure to the Group, which currently equals the value of the assets contained in the experience account.

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

In thousands of Swiss francs	2011	2010
Balance as of 1 January	84'588	96'618
Change in fair value	1'191	3'436
Effect of movements in exchange rates	- 2'309	- 15'466
<b>Balance as of 31 December</b>	<b>83'470</b>	<b>84'588</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 28. OPERATING LEASES

#### *Leases as a lessee*

Non-cancelable operating lease rentals are payable as follows:

In thousands of Swiss francs	2011	2010
Less than one year	8'561	6'035
Between one and five years	33'813	25'043
More than five years	9'392	11'703
<b>Total</b>	<b>51'766</b>	<b>42'781</b>

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 5.5 million was recognized as an expense in the income statement in respect of operating leases (2010: CHF 4.3 million).

### 29. CAPITAL COMMITMENTS

As of 31 December 2011 the Group had capital commitment contracts for CHF 225.1 million (2010: CHF 173.3 million), whereof CHF 93.6 million (2010: CHF 72.8 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 in 2009. Two of the investment structures repaid and cancelled their facilities in 2011. Currently the Group participates with a maximum credit amount of EUR 36.8 million of which EUR 28.6 million have been drawn as at the end of the reporting period. Therefore a further EUR 8.2 million is still available to one investment structure. In addition, the Group has provided loan facilities to three other investment structures with total available facility amounts of EUR 45 million and USD 15 million. None of these three facilities were drawn at the end of the current period.

### 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 reliably.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from those contingent liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 31. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its group entities / subsidiaries (see note 32), associates (see note 14), investment companies / programs (see note 15 and 16), pension funds (see note 26), as well as with its management and significant shareholders and their related parties.

Associates purchased services from the Group in the amount of CHF 0.3 million (2010: CHF 0.3 million) and at the balance sheet date associates owed CHF 75'000 to the Group (2010: CHF 75'000). The Group received dividends of CHF 3.4 million (2010: CHF 3.0 million) from associates.

Loans to related parties of the Group amount to CHF 4.6 million (2010: CHF 3.2 million) and are included in other financial assets (see note 16).

The Group purchased treasury shares from its shareholders as follows:

In effective number of shares	2011	2010
From shareholders employed by the Group	1'084'333	642'384
	<b>1'084'333</b>	<b>642'384</b>
Purchase price per share	CHF 169.03	CHF 128.57

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	2011	2010
Board members of Partners Group Holding AG:		
Short-term employment benefits	900	1'100
Post-employment benefits	133	143
Share-based payment expenses	200	–
<b>Total Board members</b>	<b>1'233</b>	<b>1'243</b>
Executive Board:		
Short-term employment benefits	6'267	6'941
Post-employment benefits	587	614
Share-based payment expenses	–	2'247
<b>Total Executive Board</b>	<b>6'854</b>	<b>9'802</b>
<b>Total Board members and Executive Board</b>	<b>8'087</b>	<b>11'045</b>

The Group provides the members of the Board of Directors and the Executive Board who hold investments in Partners Group products with partial rebates 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 2011 AND 2010

### 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:

#### *Restricted share options and non-vested shares:*

In effective number of options and non-vested shares	2011	2010
Board members (vested options)	15'539	9'331
Members of the Executive Board (non-vested options and shares)	560'798	942'298
<b>Total</b>	<b>576'337</b>	<b>951'629</b>

#### *Share ownership (unrestricted):*

In effective number of shares	2011	2010
Board members	11'378'478	11'380'978
Members of the Executive Board	1'424'128	1'381'490
<b>Total</b>	<b>12'802'606</b>	<b>12'762'468</b>

For further information in accordance with Art. 663b<sup>bis</sup> and 663c of the Swiss Code of Obligations refer to note 8 to 11 of the entity accounts of Partners Group Holding AG.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

### 32. GROUP ENTITIES AS OF 31 DECEMBER

Name	Country of incorporation	Ownership interest	
		2011	2010
(a) Significant subsidiaries (full consolidation)			
Partners Group AG	Switzerland	100%	100%
Asset Management Partners AG	Switzerland	84%	84%
Alternative Beta Partners AG	Switzerland	55%	55%
Partners Group (Brazil) Investimentos Ltda.	Brazil	100%	n/a
Partners Group (France) SAS	France	100%	n/a
Partners Group (Deutschland) GmbH	Germany	100%	n/a
Partners Group Management (Deutschland) GmbH	Germany	100%	100%
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 III S.à r.l.	Luxembourg	100%	n/a
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 Management XII Limited	Guernsey	100%	n/a
Partners Group Management XIII Limited	Guernsey	100%	n/a
Partners Group Management XIV Limited	Guernsey	100%	n/a
Partners Group Client Access Management I Limited	Guernsey	100%	n/a
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%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

## 32. GROUP ENTITIES AS OF 31 DECEMBER (CONTINUED)

Name	Country of incorporation	Ownership interest	
		2011	2010
<b>(a) Significant subsidiaries (full consolidation)</b>			
Partners Private Equity Management Limited	Guernsey	100%	100%
Partners Private Equity Management Inc. <sup>1)</sup>	Cayman Islands	n/a	100%
Partners Group Management (Scotland) Limited	Scotland	100%	100%
Partners Group Management (Scots) LLP	Scotland	100%	100%
Partners Group (UK) Limited	UK	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group Real Estate LLC	USA	100%	100%
Partners Group US Management LLC	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	100%	100%
<b>(b) Investments in associates (equity method)</b>			
LGT Private Equity Advisers AG	Liechtenstein	40%	40%

1) liquidated as of 12 September 2011

## 33. SUBSEQUENT EVENTS

No events took place between 31 December 2011 and 1 March 2012 that would require material adjustments to the amounts recognized in these consolidated financial statements.

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



**KPMG AG**  
Audit Financial Services  
Badenerstrasse 172  
CH-8004 Zurich

P.O. Box  
CH-8026 Zurich

Telephone +41 44 249 31 31  
Fax +41 44 249 23 19  
Internet [www.kpmg.ch](http://www.kpmg.ch)

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 2011.

### *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 2011 comply with Swiss law and the company's articles of incorporation.

### **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.

## 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*

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 'A. Hänggi'.

Andreas Hänggi  
*Licensed Audit Expert*

Zurich, 1 March 2012

# INCOME STATEMENT OF PARTNERS GROUP HOLDING AG FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

In thousands of Swiss francs	2011	2010
Income from financial investments	281'069	208'771
Value adjustments on financial investments	–	2'292
Other financial income	13'130	11'637
<b>Total income</b>	<b>294'199</b>	<b>222'700</b>
General and administrative expenses	– 634	– 635
Value adjustments on financial investments	– 2'164	–
Other financial expenses	– 112'029	– 42'524
<b>Profit before taxes</b>	<b>179'372</b>	<b>179'541</b>
Taxes	4'625	– 9'051
<b>Net profit for the period</b>	<b>183'997</b>	<b>170'490</b>

# **BALANCE SHEET OF PARTNERS GROUP HOLDING AG** **AS OF 31 DECEMBER 2011 AND 2010**

In thousands of Swiss francs	Note	2011	2010
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		57'467	172'859
Securities		2'298	488
Treasury shares	4	194'790	172'388
Accounts receivables		72	70
Other receivables:			
Third parties		261	197
Group companies		149'585	46'922
Deferred expenses and accrued income		80'514	51'062
<b>Total current assets</b>		<b>484'987</b>	<b>443'986</b>
<b>Non-current assets</b>			
Financial investments:			
Participations	3	379'414	342'013
Loans to employees / related parties		4'136	3'146
Other financial assets		685	5'774
<b>Total non-current assets</b>		<b>384'235</b>	<b>350'933</b>
<b>Total assets</b>		<b>869'222</b>	<b>794'919</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Other current liabilities:			
Third parties		4'070	9'428
Group companies		142'571	120'226
Accrued expenses		2'389	1'742
<b>Total liabilities</b>		<b>149'030</b>	<b>131'396</b>
<b>Shareholders' equity</b>			
Share capital		267	267
General legal reserves:			
Legal reserves		1	1
Legal reserves from capital contributions		217	217
Reserves for treasury shares		202'638	257'143
Available earnings:			
Retained earnings	5	333'072	235'405
Net profit for the period		183'997	170'490
<b>Total shareholders' equity</b>		<b>720'192</b>	<b>663'523</b>
<b>Total liabilities and shareholders' equity</b>		<b>869'222</b>	<b>794'919</b>

## NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

### 1. ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with the accounting, presentation and valuation principles of the Swiss Code of Obligations.

### 2. COMMITMENTS AND CONTINGENT LIABILITIES

In thousands of Swiss francs	2011	2010
<b>Guarantees</b>		
Guarantees for subsidiaries	385'528	53'035
Guarantees for third parties	39'472	–

Partners Group Holding AG maintains the following lines of credit as of 31 December 2011 (see note 4.3 of the consolidated financial statements), where it also guarantees for amounts which are drawn by its subsidiaries:

- CHF 50 million
- CHF 375 million

The credit facility agreement for the CHF 375 million credit line with a syndicate of Swiss banks refers to a maximum amount of such guarantee, limited to 110% of the overall drawn advances at a time.



## NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

### 3. PARTICIPATIONS

In thousands of currency units		Share capital		Ownership interest	
		2011	2010	2011	2010
Partners Group AG	Switzerland	CHF 200	CHF 200	100%	100%
Princess Management Limited	Guernsey	USD 3'600	USD 600	100%	100%
Partners Group (USA) Inc.	USA	USD 75	USD 75	100%	100%
Partners Group (Guernsey) Limited	Guernsey	GBP 5'000	GBP 40	100%	100%
Partners Group (UK) Limited	UK	GBP 450	GBP 450	100%	100%
Partners Group (Luxembourg) S.à r.l.	Luxembourg	EUR 6'635	EUR 4'985	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	SGD –	SGD –	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	BRL 348	n/a	100%	n/a
Partners Group (Deutschland) GmbH	Germany	EUR 25	n/a	100%	n/a
Partners Group (France) SAS	France	EUR 250	n/a	100%	n/a
Pearl Management Limited	Guernsey	EUR 20	EUR 20	100%	100%
Penta Management Limited	Guernsey	EUR 20	EUR 20	100%	100%
Partners Private Equity Management Inc.	Cayman Islands	n/a	USD –	n/a	100%
Partners Private Equity Management Limited	Guernsey	CHF –	CHF –	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	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 3'620	EUR 20	100%	100%
Partners Group Management II Limited	Guernsey	EUR 4'270	EUR 20	100%	100%
Partners Group Management III Limited	Guernsey	EUR 15'520	EUR 20	100%	100%
Partners Group Management IV Limited	Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Management V Limited	Guernsey	USD 11'820	USD 20	100%	100%
Partners Group Management VI Limited	Guernsey	EUR 21'820	EUR 20	100%	100%
Partners Group Management VII Limited	Guernsey	USD 2'120	USD 20	100%	100%
Partners Group Management VIII Limited	Guernsey	EUR 2'500	EUR 20	100%	100%
Partners Group Management IX Limited	Guernsey	EUR 1'020	EUR 20	100%	100%
Partners Group Management X Limited	Guernsey	USD 4'420	USD 20	100%	100%
Partners Group Management XI Limited	Guernsey	USD 2'000	USD 28	100%	100%
Partners Group Management XII Limited	Guernsey	EUR 20	n/a	100%	n/a
Partners Group Management XIII Limited	Guernsey	AUD 20	n/a	100%	n/a
Partners Group Management XIV Limited	Guernsey	USD 20	n/a	100%	n/a
Partners Group Client Access Management I Limited	Guernsey	EUR 20	n/a	100%	n/a
Partners Group Management I S.à r.l.	Luxembourg	EUR 4'531	EUR 31	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	EUR 5'231	EUR 31	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	EUR 31	n/a	100%	n/a

## NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

### 3. PARTICIPATIONS (CONTINUED)

In thousands of currency units		Share capital		Ownership interest	
		2011	2010	2011	2010
Partners Group Management (Deutschland) GmbH	Germany	EUR 25	EUR 25	100%	100%
Partners Group Finance ICC Limited	Guernsey	CHF –	CHF –	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	CHF –	CHF –	100%	100%
Partners Group Finance USD IC Limited	Guernsey	USD –	USD –	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	EUR –	EUR –	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	GBP –	GBP –	100%	100%
Asset Management Partners AG	Switzerland	CHF 200	CHF 200	84%	84%
Alternative Beta Partners AG	Switzerland	CHF 100	CHF 100	55%	55%

## 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 2010	1'953'389	86.53	169'019
Purchase of treasury shares	1'892'257	142.33	269'330
Sale of treasury shares	- 1'892'825	120.44	- 227'978
<b>Balance as of 31 December 2010</b>	<b>1'952'821</b>		
Purchase of treasury shares	2'624'099	160.28	420'589
Sale of treasury shares	- 3'267'142	103.49	- 338'125
<b>Balance as of 31 December 2011</b>	<b>1'309'778</b>		

The shares are valued at the lower of transaction or market price. The average value per share amounts to CHF 148.72 (31 December 2010: CHF 88.28).

The company has 3'256'462 (31 December 2010: 4'747'349) 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	2011	2010
Balance as of 1 January	235'405	165'406
Allocation of previous year's result	170'490	231'221
Dividends paid to shareholders	- 127'228	- 110'796
Net changes in reserves for treasury shares	54'405	- 50'426
<b>Balance as of 31 December</b>	<b>333'072</b>	<b>235'405</b>

## NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

### 6. CONDITIONAL CAPITAL

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

	2011	2010
Number of registered shares	4'005'000	4'005'000
Par value (in Swiss francs)	40'050	40'050

### 7. SHAREHOLDERS ABOVE 5% (IN % OF SHARES ISSUED)

	2011	2010
Gantner Alfred	14.20%	14.20%
Erni Marcel	14.20%	14.20%
Wietlisbach Urs	14.20%	14.20%

### 8. REDUCTION OF SILENT RESERVES IN ACCORDANCE WITH ART. 663B PAR. 8 OF THE SWISS CODE OF OBLIGATIONS

Until 2010, the accounting policy for the accounting of treasury shares resulted in a balance sheet value of the remaining treasury shares that was below market or cost value. The profit resulting from the sale of treasury shares was not recorded in the income statement, but rather offset against the balance sheet value of the remaining treasury shares.

Partners Group Holding AG has changed the accounting policy for treasury shares in 2011, where profits and losses are recorded in the income statement when realized. Due to this change in the accounting policy, Partners Group Holding AG has reduced the silent reserves on the treasury shares balance sheet value by CHF 70.8 million (net of tax). This is reflected in the income statement in other financial expenses and income from financial investments.

### 9. RISK ASSESSMENT DISCLOSURE IN ACCORDANCE WITH ART. 663B PAR. 12 OF THE 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 25 November 2011. 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<sup>BIS</sup> SWISS CODE OF OBLIGATIONS

In thousands of Swiss francs					2011
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/ shares	Total <sup>2)</sup>
<b>Board of Directors</b>					
Gantner Alfred, Executive Chairman	300	–	38	–	338
Erni Marcel, Executive Vice Chairman	300	–	43	–	343
Wietlisbach Urs, Executive Vice Chairman	300	–	44	–	344
Strutz Eric	–	–	–	50	50
Wuffli Peter	–	–	5	100	105
Zürcher Wolfgang	–	–	3	50	53
<b>Total Board of Directors</b>	<b>900</b>	<b>–</b>	<b>133</b>	<b>200</b>	<b>1'233</b>
<b>Executive Board</b>					
Meister Steffen, Chief Executive Officer	270	555	75	–	900
Wenger Jürg, Chief Operating Officer	270	295	60	–	625
Wipfli Cyrill, Chief Financial Officer	220	255	45	–	520
Alsterlind Pamela	222	310	20	–	552
Biner René	257	293	55	–	605
Birchler Kurt <sup>3)</sup>	270	230	54	–	554
Frei André <sup>4)</sup>	220	255	44	–	519
Haldner Felix	270	330	64	–	664
Näf Stefan	270	370	61	–	701
Schäli Stephan	270	370	62	–	702
Trommsdorff Tilman <sup>3)</sup>	270	195	47	–	512
<b>Total Executive Board</b>	<b>2'809</b>	<b>3'458</b>	<b>587</b>	<b>–</b>	<b>6'854</b>

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

2) Amounts include payments of all Group companies

3) Member of the Executive Board until 31 March 2011

4) Member of the Executive Board since 1 April 2011

In 2011, the Group introduced a management carry program ("MCP"), whereby a portion of the potential future performance fees ("carry pool") from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals. The Nomination and Compensation Committee and the Board of Directors envisage an allocation pool of approximately 25-30% in the short- to mid-term and up to 50% in the mid- to long-term of the total carry pool to eligible employees over the years. The MCP typically includes an up to five year cliff-vesting period in line with the Group's overall long term incentive schemes.

In 2011, 1.8% of the total carry pool for investments made in 2010 and 2011 have been allocated to the Board of Directors, namely to Alfred Gantner (0.6%), Marcel Erni (0.6%) and Urs Wietlisbach (0.6%). Furthermore 3.9% of the total carry pool for investments made in 2010 and 2011 have been allocated to the members of the Executive Board. The highest individual portion is allocated to Steffen Meister (CEO), who is entitled to receive 0.6% of the future carry pool.

# NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

## 10. MANAGEMENT COMPENSATION IN ACCORDANCE WITH ART. 663B<sup>BIS</sup> SWISS CODE OF OBLIGATIONS (CONTINUED)

In thousands of Swiss francs					2010
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/ shares	Total <sup>4)</sup>
<b>Board of Directors</b>					
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
<b>Total Board of Directors</b>	<b>1'100</b>	<b>–</b>	<b>143</b>	<b>–</b>	<b>1'243</b>
<b>Executive Board</b>					
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 <sup>3)</sup>	1'523
Biner René	250	350	45	–	645
Birchler Kurt	270	330	44	–	644
Gysler Philipp <sup>2)</sup>	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
<b>Total Executive Board</b>	<b>2'871</b>	<b>4'070</b>	<b>614</b>	<b>2'247</b>	<b>9'802</b>

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

2) Member of the 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 Partners Group Real Estate LLC (formerly known as: 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

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

Number of shares / options held as of 31 December 2011			2011
	Share ownership	Non-vested shares	Options
<b>Board of Directors</b>			
Gantner Alfred, Executive Chairman	3'790'326	–	–
Erni Marcel, Executive Vice Chairman	3'790'326	–	–
Wietlisbach Urs, Executive Vice Chairman	3'790'326	–	–
Strutz Eric	–	–	2'374
Wuffli Peter	6'000	–	6'783
Zürcher Wolfgang	1'500	–	6'382
<b>Executive Board</b>			
Meister Steffen, Chief Executive Officer	534'000	7'900	55'300
Wenger Jürg, Chief Operating Officer	153'333	1'600	33'100
Wipfli Cyrill, Chief Financial Officer	28'255	5'200	40'200
Alsterlind Pamela	1'540	9'998	52'200
Biner René	41'200	5'000	99'800
Frei André	54'139	4'200	28'200
Haldner Felix	347'100	4'700	69'200
Näf Stefan	110'361	8'600	83'500
Schäli Stephan	154'200	5'800	46'300
<b>Total</b>	<b>12'802'606</b>	<b>52'998</b>	<b>523'339</b>

# 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 2010			2010
	Share ownership	Non-vested shares	Options
<b>Board of Directors</b>			
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
<b>Executive Board</b>			
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 René	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
<b>Total</b>	<b>12'762'468</b>	<b>52'198</b>	<b>899'431</b>



## 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 2011

In thousands of Swiss francs	2011
Net profit for the year	183'997
Retained earnings	333'072
<b>Available earnings</b>	<b>517'069</b>
<b>Proposal by the Board of Directors to the Annual General Meeting of shareholders:</b>	
To be distributed to shareholders	- 146'850
<b>To be carried forward</b>	<b>370'219</b>



## TAKING AN ACTIVE ROLE IN A COMPANY'S DEVELOPMENT

**Martin Ruetz** Private Equity Secondaries, **Karin Hallin** Head São Paulo and **Remy Hauser** Healthcare Investments.

## 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", the "entity", "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

##### 1.1.1 Description

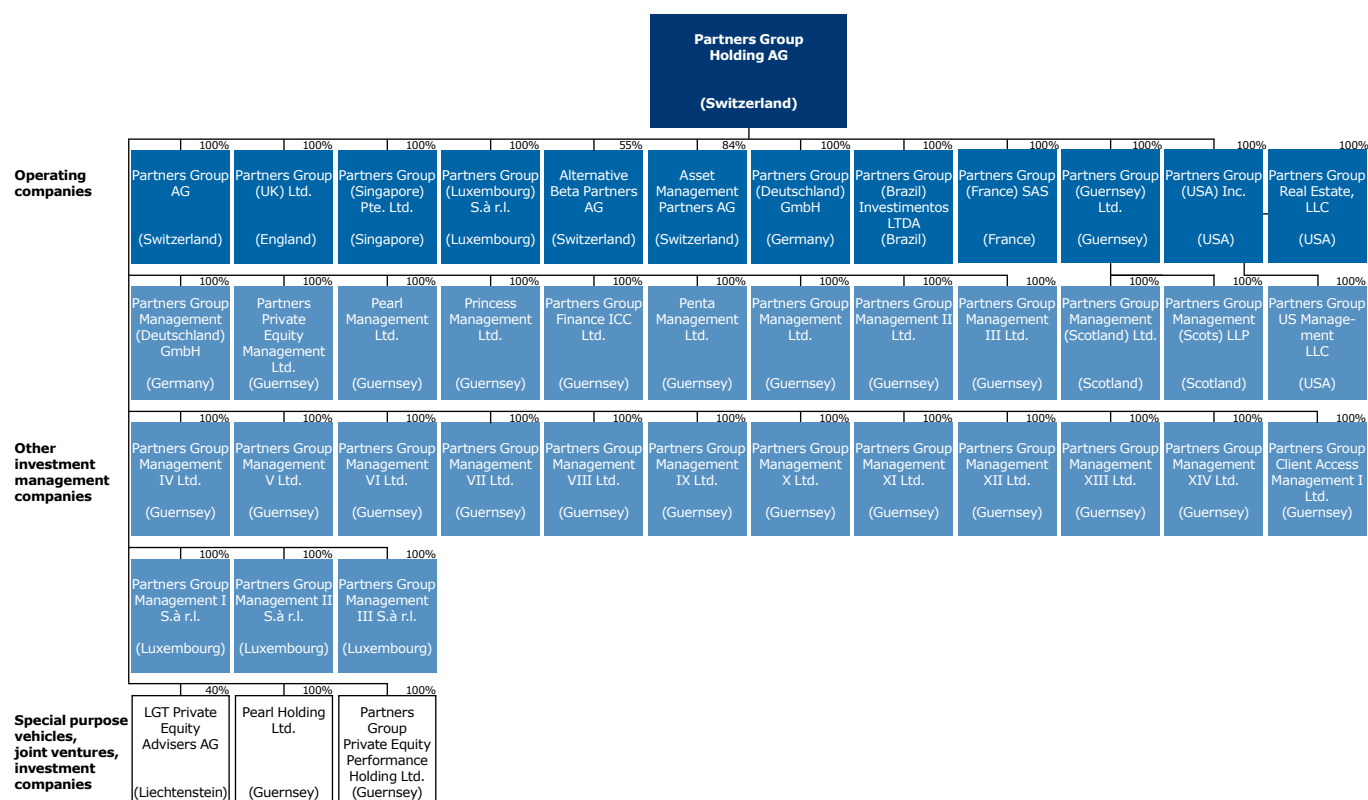
Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United Kingdom, the United States, Singapore, Guernsey and other jurisdictions. The chart below provides an overview of the group structure as of 31 December 2011.

##### 1.1.2 Listed companies belonging to the Group

Partners Group Holding is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. Partners Group Holding is listed on the SIX Swiss Exchange under the Valor number 002460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2011 is CHF 4.4 billion. All other group companies are privately held.

##### 1.1.3 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 2011.



## CORPORATE GOVERNANCE

### *1.2 Significant shareholders*

Partners Group Holding has four shareholders holding over 3% of the shares and voting rights of the company as of 31 December 2011. 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 1'309'778 treasury shares, corresponding to 4.91% of the total share capital.

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 833'392 shares, corresponding to 3.12% of the total share capital, on 10 August 2011.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2011 can be found on the SIX Swiss Exchange homepage:

[http://www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](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. Please see section 2.2 below for information on authorized and conditional capital.

### *2.2 Authorized and conditional share capital*

Partners Group Holding has no authorized capital as of 31 December 2011.

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 2011 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](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html)

## CORPORATE GOVERNANCE

### *2.3 Changes in capital*

No 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 (available at <http://www.partners-group.com/articlesofassociation>), 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 inheritance 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.

No exceptions to the limitations on transferability and nominee registration were granted during the financial year 2011.

### *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 2011 for comprehensive information on the employee shares and options.

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

## CORPORATE GOVERNANCE

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

Name	Director since	Term expires	Nationality	Age	Committee membership <sup>1</sup>	Function
Alfred Gantner	1997	2013	Swiss	43	BDC <sup>2</sup> , NCC, RAC	Director, Executive Chairman
Dr. Marcel Erni	1997	2014	Swiss	46	BDC	Director, Executive Vice Chairman
Urs Wietlisbach	1997	2012	Swiss	50	BDC	Director, Executive Vice Chairman
Dr. Eric Strutz	2011	2012	German	47	NCC	Director
Dr. Peter Wuffli	2009	2013	Swiss	54	RAC <sup>2</sup>	Director
Dr. Wolfgang Zürcher	2005	2012	Swiss	47	NCC <sup>2</sup> , RAC	Director

<sup>1</sup> Detailed information on committees is provided in section 3.3 below  
 RAC: Risk and audit committee  
 NCC: Nomination and compensation committee  
 BDC: Business development committee

<sup>2</sup> Committee chair

### 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 2011, 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, Perennius Capital, Milan, and Castle Private Equity AG, Pfäffikon/SZ, 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. Prior to founding Partners Group, he worked for Goldman



Sachs & Co. from 1994 to 1996 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 from 1988 to 1991. 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 directs investment committee.



Prior to founding Partners Group, he was a banker at Goldman Sachs & Co. from 1994 to 1996 and a management consultant at McKinsey & Co. from 1992 to 1994. He is a member of the board of directors of IHAG Holding AG, Zurich, Perennius Capital, Milan and Castle Private Equity AG, Pfäffikon/SZ. 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. He was initially responsible for the firm's part-





## CORPORATE GOVERNANCE

nership investment activities and was instrumental in building Partners Group's private equity funds portfolio and 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. from 1993 to 1996 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 from 1988 to 1993. He holds a master's degree in business administration from the University of St. Gallen (HSG).

*Dr. Eric Strutz* has been a member of the board of directors of Partners Group since 2011 and is a member of the nomination and compensation committee. He is Chief Financial Officer and a member of the Board of Managing Directors of Commerzbank AG. He joined Commerzbank AG as Executive Vice President, Strategy and Controlling, in 2001 and has been Chief Financial Officer of Commerzbank AG since 2003 and a member of the Board of Managing Directors since 2004. In August 2011, Dr. Eric Strutz announced his decision not to extend his mandate as Chief Financial Officer of Commerzbank AG, which expires at the end of March 2012. Prior to joining Commerzbank AG, Dr. Eric Strutz was employed by the Boston Consulting Group from 1993, where he was Vice President, Director and Partner as from 2000. He studied at the Universities of Erlangen-Nürnberg and St. Gallen and holds an MBA from the University of Chicago as well as a PhD in business administration from the University of St. Gallen. He is a member of the supervisory board of ABB AG, Mannheim, RWE Power AG, Essen, Mediobanca S.p.A., Milan, and BRE Bank S.A., Warsaw. He is also a member of the advisory board of SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH, Berlin and Verlagsbeteiligungs- und Verwaltungsgesellschaft mbH, Frankfurt am Main as well as deputy chairman of the supervisory board of Commerzbank Auslandsbanken Holding AG, Frankfurt am Main, and chairman of the supervisory board of both Commerzbank Auslandsbanken Holding Nova GmbH, Frankfurt am Main, and Commerzbank Inlandsbanken Holding GmbH, Frankfurt am Main. Neither Dr. Strutz 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. Strutz 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. Peter Wuffli* has been a member of the board of directors of Partners Group since 2009 and is the 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 chairman 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. has been a member of the board of directors of Partners Group since 2005 and is the chairman of the nomination and compensation committee and a member of the risk and audit committee. He is a partner at Wenger & Vieli, Attorneys-at-Law. He advises national and international clients with respect to mergers and acquisitions, capital markets and banking law. Be-



fore joining Wenger & Vieli in 1996, Dr. Zürcher worked as an assistant at the chair of corporate and banking law at the University of Zurich from 1991 to 1992 and with an international law firm in the United States from 1995 to 1996. 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, neither Dr. Zürcher nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Zürcher does not exercise any official functions or hold a political post. Dr. Zürcher does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.

#### *Changes in the board of directors*

Ulrich Fehring resigned from the board of directors after more than ten years at the annual general meeting on 5 May 2011, at which Dr. Eric Strutz was elected to the board of directors as his replacement.

#### *3.2 Elections and terms of office*

The board of directors consists of at least three members, all of which are elected individually (staggered renewal) by the shareholders' meeting, usually for a term of three years, unless the shareholders' meeting establishes different terms of office for individual members. The year of first appointment to the board of directors and the expiry of the current term of each member are listed in the table on page 122 above. 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. Please see the table on page 122 above for information on the allocation of tasks within the board of directors.

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 as set forth in the company's articles of association; in 2011, four meetings were held, which each lasted approximately three hours. The board of directors can deliberate if the majority of its members are present. Resolutions are adopted with the majority of the votes of the members present. In the event of a tie, the chairman casts the deciding vote. Resolutions by circular letter require the absolute majority of all members of the board of directors.

The board of directors has established three sub-committees: the risk and audit committee, the nomination and compensation committee and the business development committee. Each committee advises the board of directors on the matters specified below, often with the assistance of the executive board and others involved in the management of Partners Group Holding. The members and chairmen of these committees are determined by the board of directors. Please see the table on page 122 above for the composition of these committees.

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 3.5.1.3). As of 31 December 2011, the members of the risk and audit committee were Dr. Peter Wuffli (chair), Alfred Gantner and Dr. Wolfgang Zürcher. The risk and audit committee held four meetings in 2011, which each lasted approximately two hours. In addition, the external auditors attended one meeting of the risk and audit



## CORPORATE GOVERNANCE

committee in 2011. The chief executive officer, chief financial officer, chief risk officer as well as internal audit regularly attend risk and audit committee meetings. The majority of the committee members were present at all meetings.

### *Nomination and compensation committee*

The nomination and compensation committee advises the board of directors and the executive board regarding (i) the composition of the board of directors and (ii) the firmwide nomination and remuneration policy and strategy. As of 31 December 2011, the members of the nomination and compensation committee were Dr. Wolfgang Zürcher (chair), Alfred Gantner and Dr. Eric Strutz. The nomination and compensation committee held two meetings in 2011, which each lasted approximately two 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 2011, the members of the business development committee were Alfred Gantner (chair), Dr. Marcel Erni and Urs Wietlisbach. 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 met bi-monthly in 2011 for approximately three hours each 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 essential features of the group organization, all transactions in connection with real estate (outside of investment activities), establishment of employment conditions, all activities pertaining to the shareholder register, acceptance and handling of audit reports and budgets and the periodic review of the internal organization.

Responsibilities delegated to the executive board of Partners Group Holding are set forth in the company's rules of the organization and of operations (the "Rules"). The delegated responsibilities are the following:

1. Direct management as well as continual monitoring of business activities within the scope of and in line with the regulations, guidelines, competences, individual resolutions and restrictions imposed by the board of directors;
2. Conclusion of transactions provided these lie within the limits as determined by the Rules and particularly by the determined authorities and responsibilities set forth in the Rules or by the regulations, guidelines, competences, individual resolutions and restrictions imposed by the board of directors;
3. Establishing subsidiaries and founding new group companies (branches);
4. Developing and issuing directives, policies and job descriptions for employees to the extent that such tasks are not reserved to the board of directors;
5. Employment and termination of employees within the authorities and responsibilities set forth in the Rules;
6. Initiating legal actions and concluding settlements according to the authorities and responsibilities set forth in the Rules;
7. Organization, management and implementation of accounting, financial planning and reporting including preparation of the company's management report and annual financial statements for the attention of the board of directors;
8. Preparation of the budget for the attention of the board of directors;
9. Execution of the board of directors' resolutions;
10. Organizing, assisting and coordinating the employment benefit plans;
11. Organizing insurance management;
12. Organizing risk management as well as implementing and monitoring the internal control system and compliance;

13. Informing the senior management of relevant resolutions made by the board of directors and the executive board;
14. Proposal for all transactions that have to be submitted to the board of directors according the Rules and the authorities and responsibilities set forth in the Rules;
15. Exercising the company's shareholder's rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of the management, accepting the annual financial statements and matters related to this.

### 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-monthly through the business development committee) regarding 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 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

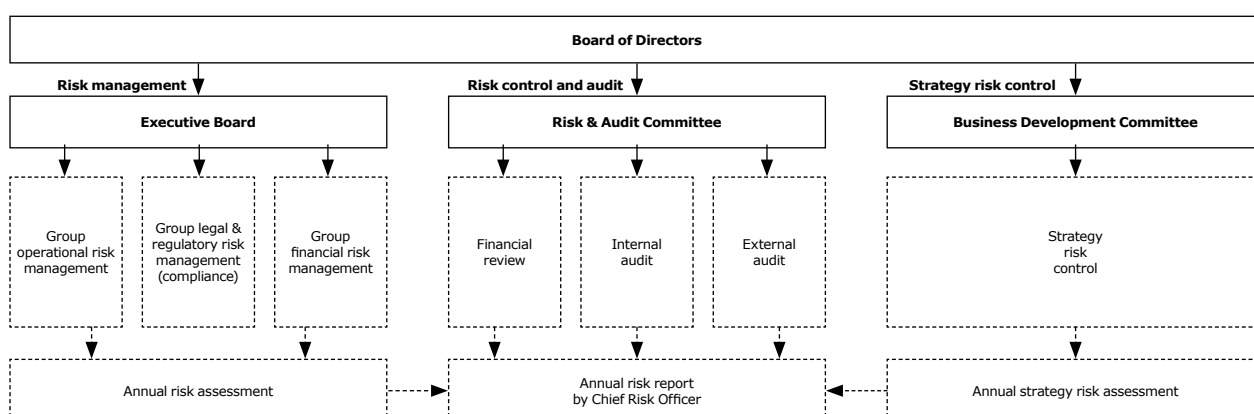
Partners Group Holding is aware that the proper assessment and control of risks are critical for the continued success of the company. The board of directors holds the ultimate responsibility for the establishment of a framework relating to the group risk management, which comprises the following elements, (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), financial obligations and procedures (FOPs) and legal obligations and procedures (LOPs).

##### 3.5.1.2 Main risk categories

The Board has identified the following main risk categories for Partners Group's business activities:



## CORPORATE GOVERNANCE

- (i) Strategic and business risks: the risks that Partners Group's business profitability may be eroded by changes in the environment or by failures in its choice of strategy or execution thereof. These risks and their potential impact on earnings are modeled through specific stress tests. The outcome is reported via the firm's management information system on an ongoing basis by the chief financial officer and chief risk officer.
- (ii) Operational risks: the risks that Partners Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. Risk management and control of obligations directly related to external parties/regulators is based on the firm's POPs and ROPs task control system, consisting of an electronic task list which automatically monitors and documents adherence to all major corporate legal and contractual requirements.
- (iii) Financial risks: (a) credit risk is the possibility that Partners Group may suffer a loss from the failure of counterparties and customers to meet their financial obligations, including failing to meet them in a timely manner. Credit risk arises as a result of activities that support Partners Group's business model. The credit risks are monitored and controlled by the chief risk officer and are reported on a timely basis to the executive board and the risk and audit committee. (b) liquidity risk is the risk that Partners Group does not have sufficient financial resources to meet its financial obligations when they fall due. The coordination and monitoring of the liquidity risk is the responsibility of the chief risk officer. The cash flow forecasting (including adapting the dividend policy) is discussed on a regular basis in the executive board and the risk and audit committee. (c) market risk is the possibility that Partners Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. The market risk management process aims to ensure that all market risks undertaken by Partners Group's own account are identified, measured, monitored and controlled at all times. This is achieved by applying suitable, comprehensively documented risk measures. The trading book is monitored on a daily basis and on a periodic basis reported to the executive board by the chief risk officer.

- (iv) Reputational risk: this risk can result from events in any of the above mentioned risk categories. This risk is thus measured through the business risk framework and monitored on an ongoing basis by the executive board and the risk and audit committee.

### 3.5.1.3 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 regularly reports its findings to the board of directors.

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 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, the chief financial officer, the chief operating officer and the general counsel. The scope, responsibilities, tasks and priorities of internal audit are regularly discussed with and approved by the risk and audit committee. They are reflected in the internal audit charter and the annual internal audit plan. Audits address risk areas with a potential material impact on the company and focus on adequateness of implemented internal controls. When performing its audit engagements, the company follows the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors. Audit findings are reported in a standard format together with the comments of the responsible line management. Appropriate measures for avoiding or mitigating risks are suggested to management. A systematic process tracks the timely resolution of audit issues, measures and action plans. Audit planning is aligned with the external auditors' work to avoid overlaps and audit results are discussed with them.

### 3.5.1.4 Strategy risk control

The business development committee has the responsibility to establish appropriate processes regarding the group strategy risk control. The business development committee regularly reports its findings in relation to strategy risk control to the board of directors.

## CORPORATE GOVERNANCE

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

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	41	Chief Executive Officer
Pam Alsterlind	2007	American	48	Co-Head Private Real Estate
René Biner	1999	Swiss	41	Head Private Finance
André Frei	2000	Swiss	36	Head Product Operations, Chief Risk Officer
Felix Haldner	2001	Swiss	48	Head Investment Structures
Stefan Näf	2000	Swiss	38	Co-Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	43	Head Private Equity
Jürg Wenger	1999	Swiss	52	Chief Operating Officer
Dr. Cyrill Wipfli	2002	Swiss	38	Chief Financial Officer

### 3.5.1.5 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.

## 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 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. 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 from 1995 to 2000, 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, from 1997 to 2007. Previously, she was a Senior Man-



## CORPORATE GOVERNANCE

ager in the real estate consulting practice at Kenneth Leventhal & Company, and its successor, Ernst & Young, LLP from 1989 to 1997, as well as an investment manager for Prudential Realty Group in Boston, involved in all aspects of managing a large real estate portfolio, from 1988 to 1989. 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 a member of the private infrastructure investment committee. He worked on private equity direct investments and transactions before taking on responsibility for partnership investments in Europe and then relocating to Partners Group's New York office as co-head of the firm's US private equity investment activities. Following his return to Partners Group's headquarter 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 from 1994 to 1999 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.



*André Frei* is a Partner, Head Product Operations and Chief Risk Officer at Partners Group and a member of the executive board. He oversees the risk management for the firm's investment and operational activities. Previously, he was instrumental in building the firm's quantitative cash flow forecasting and commitment level steering models as well as the firm's risk and quantitative system architecture. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich. He is also a CFA charterholder.



*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 markets deal structuring and execution, respectively for advice on tax, legal, regulatory and structural matters relating to investments. He has developed many major 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 was employed from 1992 to 2001 and 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. 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 establishing a network of deal sources. Prior to joining Partners Group, he was a business and management associate with assignments in the strategic project group at UBS from 1995 to 1997. 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).



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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 from 1988 to 1999, where his last assignment 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 investment solutions department. Prior to joining Partners Group, he was a consultant at McKinsey & Co. from 2001 to 2002 and a financial analyst at Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation, both from 1996 to 2000. He holds a doctorate in finance and banking from the University of St. Gallen (HSG).



### *Changes in the executive board*

Both Kurt Birchler, Co-Head Product Operations, and Tilman Trommsdorff, Head Portfolio & Risk Management, stepped down from the executive board on 31 March 2011. André Frei, Head Product Operations and Chief Risk Officer, joined the executive board on 1 April 2011.

### *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.



## CORPORATE GOVERNANCE

### 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 with the support of the nomination and compensation committee, and is focused on ensuring team members retain a long-term perspective. Shares and/or options are granted to all employees of the company at the full discretion of the board of directors, 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. Partners Group further introduced a management carry program ("MCP") in 2011 whereby a portion of the potential future performance fee from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals (please see 5.6 below for additional information). We believe our employees consider our reward structures transparent, 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 as well as from the newly introduced MCP, which by its nature is directly linked to investment success achieved for the firm's 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, (iv) equity participation program and (v) management carry 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 of directors. 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 development and 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 meetings, the nomination and compensation committee discusses the group's general compensation guidelines for the current year and its general salary policy for the coming year and provides a proposal to the board of directors for approval. After having set the framework for the overall compensation strategy for the current year's bonus, equity incentives, MCP participation and the coming year's fixed annual salaries, 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 nomination and compensation committee proposes the coming year's fixed annual salary for the members of the executive board and the variable components (bonus, stock options and MCP participation) for the current year. Additionally, important decisions such as senior management promotions are proposed to the full board of directors for final consideration and decision.

#### 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 of directors. 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,

## CORPORATE GOVERNANCE

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 absolute discretion of the board, advised by the nomination and compensation committee.

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 by the board of directors 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 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. In addition, the executive members of the board participate in the MCP, thereby further linking their overall compensation to the investment success achieved for the firm's 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 fixed base salary which is paid in cash on a monthly basis as well as a variable bonus and typically also includes shares and options as well as participation in the MCP. The variable portion is performance-based and approved at the board of director's absolute discretion. The members of the executive board were not granted any stocks and options in the employee participation plan during the reporting year but all received interests in the inaugural round of the MCP, in which investments made in the financial years 2010 and 2011 were included. Please see note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual re-

port 2011 for an overview of the compensation paid to the members of the executive board in 2011. The ratio of the executive board's variable component (cash bonus, equity incentives and other compensation) compared to the base compensation ranged from 90% to 233% in the reporting year (2010: 109% to 387%). 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 of directors. 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 2011.

### *5.6 Management carry program*

In the firm's MCP a portion of the potential future performance fee from investments made during a relevant investment period is allocated on a discretionary basis to certain senior professionals, including members of the board of directors and of the executive board. In 2011, investments made in the financial years 2010 and 2011 were included in the MCP.

The total carry pool consists of the firm's overall carried interest entitlement from investments made in a certain investment period and currently includes five specialized carry pools. These take into account investment activities in the areas (i) private equity directs and secondaries, (ii) private real estate and (iii) private debt and private infrastructure and further include two more general pools.

The nomination and compensation committee and the board of directors envisage an allocation of around 25-30% in the short- to mid-term and up to 50% in the mid- to long-term of the potential total carry pool to el-



## CORPORATE GOVERNANCE

igible employees over the years. Personal allocation is at the full discretion of the board of directors and typically based on factors such as (i) function, level and responsibility in the firm, (ii) personal contribution to investment affairs in the respective period, and (iii) specific contribution to the investments underlying a specific carry pool. The MCP typically includes an up to five year cliff-vesting period in line with the Group's overall long-term incentive scheme.

Future performance fee cannot be reliably predicted for investments made in 2010 and 2011 at this point in time because it depends on numerous variable parameters. As a consequence, costs associated with the MCP cannot be reliably estimated so that the Group did not recognize any liabilities for the MCP allocations in its consolidated financial statements 2011, in line with the governing accrual principle. Hence, MCP allocation costs will be recognized when the respective contingent rights materialize and become payable and are thus in line with actual cash flows. Further information on the MCP can be found in the compensation report in note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2011.

### 5.7 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.

### 5.8 Compensation report

Pursuant to Art. 663b bis and 663c of the Swiss Code of Obligations (i) the total compensation paid in 2011 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 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 2011.

## 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 2012, the AGM is scheduled for 3 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 items on the agenda and the motions to be introduced by the shareholders.

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### 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 items 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 the board of directors, the executive board as well as other members of management 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 2011, 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 CHF 0.1 million in fees for consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2011.

### 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 2011, 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 good corporate governance, Partners Group Holding periodically conducts appraisals of the audit mandate, in which in particular budget issues are reviewed in order to ensure audit fees are kept at a competitive level in the best interests of shareholders.

Please also refer to the sections concerning the risk and audit committee (3.3) as well as internal audit (3.5.1.3) 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 2012 are as follows:

Event	Date
Annual general meeting of shareholders	3 May 2012
Ex-dividend date	7 May 2012
Dividend record date	9 May 2012
Dividend payment date	10 May 2012
Pre-close announcement AuM as of 30 June 2012	12 July 2012
Publication semi-annual report	4 September 2012

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>

For all investor enquiries Philip Sauer can be reached as follows:

Partners Group  
Philip Sauer  
Zugerstrasse 57  
6341 Baar-Zug  
Switzerland  
Phone +41 41 784 66 60  
Fax +41 41 784 60 01  
[philip.sauer@partnersgroup.com](mailto:philip.sauer@partnersgroup.com)



## DISCUSSING AN OPPORTUNITY IN TELECOMMUNICATIONS

**Brandon Prater** Co-Head Private Infrastructure, **Benjamin Haan** Private Infrastructure, **Reto Schwager** Head Investment Solutions Asia and **Michael Barben** Co-Head Private Infrastructure.

## CONTACTS

### Investor relations

Philip Sauer  
 Phone +41 41 784 66 60  
 Email philip.sauer@partnersgroup.com

### Media relations

Dr. Anna Hollmann  
 Phone +41 41 784 63 72  
 Email anna.hollmann@partnersgroup.com

www.partnersgroup.com  
 partnersgroup@partnersgroup.com

### Zug:

Zugerstrasse 57  
 6341 Baar-Zug  
 Switzerland  
 Phone: +41 41 784 60 00  
 Fax: +41 41 784 60 01

### San Francisco:

150 Spear Street  
 18th Floor  
 San Francisco, CA 94105  
 USA  
 Phone: +1 415 537 85 85  
 Fax: +1 415 537 85 58

### New York:

The Grace Building  
 1114 Avenue of the Americas, 37th Floor  
 New York, NY 10036  
 USA  
 Phone: +1 212 908 2600  
 Fax: +1 212 908 2601

### São Paulo:

Rua Joaquim Floriano  
 1052 Conj. 142  
 CEP 04534-014  
 São Paulo  
 Brazil  
 Phone: +55 11 3074 0346  
 Fax: +55 11 3074 0349

### London:

Heron Tower, 14th floor  
 110 Bishopsgate  
 London EC2N 4AY  
 United Kingdom  
 Phone: +44 20 7575 2500  
 Fax: +44 20 7575 2501

### Guernsey:

Tudor House, 2nd Floor  
 Le Bordinge  
 St Peter Port GY1 1BT  
 Guernsey  
 Phone: +44 1481 711 690  
 Fax: +44 1481 730 947

### Paris:

10 rue Labie  
 75017 Paris  
 France  
 Phone: +33 1 45 03 60 84  
 Fax: +33 1 45 74 86 99

### Luxembourg:

55, Avenue de la gare  
 1611 Luxembourg  
 Phone: +352 27 48 28 1  
 Fax: +352 27 48 28 28

### Munich:

Gundelindenstraße 2  
 80805 Munich  
 Germany  
 Phone: +49 89 38 38 92 0  
 Fax: +49 89 38 38 92 99

### Dubai:

Dubai International Financial Center  
 Level 3, Gate Village 10  
 P.O. Box 125115  
 Dubai UAE  
 Phone: +971 4 401 9143  
 Fax: +971 4 401 9142

### Singapore:

71 Robinson Road  
 Level 13  
 Singapore 068895  
 Phone: +65 6671 3500  
 Fax: +65 6671 3501

### Beijing:

Excel Center  
 #1105, No 6 Wudinghou Street  
 Xicheng District  
 Beijing 100140  
 China  
 Phone: +86 10 8356 1600  
 Fax: +86 10 8356 1601

### Seoul:

#3026 Floor ASEM Tower  
 159-1, Samsung-dong, Gangnamgu  
 Seoul 135-798  
 South Korea  
 Phone: +82 2 6001 3183  
 Fax: +82 2 6001 3186

### Tokyo:

Daido Seimei Kasumigaseki  
 Building 5F  
 1-4-2 Kasumigaseki, Chiyoda-ku  
 Tokyo 100-0013  
 Japan  
 Phone: +81 3 5532 2030  
 Fax: +81 3 5532 2040

### Sydney:

Aurora Place  
 Level 33, 88 Philip Street  
 Sydney, NSW 2000  
 Australia  
 Phone: +61 2 8216 1900  
 Fax: +61 2 8216 1901



**Partners Group**  
Passion for Private Markets