



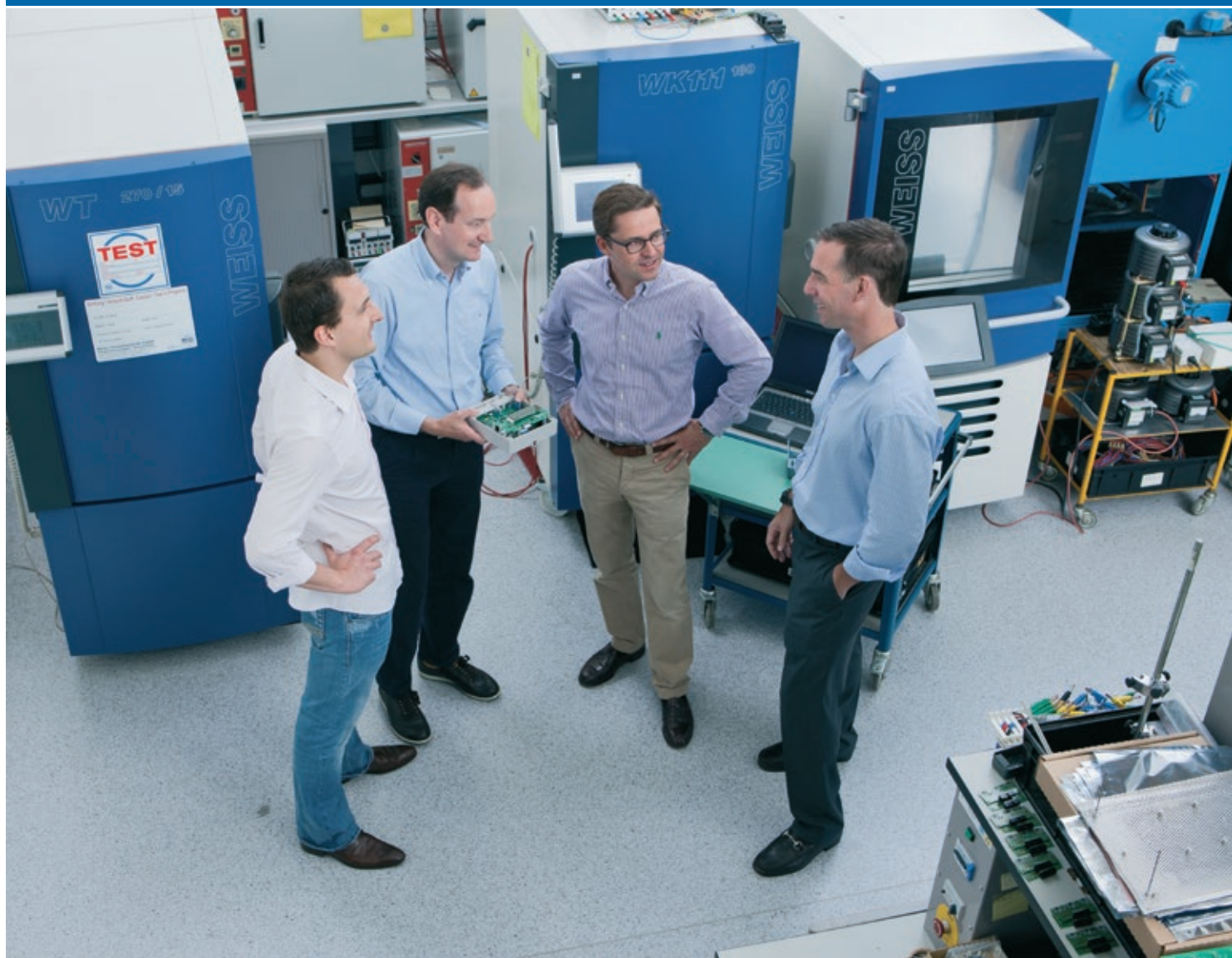
Rocco Sgobbo Head Investment Solutions Southeast Asia, **Bastian Wolff** Private Real Estate, **Claude Angéloz** Co-Head Private Real Estate, **Choon Wah Wong** Private Real Estate

VALUE CREATION IN PRIVATE MARKETS

ANNUAL REPORT 2013



Partners Group
Passion for Private Markets



ASSESSING UNDERLYING COMPANIES IN A SECONDARY TRANSACTION

Julien Marencic Private Equity Secondaries, **Stephan Schäli** Head Private Equity, **Jochen Weirich** Investment Solutions Europe and **Adam Howarth** Co-Head Private Equity Secondaries

KEY FIGURES

701 professionals

16 offices

around the world

EUR 31.6 billion

assets under management

1.33%

net revenue margin

CHF 492 million

net revenues

CHF 300 million

EBITDA

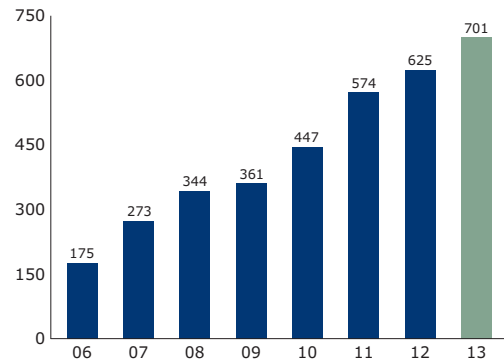
CHF 317 million

net profit

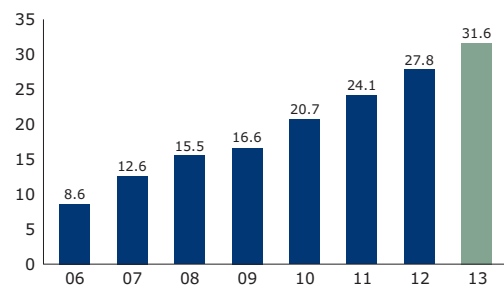
CHF 292 million

adjusted net profit

Number of professionals

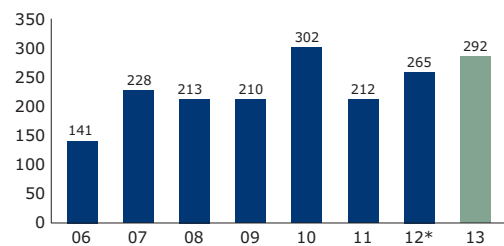


Total assets under management
(in EUR bn)



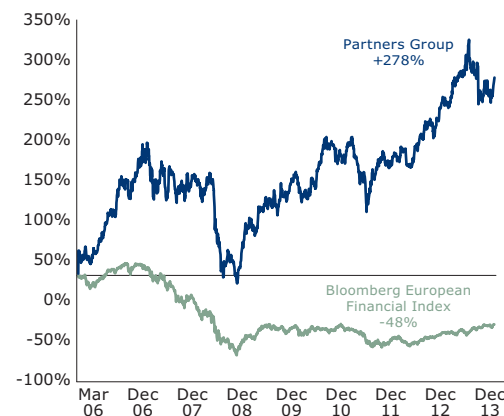
Note: AuM exclude discontinued public alternative investment activities and divested affiliated companies

Adjusted net profit
(in CHF m)



Note: adjusted for certain non-cash items relating to our capital protected product Pearl Holding Limited
*restated

Share price development



	2012 ¹	2013
Average assets under management (in EUR bn, daily)	27.2	30.0
Revenue margin ^{2,3}	1.39%	1.33%
Revenues (in CHF m) ³	455	492
EBITDA margin	62%	61%
EBITDA (in CHF m)	282	300
Financial result (in CHF m)	18	31
IFRS net profit (in CHF m)	257	317
Adjusted net profit (in CHF m) ⁴	265	292
Net liquidity position at end of year (in CHF m) ⁵	422	492
Shareholders' equity (in CHF m)	697	858
Return on shareholder's equity (ROE) ⁴	43%	39%
Equity ratio ⁴	89%	84%

¹ 2012 figures restated

² based on average AuM calculated on a daily basis

³ revenues from management and advisory services, net, including other operating income and share of results of associates

⁴ adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

⁵ including loans to products

Share information as of 31 December 2013

Share price	CHF 237.90
Total shares	26'700'000
Market capitalization	CHF 6.4 bn
Free float ¹	64.85%
Diluted shares (weighted average)	26'389'530
Adjusted diluted earnings per share ²	CHF 11.07
Dividend per share ³	CHF 7.25
Dividend yield per share ³	3.0%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

¹ according to SIX Swiss Exchange definition

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

³ as per proposal to be submitted to the annual general meeting of shareholders

Corporate calendar

15 May 2014	Annual general meeting of shareholders
17 July 2014	Pre-close announcement assets under management as of 30 June 2014
9 September 2014	Interim results and report as of 30 June 2014

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EVALUATING A COMPANY IN THE INDUSTRIAL SECTOR

Christian Unger Head TMT Industry Value Creation, **Claudia Petersen** Private Equity Investments, **Erik Kaas** Investment Solutions Management and **Andreas Baumann** Head Singapore

MESSAGE FROM THE MANAGEMENT

DEAR CLIENTS, BUSINESS PARTNERS AND FELLOW SHAREHOLDERS

We are delighted to look back on a record year for our firm in 2013. This milestone was achieved across the board with the record sum of USD 7.7 billion invested on behalf of our clients in private markets investments around the globe while clients have continued to demonstrate their confidence and trust in our firm through private markets commitments at their highest-ever level of EUR 5.1 billion. Assets under management stood at EUR 31.6 billion as of 31 December 2013 while the firm has continued to grow its team to currently over 700 professionals. This success on the investment and client side has manifested itself in record revenues of CHF 492 million with EBITDA at its highest-ever level of CHF 300 million and adjusted net profit was CHF 292 million. The board of directors is thus very pleased to be proposing a dividend increase to CHF 7.25 per share.

We have continued to dedicate significant resources into further building out our comprehensive investment platform, and our global setup with local people on the ground on four continents has proven to be the ideal structure for fully penetrating the entire private markets spectrum. We are able to offer our clients access to the whole bandwidth of opportunities and take pride in having cemented our standing as a true global investment powerhouse with particular strengths in the middle market. More specifically, in our largest business line private equity we have focused on further building out our global industry value creation teams, who offer our portfolio companies the benefits of their in-depth sector expertise while creating value through active board representation. These efforts have resulted in the successful implementation of numerous operational improvements within our portfolio companies. Furthermore, we are highly pleased to also see investment activities in our other business lines continuing to flourish. Our private debt team provided 61 loans to high quality assets in 2013, including 16 mezzanine and second lien financings, and we are delighted to have been recognized as a leader in this field by being named European Senior Lender of the Year 2013 in the Private Debt Investor awards. On the private real estate side, we continued to focus on building or redeveloping properties around the globe while being recognized for the second time as Global Multi-Manager of the Year 2013 in the Global PERE Awards for our globally integrated approach to real estate investing. At the same time, our growing private infrastructure practice is financing and constructing numerous renewable energy projects around the world with a capacity exceeding 800 GWh, while also being involved in several core public private partnerships (PPP) for example in the urban transportation sector. While continuing to seize opportunities across asset classes, industries and regions, we have further been successful in taking advantage of the ripe exit environment and have generated underlying portfolio distributions of USD 5.4 billion for the benefit of our clients.

Partners Group is at its very best and we are convinced the firm is perfectly primed to take the next steps on its upward trajectory. Our opportunistic relative value investment approach across regions, industries and segments requires patience in times of compressed yields and courage in times of distress and opportunities. In this period of abundant liquidity and asset inflation, one must pursue IRR off the beaten track, which is highly resource intensive. Therefore, we will grow our team to over 1'000 professionals in the years to come and are convinced that this will allow us to achieve a critical investment capacity of on average USD 10 billion per year throughout the cycle.

On behalf of the whole firm, we are pleased to present you with a comprehensive overview of our business activities in 2013 and thank you for your trust.



Alfred Gantner
Co-founder & Executive Chairman



André Frei
Partner & Co-CEO



Christoph Rubeli
Partner & Co-CEO



ANALYZING THE VIABILITY OF AN ELECTRICITY GRID

Robert Lustenberger Head Investment Solutions Switzerland, **Brandon Prater** Co-Head Private Infrastructure, **Benjamin Haan** and **Dmitriy Antropov** Private Infrastructure

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

GLOBAL PLATFORM EXPANSION REMAINS KEY FOCUS

Record investment year 2013

With EUR 31.6 billion assets under management (AuM), 700 employees in 16 offices around the world and a global clientele of over 600 institutional investors, Partners Group is one of the most established private markets investment managers worldwide. Its investment platform stands at the core of the firm's success, ranging across various industries and asset classes while providing clients with unique access to private market assets around the world. Over 490 investment professionals transact on the most attractive opportunities across private equity, private real estate, private debt and private infrastructure and identify relative value in different layers of the capital structure in private assets, either as an equity owner or as a credit provider. The firm's eight industry value creation (IVC) teams secure the necessary in-depth insight into different sectors across private markets (consumer, financials, healthcare, industrials, media & telecom, information technology, real estate and infrastructure) to create value at the individual asset level for the benefit of its clients.

In 2013, the firm's investment teams continued to identify attractive opportunities in all sectors around the globe and invested a total of USD 7.7 billion across all private markets while the firm continued to apply a highly selective investment approach with a 97% de-

cline rate on investments screened. At the same time, the highly attractive exit environment has led to a record amount in underlying portfolio distributions of USD 5.4 billion.

Partners Group's investment professionals screened more than 3'300 direct opportunities during the year, selecting 41 of these with a total invested of USD 2.1 billion and in addition 45 senior loan investments amounting to USD 0.7 billion. Furthermore, USD 93 billion in secondary opportunities were sourced and analyzed, resulting in invested capital of USD 2.7 billion. As such, direct and secondary opportunities represented 73% of the total amount invested. To complement the firm's direct and secondary investments, Partners Group also committed USD 2.1 billion to 46 best-in-class private markets managers to further diversify the firm's private markets portfolios.

Investment activities remained broadly diversified in 2013 and were invested across the platform in all regions, most particularly in North America (42%) and Europe (44%). This focus was in line with Partners Group's relative value outlook for 2013, which saw the highest value in lower and middle markets in the US and in industry sectors with limited GDP exposure. Asia/emerging market investments represented only 14%, in line with our more cautious relative value outlook for 2013. The firm targeted emerging markets through investments primarily in middle-market companies in the advanced world which display significant exposure to emerging markets and show potential for further growth while being able to benefit from international development and a more global perspective.

	2012 ¹	2013
AuM as of the end of the year (in EUR bn)	28.6	31.6
Average AuM (in EUR bn, daily)	27.2	30.0
Revenue margin ^{2,3}	1.39%	1.33%
Recurring revenue margin ^{2,3,4}	1.13%	1.12%
Revenues (in CHF m) ³	455	492
Recurring revenues (in CHF m) ^{3,4}	370	413
EBITDA margin	62%	61%
EBITDA (in CHF m)	282	300
IFRS net profit (in CHF m)	257	317
Adjusted net profit (in CHF m) ⁵	265	292

¹ 2012 financial figures restated

² based on average AuM calculated on a daily basis

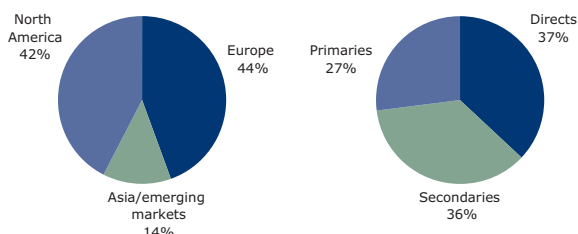
³ revenues from management and advisory services, net, including other operating income and share of results of associates

⁴ recurring revenues are based on stable, long-term management fee and recur every year (excl. performance fee)

⁵ adjusted net profit is adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Private markets investments 2013 (volumes, estimates)



Note: including transactions in closing

Over recent years, Partners Group has dedicated substantial resources to further growing its investment capacity to absorb an even larger and steadily increasing opportunity set, and has cemented its standing as a true global investment powerhouse with particular strengths in the middle market.

Partners Group expects to continually build out its investment platform in the mid to long term. The firm follows a business development plan which is aimed at further ramping up its investment capacity to reach a critical size of over USD 10 billion p.a. with more than 1'000 professionals around the globe in the mid-term. Clients ultimately benefit from this development through enhanced access to a wider range of opportunities.

Relative value and value creation at individual asset level

Core to Partners Group's private markets philosophy is executing investments in accordance with the firm's relative value analysis, which – from a top-down perspective – dynamically overweights those regions and asset classes that are particularly compelling at a given point in time. This perspective is matched by a bottom-up approach through which the firm secures global deal flow by virtue of its extensive industry network and its investment professionals on the ground locally, allowing it to access the most attractive assets around the world. The firm's weekly Global Investment Committee comprises Partners Group's most senior and long-serving investment professionals and is dedicated to analyzing and selecting only the most attractive opportunities. This has allowed the firm to deliver a strong net outperformance over public markets and the industry for almost two decades, an achievement that is at the core of its long-term success story.

In 2013, Partners Group placed a strong focus on solid companies in the middle market with either exposure

to growth and/or technology markets or assets which show potential for platform strategies. Within private markets, Partners Group focuses on value creation in the following segments:

Private equity: the firm invested USD 4.3 billion in private equity in 2013, focusing on the middle market which still offers the most attractive opportunities. The firm displays particular strength in leveraging its global platform to support companies active in local or regional markets to develop a global footprint. Partners Group strives to be the global platform of choice for creating strategic and superior private equity portfolio solutions.

Private real estate: the firm invested USD 1.6 billion in private real estate in 2013, focusing on building or re-developing properties to suit end users in local markets that stand to benefit from economic growth, favorable demographic trends or appealing real estate fundamentals. Partners Group strives to be the platform of choice for global real estate portfolios by leveraging its global presence and its local partners (operators, developers, managers).

Private infrastructure: the firm invested USD 0.5 billion in private infrastructure in 2013. While valuations are plateauing for core infrastructure assets owing to rising real rates, Partners Group continue to see attractive opportunities in developed and emerging markets through bolt-on/platform growth initiatives of uniquely positioned assets or through operational improvements. Partners Group strives to be the global private infrastructure specialist across stages and sectors.

Private debt: the firm provided USD 1.3 billion in loans to high quality assets in 2013. Although debt markets remain vibrant, Partners Group continues to focus on creating value by arranging and selectively underwriting transactions in the mid cap segment. Partners Group strives to remain an expert for debt-focused private markets opportunities with a selective and long term ownership approach.

The firm places a strong emphasis on retaining adequate dry powder at a level which is on a par with the available opportunities across asset classes and sectors. With USD 7.1 billion in dry powder as of 31 December 2013, Partners Group is well equipped to fund future investment opportunities. This amount is comparable to previous years.

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Assets under management

Drivers

There are four main long-term drivers for Partners Group's future AuM:

- (i) continued growth of the pension plan market
- (ii) further increase in asset allocations of pension schemes to private markets across the globe and across all segments
- (iii) increased market share for the most established investment managers globally due to continued market consolidation
- (iv) further increase in investment capacity across the entire platform of Partners Group as well as the firm's track record

Firstly, the global pension market is continuing to grow. The assets managed by such investors have reached a record USD 32 trillion in 2013, having consistently grown by 7% p.a. over the last ten years on average. The global demographic development indicates this trend is expected to continue in the future.

Secondly, with these investors on the hunt for returns, they are seen to be increasingly shifting their allocation strategies towards alternative sources of yield (excluding bond and public equities) and have doubled their average asset allocation to alternative investment strategies over the last ten years. Private markets should also profit from these higher allocations towards non-traditional investment sources. As such, client demand is anticipated to continue to intensify in the medium term as pension plans around the world are expected to further shift their asset allocations to include more private markets investments.

Thirdly, in an industry shaped by consolidation, a select few "leaders" are gaining market share due to clients no longer allocating to less successful private markets managers but rather concentrating on a select few. This offers a few firms that have a successful track record as well as the size and scope to implement a truly global investment practice the potential to emerge as globally leading brands over the coming years.

Fourthly, Partners Group strongly believes that client demand follows the ability to invest commitments in compelling opportunities over time. In the private markets asset management industry, which provides only very limited operational leverage, the build-out of a highly dedicated and specialized investment platform becomes key to further accommodate increasing client

commitments and grow the business successfully. The firm has consciously dedicated substantial resources to further expanding its investment capacity to absorb an even larger and steadily increasing opportunity set, driving the ability to enlarge its investment capacity which ultimately should result in higher client demand.

As of 31 December 2013, total AuM amounted to EUR 31.6 billion, representing a net annualized growth rate of 13% in 2013, excluding the sale of Partners Group's interests in two affiliated companies with a focus on public markets activities which had a one-time extraordinary impact on AuM of EUR -0.8 billion. As a result, the breakdown of AuM is as follows: EUR 20.1 billion private equity, EUR 4.9 billion private real estate, EUR 3.0 billion private infrastructure and EUR 3.4 billion private debt. Total AuM is spread over 140 different investment structures which focus on the different asset classes, investment strategies and regions in private markets.

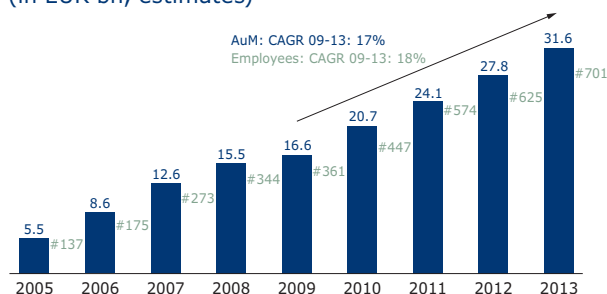
With a large part of the private markets industry characterized by its long-term nature, investment vehicles also tend to have long term durations; limited partnership structures for instance have a contractual life of 10-12 years. While some industry participants tend to maximize their communicated AuM by using a variety of disclosure possibilities (i.e. non-fee paying AuM, advisory, NAV, etc.), Partners Group aims to consistently disclose its AuM stemming from the firm's fee-paying investment vehicles to adequately and informatively guide the market on its underlying revenue development.

Clients sign long-term management contracts with Partners Group which typically follow a predefined fee payment and which, by their nature, do not allow redemptions. These management contracts are also called "commitments" and today represent over 80% of the firm's AuM, securing the firm's financial stability while increasing its cash flow visibility. Less than 20% of AuM is bound in long-term investment programs and other vehicles that may experience certain impacts from NAV changes or certain redemptions. The overall proportion of long-duration assets of the firm is over 90% as per end of 2013.

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Throughout the financial crisis, Partners Group consistently demonstrated strong AuM growth at 17% p.a. since 2009 due to its strong track record and service capabilities. Alongside this strong business development, the firm has consistently increased the number of employees with the benefits of scale being re-invested in growth. Partners Group expects to continue to expand its team in line with the build-out of its investment platform. As of 31 December 2013, total employees stand at 701 (2012: 625).

Total AuM and employee development (in EUR bn, estimates)



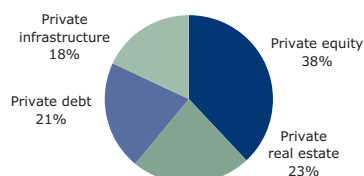
Note: assets under management exclude discontinued public alternative investment activities and affiliated companies

Record private markets client demand 2013

Partners Group services its clients through a dedicated team across the globe which underlines the firm's capability to offer a comprehensive one-stop private markets portfolio solution across strategies, sectors and regions. The firm saw record private markets client demand in 2013, with a total of EUR 5.1 billion of new commitments entrusted by clients, spread evenly across all private markets asset classes and regions.

Client demand by asset class

(in percentage of assets raised in 2013, estimates)



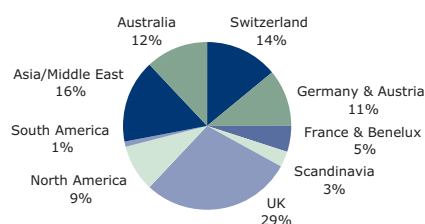
Next to significant interest in its regular open private markets programs, the firm has seen a particular and further growth of commitments to customized individual mandates across asset classes. Total commitments to these customized strategies amounted to 48% of overall client demand in 2013 (2012: 45%).

In 2013, total client demand across regions continued to be very well-diversified from existing as well as new

institutional investors around the world, based on the firm's global footprint. Notably strong regions were the UK with 29% (2012: 24%), Middle East/Asia with 16% (2012: 9%) and Australia with 12% (2012: 4%) of total client demand in 2013, while other regions such as core Europe also remained strong, contributing 30% (2012: 32%) of total new client commitments. Also in 2013, the main driver for client commitments remained the same: in an environment characterized by limited growth expectations, higher volatility and low interest rates, larger investors focus on global private markets solutions and are willing to forgo a certain amount of liquidity in order to benefit from more attractive returns and lower volatility.

Regions

(in percentage of assets raised in 2013, estimates)



Note: including assets raised from certain open-ended products

Client demand during 2013 was again spread across multiple institutional and private investors and dominated by corporate and public pension funds which represented 66% of total demand (2012: 73%). With private markets continuing to play an ever-more important role in the search for alternative sources of yield, the confidence in less liquid segments has also increased further, supporting the gradual trend towards higher allocations.

Distribution partners contributed about 10% of new assets raised in 2013 (2012: 6%). New assets in this category mainly stem from several relationships across the globe, which successfully provide private market solutions to their High Net Worth Individual (HNWI) and other clients.

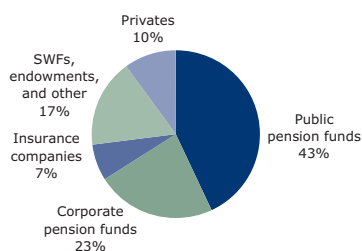
In contrast, the broad picture for insurance companies remained largely the same in 2013 as these investors continue to adapt their asset allocation to Solvency II. These clients contributed 7% of the overall demand in 2013 (2012: 10%). However, with Solvency II finally coming into effect in 2016, much of the uncertainty amongst insurance companies has been mitigated, offering increased potential for future commitments to private markets as the capital burden under Solvency II does not necessarily make private markets invest-

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ments more expensive than public equity. On the contrary, if a large insurer builds its own model concerning the respective risk/return characteristics of private markets, this would reduce the required capital underpinning and thus increase the attractiveness of the asset class in general.

Clients

(in percentage of assets raised in 2013, estimates)

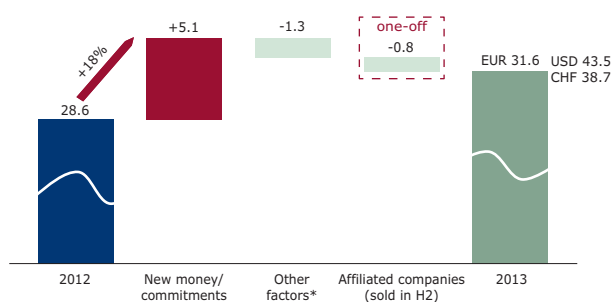


Note: including assets raised from certain open-ended products

Although gross AuM grew by 18% in 2013, net AuM growth was countered by EUR -0.6 billion stemming from tail-down effects in older private markets programs and by a further EUR -0.6 billion redeemed by the firm's clients from liquid and semi-liquid activities. Overall, the negative effects totaled EUR -1.3 billion and were within the communicated anticipated range of EUR -1.0 to -1.5 billion.

Total assets under management

(in EUR bn, estimates)

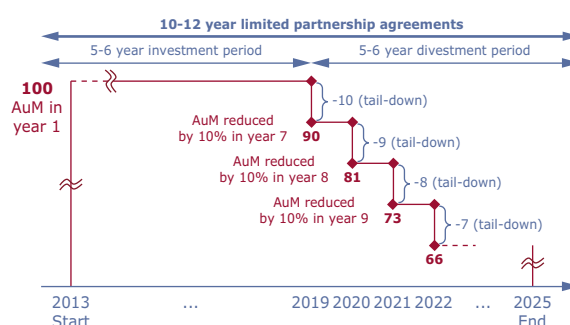


*Other factors consist of redemptions, currency effects, performance, tail-downs and other investment program changes

Based on the firm's long term client commitments (i.e. management contracts) and the fact that a vast majority of Partners Group's AuM is long term in nature, there is also a certain visibility on tail-down effects countering AuM development. Over time, the firm expects an increasing number of long-term client commitments to mature. These 10-12 year private markets investment vehicles typically follow a predefined fee schedule and show tail-down effects about 5-6 years after their initiation. A tail-down of a limited partner-

ship follows a structured step-by-step reduction of client commitments (i.e. typically 10% p.a.) until the end of its contractual life. Partners Group communicated potential cumulated negative tail-down effects stemming from maturing limited partnership programs of about EUR -1.5 billion (2013: EUR -0.6 billion) for the full year 2014.

Illustration: tail-down calculations



At the point in which tail-downs become effective in an investment program, it also typically enters its harvesting period and is expected to make increasing distributions to clients based on the exits of investments made three to five years earlier. Most of Partners Group's clients, namely pension funds and insurance companies, have certain target allocations to private markets. Therefore, distributions (i.e. received cash) that are not re-invested do not support them in reaching the target returns required to meet long-term payment obligations to pensioners or beneficiaries. As a result, clients typically re-invest proceeds from exits into new investment programs, again leading to new asset inflows. As such, the firm expects client demand into new programs to grow alongside rising tail-down effects of old programs, independent of the additional growth of pension funds and their allocation to private markets.

In H2 2013, Partners Group announced the sale of interests in two affiliated companies with a focus on public markets activities which had a one-time extraordinary impact on AuM of EUR -0.8 billion in 2013. The firm is pleased to be taking this step in further focusing its business on private markets assets and firmly believes that this clear strategic emphasis positions Partners Group advantageously for future growth.

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Financials

A very successful 2013

2013 was a record year for Partners Group in all regards: the firm disclosed new record AuM of EUR 31.6 billion while the team size has further grown to over 700 professionals. Based on this successful development, the firm generated record revenues of CHF 492 million and is proud to announce record EBITDA of CHF 300 million and the proposal of the highest-ever dividend of CHF 7.25 per share to be paid to its shareholders.

Future growth through attractive underlying industry trends

The firm's most important AuM drivers are ultimately also the most important drivers for both revenues and bottom line. Global pension markets, the firm's dominant client sector, continue to grow. On the hunt for yield in the current low-growth environment, many investors are increasing their allocations towards alternate sources of return and we expect private markets assets to play an ever-more important role. This trend led to continued capital commitments of institutional investors to private markets and resulted in a steadily growing industry with today USD 3.5 trillion in AuM. Partners Group is one of the most established private markets investment managers around the world and has been able to benefit from this growth trend disproportionately, gaining further market share by virtue of successfully achieving a significant outperformance to public markets for its clients.

Key drivers on a steady growth trajectory (2003-2013)

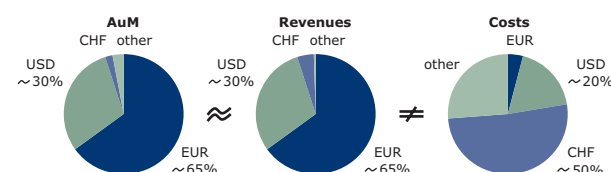
Net outperformance in percent 8.8% p.a. net outperformance over public markets*	Allocation to alternate return sources 2013: 2-4% Allocation: >2x	Worldwide private markets AuM 2013: USD 3.5 trillion CAGR: 15%
Partners Group professionals 2013: 701 professionals CAGR: 21%	Worldwide pension fund assets (AuM) 2013: USD 32 trillion CAGR: 7%	Partners Group AuM 2013: EUR 31.6 billion CAGR: 28%
Partners Group EBITDA margin 2013: 61% Average: 65%	Partners Group revenues 2013: CHF 492 million CAGR: 25%	Partners Group revenue margin 2013: 1.33% Average: 1.29%

*Commitments split across all investment years; same methodology applied to Bloomberg NDDLWI index
Source: Preqin, Towers Watson, PWC

Understanding Partners Group's financials requires a more granular understanding of its AuM. On a look-through basis, roughly 65% of Partners Group's AuM is denominated in EUR, about 30% in USD while the remaining 5% is spread across several other currencies. Following the currency denomination on a look-through basis of total AuM, the currency denomination of total revenues looks quite similar: about 65% of total revenues in 2013 were EUR-denominated and slightly less than 30% USD-denominated. As such, there is a clear AuM/revenue match with regards to currency denomination, especially when viewed against the CHF, which is Partners Group's reporting currency. However, this looks materially different when comparing FX exposure between revenues and costs.

CHF/USD currency fluctuations have a more limited impact on financials as both revenues and costs represent about 30% of total revenues and costs and therefore reflect a natural hedge against substantial FX movements. However, the impact on the EBITDA margin of CHF/EUR rate fluctuations could be material: about 65% of the firm's total revenues are denominated in EUR vs. less than 5% of the total costs. With regards to CHF, the firm generates less than 5% of its revenues in CHF but has as much as 50% of its total costs in CHF. This is mainly due to the fact that still about half of all employees are based in Switzerland. The firm expects this mismatch to diminish over the years as the firm experiences intentionally disproportionate growth in its foreign offices as compared to its headquarter in Switzerland, which should therefore proportionately decrease its cost base in CHF.

Currency exposure 2013 (estimates)

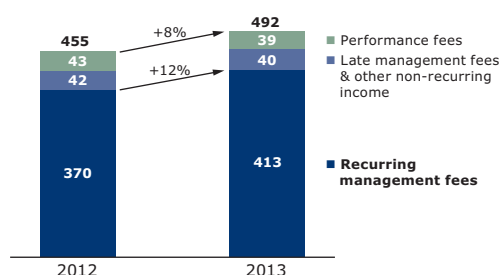


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Growth of management fees in line with average AuM

In 2013, total daily average AuM in CHF increased by 13% (2012: 16%). Recurring revenues (84% of all revenues during the period) stemming from management fees increased accordingly, rising 12% to CHF 413 million (2012: CHF 370 million). Non-recurring revenues (16% of all revenues during the period) stemming from performance fees and late management fees & other non-recurring income remained broadly stable and amounted to CHF 79 million (2012: CHF 85 million). As a result, total revenues increased to CHF 492 million (2012: CHF 455 million), rising 8% and establishing a new record.

Revenues (in CHF m)

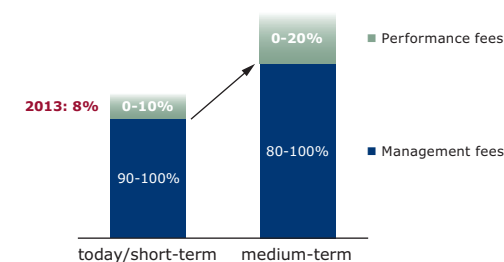


Note: including revenues from management and advisory services, net, other operating income and share of results of associates

Partners Group was able to successfully exit a number of private markets assets on behalf of its clients and generate substantial value, resulting in performance fees paid on certain distributions in 2013. Performance fees, amounting to CHF 39 million in 2013 (2012: CHF 43 million), were broadly in line with the firm's expectations and slightly lower than previous year, representing 8% of the firm's total revenues. Despite the improving exit environment, many of Partners Group's distributions still served to repay original commitments from clients and therefore did not yet generate performance fees, which is, with the increasing maturity of many client portfolios, expected to change in the coming years as performance fees should show a disproportionate ramp-up. While the expected growth of the business should lead to higher future management fees, in the short term, Partners Group expects performance fees to range to up to 10% of total revenues while this number is expected to increase to up to 20% of total revenues in the medium term alongside a rising asset base. Investment programs typically start to pay performance fees about six to nine years after their initiation, subsequent to clients having received a certain amount of distributions and hurdle rates being met. Al-

though performance fees materially lag management fees in terms of timing, they are still expected to rise in comparison to management fees in the future.

Performance fee development



For illustrative purposes only

Late management fees & other non-recurring income amounted to CHF 40 million in 2013 (2012: CHF 42 million). Late management fees occur in limited partnership structures which typically have a contractual life of 10-12 years. In the very beginning of this contractual life, these structures go through a fundraising period of 12-24 months. All clients who commit to open investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made. This is based on the fact that the firm has already commenced investment management services for these programs from the day of their initiation. Clients who join an investment program in a later stage of the fundraising period are required to pay for these previously delivered management services. Any management fee payments relating to prior accounting periods are called late management fees. A year with older programs contributing to fundraising leads to higher late management fees.

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Late management fees: products vs. mandates

Next to significant interest in Partners Group's regular open private markets programs, the firm has seen a particular and further growth of commitments to customized individual mandates. This increasing interest in mandate solutions underlines the firm's capability to offer a comprehensive one-stop private markets portfolio solution and ultimately comes with strong long-term client relationships due to a highly tailored content.

Mandate solutions are different to program commitments with regards to three components: (i) investment and structuring customization, (ii) portfolio visibility and (iii) late management fees. Partners Group only starts building customized portfolio solutions – different to program commitments – after a client has entered into a tailored mandate agreement with the firm. As such, no late management fees are due as mandate clients typically increase their commitment as the portfolio ramps up over time. Due to this approach, mandate solutions are not expected to unfold their full positive financial effects until after the set-up and the portfolio ramp-up phase is in an advanced stage.

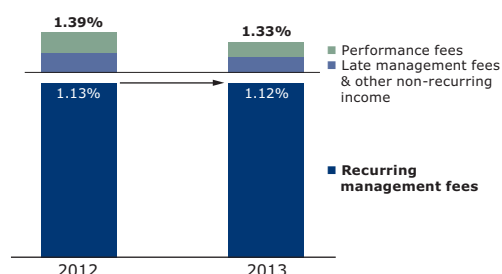
The firm expects late management fees & other non-recurring income to remain stable over time.

Stable revenue and recurring revenue margin

Partners Group's recurring revenue margin remained stable in the period at 1.12% (2012: 1.13%). Due to lower non-recurring fees in 2013, the overall revenue margin slightly decreased and amounted to 1.33% (2012: 1.39%). Considering the firm's revenue margin over the last ten years, the average revenue margin remained very stable at 1.29% and ranged from 1.18% to 1.39%, varying mostly due to performance fee fluctuations in any given year. Overall, the firm continues to expect a stable revenue margin.

Revenue margin

(in percent of revenues in average AuM)



Note: including revenues from management and advisory services, net, other operating income and share of results of associates

Partners Group has consistently shifted its product mix in favor of more resource-intensive direct and secondary investment strategies. Clients appreciate these direct and secondary focused offerings as value creation is significantly more pronounced.

EBITDA growth in line with revenue growth; stable operating margin but remaining exposure to FX fluctuations

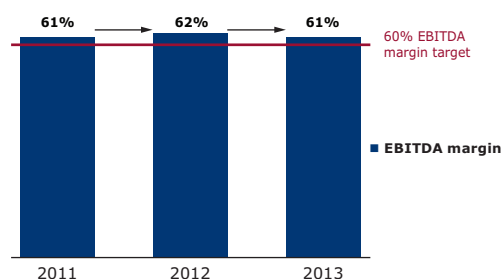
Partners Group continues to place a strong emphasis on disciplined cost management and new recurring costs have remained proportional to assets raised and in line with previous practice. The firm's most important costs are personnel costs, consistently representing about 70-75% of total costs over the past seven years.

In 2013, despite the increasing complexity of the business due to the implementation of additional regulatory requirements, the firm's cost discipline resulted in a stable EBITDA margin of 61% (2012: 62%). EBITDA amounted to a record CHF 300 million in 2013 (2012: CHF 282 million) and followed the strong total revenue development.

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

The EBITDA margin is somewhat exposed to FX movements due to the revenue/cost FX mismatch. Partners Group's cost management approach is very disciplined and targets an EBITDA margin of around 60%, assuming stable CHF/EUR FX rates. As of 31 December 2013, Partners Group's current AuM operate at an EBITDA margin of 61% (2012: 62%).

EBITDA margin and target (in percentage of total revenues)



For new future commitments, the firm applies a cost/income ratio of 40% at operating level before performance-related items, which will ensure the firm retains the financial stability to invest into the expansion of the investment platform across regions and sectors equally across all economic cycles. Any financial income from the firm's own investments are principally retained by the company or distributed to shareholders. Potential future performance fees are allocated to employees in a range of 30-50% in the mid- to long-term.

Again a positive financial result due to strong value creation in underlying client portfolios

Partners Group's net financial result in 2013 significantly increased to CHF 31 million (2012: CHF 18 million) and was mainly a result of strong value creation generated in the clients' investment programs. Partners Group's own balance sheet contribution to these programs (typically 1% of program size invested alongside clients) also benefited from this development and contributed net gains of CHF 29 million (2012: CHF 17 million) to the financial result. The other item defining the net financial result is net interest income. In 2013, net interest income amounted to CHF -1 million (2012: CHF 3 million).

(in CHF m)	2012 ¹	2013
Net financial result	+18	+31
which mainly comprises:		
Net gains on investments	+17	+29
Net interest income	+3	-1

¹ Reclassified, please see note 2 on page 44f.

CHF 50 million upside potential to net profit in 2014 relating to one investment program

The term of the Partners Group product Pearl, which is the only product structured as a convertible bond, will end by 30 September 2014 and therewith offers existing investors the optionality of converting their holdings into shares.

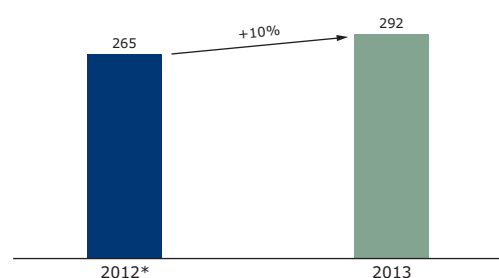
Over the years, the firm has paid part of the management fee for this program into an escrow account. This account amounts to CHF 85 million as of 31 December 2013. Depending on the conversion rate of all bondholders, the conversion price, the development of the portfolio and other factors, Partners Group will receive the contents of this escrow account either fully, partially or not at all. There are no further liabilities associated with this program for Partners Group. The likelihood of receiving this escrow account, and therefore also the accountability according to IFRS, has consistently improved during the recent years in which the program was heading towards the end of its contractual life and stood at around 50% as of 31 December 2013. In 2013, the probability increased further and, considering the performance of the product, conversion becomes more likely, which could result in an upside of up to CHF 50 million to net profit in 2014.

2013 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Bottom line continues to follow top line

The adjusted net profit increased by 10% in 2013, standing at CHF 292 million (2012: CHF 265 million). IFRS profit increased by 23% in 2013, standing at CHF 317 million (2012: CHF 257 million).

Adjusted net profit (in CHF m)



*Restated

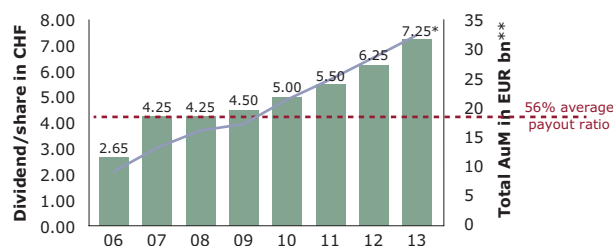
In summary, the development was positive across the board in 2013: total average AuM in CHF (+13%), revenues (+8%), EBITDA (+6%) and adjusted net profit (+10%).

Partners Group's balance sheet continues to be strong, with a current net liquidity position of CHF 492 million. This includes working capital facilities to products provided by the group for treasury management purposes to facilitate cash management for clients and make more effective use of the firm's cash; all facilities can be converted back to cash within less than two weeks.

Another record dividend proposed for the financial year 2013

Based on the further solid development of its business activities in all areas and a solid operating result, Partners Group's board of directors intends to propose a dividend of CHF 7.25 per share (2012: CHF 6.25 per share) to shareholders at the annual general meeting on 15 May 2014. This represents a dividend increase of 16%. Partners Group is committed to maintaining its dividend policy of distributing at least 50% of adjusted net profit. The total proposed payout of CHF 194 million corresponds to a 66% payout ratio and represents a dividend yield of 3.0% as of the share price of CHF 237.90 on 31 December 2013.

Dividend payments since IPO



*Proposal by the board of directors to the AGM on 15 May 2014

**AuM exclude discontinued public alternative investment activities and divested affiliated companies

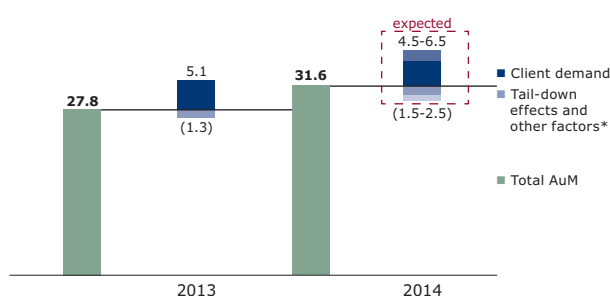
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Outlook

The intense strategic work the firm has put in during the past three years has resulted in a significant increase in investment capacity, demonstrated by the USD 7.7 billion Partners Group invested prudently in 2013 while clients simultaneously have entrusted the firm with the highest-ever level of private markets commitments of EUR 5.1 billion for the same year. At the same time, the highly attractive exit environment has led to a record amount of underlying portfolio distributions. The firm intends to concentrate on further building out its investment capacity, is pleased to be on track to reach its long-term goals and will continue to strive to identify and seize the most attractive opportunities for its clients in all private markets segments and sectors around the globe.

Looking into 2014: based on the firm’s strong pipeline, it expects client demand to strengthen and thus has shifted the anticipated bandwidth for gross assets raised upwards to EUR 4.5-6.5 billion for the full year 2014. Gross AuM growth is likely to be countered by an expected negative EUR -1.5 to -2.5 billion in 2014 from two cumulative effects: firstly, tail-downs of approximately EUR -1.5 billion and secondly, redemptions from liquid and semi-liquid activities ranging from an additional EUR 0 to -1 billion.

AuM, expected client demand and other factors (in EUR bn, estimates excluding affiliated companies)



*Tail-down effects consist of maturing investment programs and other factors include redemptions of liquid and semi-liquid programs

At the point in which tail-downs become effective in an investment program, it also typically enters its harvesting period and is expected to make increasing distributions to clients based on the exits of investments made three to five years earlier. Most of Partners Group’s clients, namely pension funds and insurance companies, have certain target allocations to private markets and typically re-invest proceeds from exits into new investment programs, leading to inflows offsetting outflows.

As a result, the firm expects new inflows to fully absorb rising negative effects while the overall net growth in AuM continues a strong growth trajectory.

Looking into the medium term: the firm’s overriding focus remains squarely on the creation of significant value in private markets while fostering the prosperity of its global beneficiaries and establishing the firm as an investment partner of choice for strategic portfolio solutions across private markets and sectors for its clients. The firm is convinced that the further build-out of the investment platform will contribute tremendously to this expected value creation and that achieving a critical investment capacity of over USD 10 billion p.a. will establish the company among the clear global leaders while providing clients with the required access to the most attractive opportunities around the globe.



CONSTRUCTING A PORTFOLIO ACROSS PRIVATE MARKETS ASSET CLASSES

René Biner Head Private Finance, **Michael Barben** Co-Head Private Infrastructure, **Pamela Alsterlind** Co-Head Private Real Estate and **Juri Jenkner** Co-Head Private Debt

MARKET COMMENTARY

STRATEGIC PORTFOLIO CONSTRUCTION IN PRIVATE MARKETS IN A LOW-GROWTH, INFLATIONARY ENVIRONMENT

As investing in private markets continues to increase in importance for institutional investors around the world, they continue to take various factors into consideration in strategically steering their private markets portfolios. These factors include the macroeconomic environment as well as the individual characteristics of different private markets asset classes while it remains imperative to retain a certain amount of flexibility to adjust their investment focus to capture the most attractive opportunities at any given point in time. In today's market, building the most effective private markets portfolio requires a specialized skill set and the capability to operate across asset classes while applying a fully integrated relative value approach across the entire globe.

Current investment environment

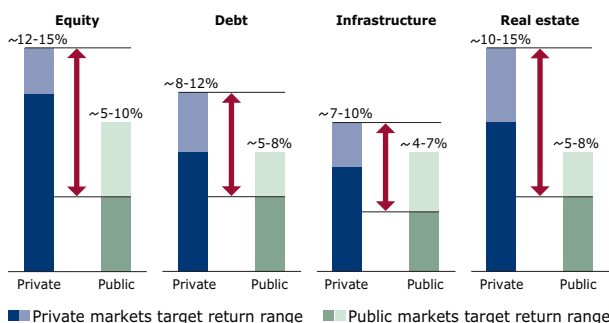
Our long-held view of sluggish GDP growth continues to prevail, although we have turned slightly more optimistic we remain convinced that the growth recovery will continue to be weak. In contrast to data suggesting that the US outlook has improved considerably, we do not believe that improved private demand, less private sector deleveraging and easing fiscal drag will be enough to significantly impact the trend and that similarly, the positive signs in Europe do not mean that the Eurozone has recovered. At the same time, monetary support continues with the major central banks remaining expansionary and tapering not tightening. We believe that growing out of debt increasingly looks like an illusion and that inflation is the only realistic way out of huge government debt loads in the US and parts of Europe in the long term, while fragile financial markets remain vulnerable to policy news. The "assetflation" we have forecasted and witnessed for the past four years is losing steam as valuations have further disconnected from fundamentals and the link between perceived and actual risk is distorted. Asset prices are expected to plateau at high levels while volatility increases as the geyser of liquidity prevents any larger correction.

Private markets target returns and reason for outperformance

In an environment such as this, what are institutional investors looking for? Investors are hard-pressed to meet their target returns and will need to cast their net further in their hunt for yield. In this, private markets offer significant potential and institutional investors are seen to be consistently increasing their allocations to these. So far, private markets have historically achieved a significant long-term outperformance as compared to public markets, while volatility was consistently lower than that seen on public equity markets. For instance, private equity returned 12% over the long term with volatility at only 10% which compares favorably to public equity markets with 6% and 17%, respectively (Bloomberg NDDLWI, Thomson Reuters Private Equity Index, 1994-2012).

Overall, as illustrated below, private markets have typical target returns that are notably higher than those achievable in public markets, thus underlining the significance of including such assets in a portfolio.

Typical target returns per asset class



When analyzing the viability of such target returns, recent surveys have shown that 90% of investors have confirmed that their private equity investments have lived up to or even exceeded their expectations. This further underlines the expectation that institutional investors will increasingly be seen to be raising their allocations to private markets as they strive to secure the expected returns for their clients' portfolios.

MARKET COMMENTARY

However, these excess returns stem from a variety of factors and accessing these in their entirety requires the adequate set up and experience. On the one hand, the returns stem from the inherent advantages private markets offer as an asset class while, on the other, additional upside is generated through relative value-based decision making as well as value creation efforts.

The inherent advantages can be summarized as stemming from two main sources. On the one hand, private markets investors have an informational advantage as compared to public markets investors in their investment process, as “legal insiders” they can gain significant additional information throughout the due diligence process which precedes an investment decision. Once they have invested in a company or asset, the constant contact private markets investors have to management and information throughout their holding period ensures they are in a better position to develop the asset. Key to being able to leverage this informational advantage is possessing the necessary long-term data. Partners Group is invested in over 6’000 privately held companies and tracks this comprehensive database by regularly assessing key performance indicators, which materially supports future investment decisions. On the other hand, private markets investors exercise control through the majority ownership they typically have, this allows them influence concerning strategic decisions made regarding the development of the asset. In addition, the majority ownership and the long-term focus ensure there is a true alignment of interest with management while equity participation plans for the management team incentivize them accordingly.

Once invested in a company, the key to generating additional returns for clients is the value an investment manager can create in any individual asset. Identifying the assets with the greatest value creation potential requires an in-depth market analysis and an allocation according to an overall relative value assessment. Applying this ensures a deep insight into the return drivers of sub-segments globally to ensure the segments which offer the highest return potential are those highlighted and preferred at any given point in time. In addition, selecting the individual assets that display superior qualities out of the extensive deal flow in the inefficient private market also requires the application of a bottom-up relative value analysis while developing them to their full potential is only possible with a clear focus on value creation. For instance, one of our key strategies is the introduction of new clients from our extensive global database of over 6’000 privately held

companies as well from our own client list. This strategy has for instance already been successful with our portfolio company CSS, a business process outsourcing company which we acquired in 2013. Since our investment, we have already implemented various value-adding initiatives which include the definition of a potential client target list culled from our network.

Beyond the inherent advantages of the asset class and the value creation efforts as outlined above, at an overall portfolio level, relative value asset allocation and asset selection are also key in creating additional performance in private markets. Implementing these key requirements in an overall investment strategy will be further outlined below.

Private equity return drivers in an inflationary environment

At the same time, yields that are currently still at low levels have started to turn and have recently been seen to be increasing slowly. Should the first signs of macro-economic improvements as mentioned above continue to improve, we anticipate yields rising further, resulting in a positive environment for private equity investments as revenue growth and margin expansion should more than compensate for higher financing costs and thus the positive growth effects should outweigh any negative influences from potential inflationary effects.

Our overall conclusions are that, if yields increase due to improving GDP growth and tame inflation (up to 3.5% p.a.), the environment for private equity investments is favorable as revenue growth and margin expansion should more than compensate for higher financing costs. This is intuitive; if revenue expansion is driven by higher demand and met with supply constraints (or supply can only be expanded with a lag), equities exhibit real asset-like characteristics. In the end, the investor buys an interest in a company and if the outlook or the value of the company improves, its equity price goes up. A period of low growth coupled with rising yields as a result of a non-growth inflation surge, such as a commodities price shock, is damaging to private equity returns due to higher financing costs and declining/stalling real revenues and lower margins. In this case, higher prices act like an indirect tax and demand is negatively affected. Multiples should fall (thereby opening up attractive entry opportunities). As outlined before, we err on the conservative side with regard to our macroeconomic outlook while, at the same time, see considerable risk of higher inflation in the medium to longer term. As such, there is a signifi-

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cant likelihood the “low growth, high inflation” scenario may eventually materialize and we overweight defensive industries with stable revenue streams.

Using different characteristics from different asset classes to unfold full value creation potential

Nevertheless, the question remains as to how a portfolio should be constructed so that it is able to manage downturns while significantly mitigating the j-curve. In search of the additional yield an increased allocation to private markets can offer, it remains key to consider balance in building up a comprehensive portfolio and looking beyond one asset class is crucial. A conscious diversification of a portfolio reduces systemic risks while a broad diversification across industries and segments further improves the overall risk/return profile.

Combining varying investment characteristics

	Private equity	Private debt	Private infrastructure	Private real estate
Return				
Target return	~12-15%	~8-12%	~7-10%	~10-15%
Focus	Capital appreciation	Running yield	Running yield	Capital appreciation/running yield
Risk				
e.g. draw-down between 07-09	25-35%	10-15%	10-20%	25-35%
Cash flows				
Running yield	No/limited	5-10% p.a.	3-5% p.a.	0-3% p.a.
Average duration	4-5 years	3-4 years	5-7 years	3-5 years

Source: Thomson Reuters; Partners Group estimates

With net target returns of 12-15% p.a., private equity investments have a clear focus on capital appreciation and successful investments are the clear return drivers in any private markets portfolio. In our view, the middle market offers the highest return potential and we focus on uncovering attractive business models of mid-market companies which exhibit potential to be developed further, particularly in terms of global expansion. Private debt investments bring an attractive running yield component to a portfolio, thereby mitigating the j-curve that otherwise typically affects its early stages. We continue to focus on creating value by arranging and underwriting transactions in the mid cap segment, where CLOs cannot play and high yield is not available. Private infrastructure investments bring a certain stabilizing effect to a portfolio, with safe assets backed by long-term agreements with governments and multi-nationals and can be viewed as capital-protective instruments. Brownfield investments reduce risks and protect against inflation while greenfield acts as a return enhancer and provides opportunities to capitalize on growth. Finally, private real estate brings the crucial real asset exposure to a portfolio and we focus on building or redeveloping properties to suit end users in local markets that stand to benefit from economic growth, favorable demographic trends or appealing real estate fundamentals.

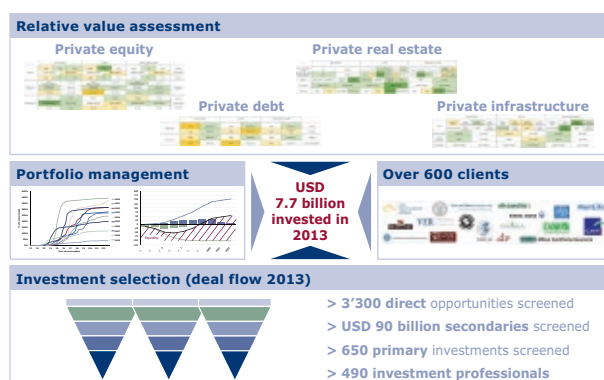
Particularly in a volatile market environment, ensuring all the different characteristics are represented is key to achieving good portfolio balance and therefore also overall return potential while furthermore, only a portfolio which mixes all asset classes can pursue an optimal investment level, with divestment proceeds being able to be reinvested in a timely and efficient manner.

MARKET COMMENTARY

Integrated relative value investing remains crucial

As seen above, two components are required to capitalize on the opportunities in private markets and that both the overall asset allocation in a portfolio as well as the individual asset selection through the right instruments must be based on an overriding relative value strategy and view.

A unique investment approach



The overall relative value strategy and implementation can be considered a top-down investment approach on a global basis across sectors, stages and private markets asset classes. This ensures the most attractive market segments across regions, industries and strategies are chosen at any point in time. By evaluating market developments and their effect on the value drivers of the various private markets asset classes, specific market segments can be ranked in terms of expected return potential and relative attractiveness.

This top-down approach must however be complemented by a bottom-up approach (i.e. individual asset selection), through which capital is allocated to particular investment opportunities within the established allocation ranges set during the strategic asset allocation. Being able to implement this approach requires extensive global deal flow across all sectors, segments, asset classes and geographies. In 2013, we maintained our highly selective investment approach with a 97% decline rate on all investments screened.

Private markets deal flow in 2013

	Directs	Secondaries	Primaries
Private equity	First screenings 764	First screenings USD 69.6 billion	First screenings 327
Private debt	First screenings 380	First screenings n/a	First screenings 35
Private real estate	First screenings 1'488	First screenings USD 18.5 billion	First screenings 241
Private infrastructure	First screenings 690	First screenings USD 4.5 billion	First screenings 86
Total screened	3'322	USD 92.6 billion	689
Executed	USD 2.9 billion 86 transactions*	USD 2.7 billion	USD 2.1 billion 46 commitments

*Including 45 senior loan investments amounting to USD 0.7 billion
Note: Including transactions in closing; preliminary and estimated figures

With markets inherently subject to cyclicalities, we are convinced that only investment managers who can make use of the entire palette of instruments, stages, sectors and regions available to them in private markets will be able to achieve consistent outperformance over public markets in a client's portfolio. Furthermore, applying an integrated approach across direct, secondary and primary investments ensures maximum advantage can be taken of market opportunities while a large global network can be leveraged to source, analyze and execute a broad array of attractive private markets investments and as a result, construct a more effective portfolio.

MARKET COMMENTARY

Today's private markets investment focus

Implementing the above in a portfolio at the current point in time means that in private equity and private debt, sectors that have limited GDP sensitivity should be overweighted while the valuation disconnect prevalent in the large cap segment requires its underweighting. In addition, the risk of rising interest rates increases the attractiveness of floating-rate debt investments. At the same time, readily available financing coupled with reasonable valuations have created a highly attractive exit environment which should not be disregarded when it comes to efficient portfolio management. In private infrastructure, privatizations in deficit countries in peripheral Europe may generate contrarian/turn-around opportunities. Countries that have strong underlying fundamentals but nevertheless offer higher than average country premiums such as Mexico and Thailand are compelling. On the other hand, liquidity has pushed up pricing in traditional core infrastructure segments and these are to be underweighted. Similarly, in private real estate, pricing for prime and core properties is back towards 2007 peak levels and this fact, coupled with the risk of rising interest/cap rates results in these opportunities being underweighted. However, structural growth in residential middle class housing in emerging markets offers compelling opportunities due to demographic trends while it may possibly already be time to take a contrarian view on opportunities in Southern Europe.

Conclusion

Strategic portfolio construction in private markets in any given environment requires a comprehensive platform across several private markets asset classes which allows their advantages to be combined in one customized portfolio. Building these types of solutions requires an investment manager to not only possess the capabilities to evaluate the various asset classes and investment opportunities in terms of their relative value but also to have the access to global deal flow to be able to take advantage of the sector that offers the greatest relative value at any point in time.

Partners Group has seen demand for these specialized solutions increase amongst its clients and today has more than 60 separate account mandates amounting to total AuM of more than EUR 7 billion while also representing 48% of the total new assets raised in 2013 with a growing trend. These mandates vary in style and size and are fully tailored to the individual client's needs. We are convinced that being able to offer all-encompassing and customized services as well as global private markets investment expertise to a sophisticated and demanding client base remains crucial to the future success of any global private markets investment manager.



DRIVING GLOBAL EXPANSION IN THE ASIA-PACIFIC REGION

Kelvin Yu Head Shanghai, **Martin Scott** Head Investment Solutions Australia,
Cyrus Driver Head India

WE ARE RESPONSIBLE GLOBAL CITIZENS

Our commitment to being responsible global citizens is as strong as our “passion for private markets”. We strive to make a positive contribution to society and the environment and pledge to respect the interests of our clients, employees and shareholders in all our activities. Our environmental, social and corporate governance (ESG) considerations are embedded in all that we – both as a firm and as a group of individuals – do on a daily basis. This includes our ultimate responsibility towards our over 600 clients, and in particular towards their more than 100 million beneficiaries. Our corporate responsibility program centers around three major focal points: investment, internal practices and global citizenship.

Responsible investment

Despite a false impression in the wider public that private markets investors are inherently irresponsible, we are convinced that they can actually be more responsible owners of companies and assets. This is based on advantages in three main areas: information, influence and time horizon. Firstly, compared to public markets investors, who are restricted to using publicly available information, private markets investors can legally gain access to deep information on their investments. This enables them to make thoroughly researched judgments during due diligence about where value can be created while allowing them to be better-informed owners. Secondly, private markets investors can more effectively influence their investments as they tend to have more concentrated and larger shareholdings and can also constructively influence the companies in which they have invested through representation on the board of directors. Thirdly, private markets investors can take a longer term perspective than public markets investors on value creation as they often invest in companies and assets for five or more years, enabling them to support companies in undertaking initiatives that will increase long-term value creation.

The governance advantages illustrated above enable private markets investors to be more responsible owners of companies and assets on behalf of clients. An example of a more responsible approach to dealing with safety hazards can be seen with Trimco, a leading global garment label provider in which Partners Group invested in 2012. With four of Trimco's eight board di-

rectors appointed by Partners Group, the firm takes an active ownership approach and has the necessary insights and influence to ensure the company is responsibly managed. Part of Trimco's strategy is to make selected acquisitions and in 2013 it identified a company in Bangladesh. As part of the due diligence on the acquisition, Partners Group reviewed the labor policies of the target company and Trimco commissioned a firm of leading global structural engineers to undertake a thorough assessment of the building safety of the target company. This provided Partners Group and Trimco with the reassurance to proceed with the acquisition.

Many investors still view environmental, social and governance (ESG) factors as immaterial for investment returns. More discerning investors now recognize that ESG factors can actually enhance investment returns by creating value, helping to identify promising investment opportunities and mitigating risks. It is crucial though that investors understand the nuances of the linkages between ESG factors and investment returns and that there is not necessarily a direct correlation between the two. Nevertheless, a link between them has been identified by academic research and Partners Group is pleased to see confirmation of its approach through this research. Partners Group continues to focus on creating value through the extension of its efforts in increasing investment returns through the active application of social and environmental factors.

For example, Partners Group has initiated a project to reduce costs through the application of social factors with one of its portfolio companies, Universal Services of America (USA). The company is the 5th largest provider of unarmed security guards in the USA and has over 35'000 employees. Employee turnover in the security guard profession averages 40-60% a year. The cost of hiring and training each security guard is over USD 500. Recognizing the opportunity to improve profitability at USA by reducing employee turnover, Partners Group initiated a project with the management team to further strengthen the culture of the company. The objective of this is to increase employee loyalty, morale and job satisfaction. By reducing employee turnover, USA will reduce hiring and training costs which it expects could increase EBITDA by up to 3%.

In summary, integrating ESG factors should have an overall net positive impact on investment returns due to private markets investors' inherent corporate governance advantages, which enable them to be effective owners and to drive value creation in the companies and assets in which they have invested.

CORPORATE RESPONSIBILITY

Responsible internal practices

Beyond our investment management practices as described above, as a responsible global citizen, we are committed to improving our approach to implementing sustainable practices within all aspects of the firm.

Committed to strong corporate governance

Our corporate governance structure is based 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. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the US Securities and Exchange Commission (SEC) and the UK Financial Conduct Authority (FCA), we further uphold the requirements that these regulations imply.

We are convinced our corporate governance is set up well to meet the challenges of running a firm in today's environment and ultimately, will benefit the long-term stability of our company. We believe defining and implementing the correct structure remains a crucial component in achieving sustainable, superior returns for our clients.

Living our responsibility towards our employees

We believe our employees are our most important asset and the core of our success. We are committed to building long-term, trust-based relationships with clients, business partners and shareholders as well as within the company and employee continuity over time is crucial to our success. We place strong emphasis on the recruitment and retention of the right employees, and strive to create an attractive workplace in which people enjoy working and grow professionally. Within our firm, we are committed to building and growing a diverse workforce and to fostering a work environment that is based on respect, dignity and fairness.

As our name implies, we recognize the importance of employees being able to participate directly in the business development and the financial success of the company. This spirit of entrepreneurship is an essential part of our corporate culture and, through the vision of the three founders, Partners Group has today grown into an entrepreneurial organization, where professionals at all levels across the firm live up to the promise of "passion for private markets". We are an independent company, with a major ownership by all partners and employees. This ownership fosters a culture based on personal responsibility and initiative, which is a founda-

tion for uncompromising client service while forming the core of our mission statement. This structure ensures that our professionals identify themselves as active Partners Group stakeholders, triggering their dedication and motivation.

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. 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 who have joined the firm from all around the world.

Long-term compensation structure

Partners Group has a fourfold consideration structure, designed to motivate, retain and provide long-term incentives to employees and to align the interests of each professional with those of the firm's clients. Employees are compensated with a fixed monthly salary that can be supplemented by an annual cash bonus based on company, individual and team performance. In addition, employees may be incentivized through equity ownership and performance fee participation (carried interest). With seniority, the emphasis on long-term incentives and their proportion of the total compensation tends to increase. Partners Group's equity participation plan aims to share the ownership of the firm among its staff and to let them participate in the financial success of the company. Combined, Partners Group's partners and employees are the largest shareholder of the firm.

The vesting parameters of both the carried interest grants and the equity interests aim to promote continuity; the vesting period is generally five years and subject to an additional two-year non-compete agreement after vesting. If an employee leaves Partners Group before the end of the vesting period, all of his/her unvested performance fee and equity interests (both shares and options) are returned to the company, thereby encouraging employees to remain with the firm long-term. Partners Group believes that this incentive structure contributes to the firm's investment success and its alignment with clients' interests.

CORPORATE RESPONSIBILITY

Responsible global citizenship

At Partners Group we strongly believe that the power and creativity of investment should be harnessed in a positive way and that it is our responsibility to use our expertise for the wider benefit. This was the vision that led us to establish our endowment "Partners Group Impact" in December 2004 and that also continues to inspire us to make a responsible contribution to the investment community in a broader manner. In this, we contribute to the health of the private markets investment landscape by for instance donating our time and expertise to committees within various industry organizations. For instance, Adam Frost, who heads impact investing for Partners Group, is a member of the private equity steering committee of the PRI.

Partners Group Impact is intrinsically connected to the firm's business and activities have so far been fueled by employee donations, which have enabled the financing of over twenty social enterprises around the world. SunnyMoney is an example of a recent project.

SunnyMoney

"Now my children are able to study during the evening and we live a happy life. When darkness comes we are able to light our home."

Sithembile Kasambala (Malawian mother)

The challenge

Sithembile and her family live in Karonga, a village in the north of Malawi. Like over 600 million other Africans her home has no electricity. For light she used to use a kerosene lamp – which was unhealthy and expensive. Breathing the fumes from a burning kerosene lamp is equivalent to smoking two packs of cigarettes a day. Buying the fuel for a kerosene lamp can cost 10-20% of a household's income. Solar powered lights offer a welcome alternative to kerosene lamps. During the day the light can be charged by the sun and then



give four hours of bright light after dark. Moreover the economics are compelling. The cost of a solar light (USD 7) can be repaid within six to eight weeks due to the savings of not buying kerosene. Solar lights last for up to five years. However, distributing the lights is a challenge. While they are available in towns and cities, 80% of Africans live in rural areas.

The solution

SunnyMoney is the leading retailer of solar lights in Africa. Its vision is bold: to eliminate kerosene lamps from Africa. Its approach is unique: it sells solar lights via schools. This vision and the educational benefits of solar lights have caught the attention of the Ministries of Education in four East African countries (Kenya, Tanzania, Malawi and Zambia). They have granted SunnyMoney exclusive rights to demonstrate solar lights in schools.



Impact

Sithembile first heard about solar lights from her children after a SunnyMoney demonstration of solar lights at their school. It was a big decision for her to buy a solar light; most of her income comes from a small family farm and goes to feeding her family. But the benefits have made it worthwhile. She spends the money saved from not buying kerosene on better food, clothing and school stationery for her children. Her children are now able to study in the evenings and their exam results are improving. Sithembile's story is not unique. In the past twelve months SunnyMoney has sold over half a million solar lights. This is equivalent to more than one per minute.

Partners Group angle

Adam Frost has known Jeremy Leggett, the founder of SunnyMoney, for many years. As SunnyMoney is growing so rapidly it needs further investment. Partners Group Impact completed its investment in SunnyMoney in December 2013.



FORECASTING CASH FLOW PROFILES FOR MANDATE CLIENTS

André Frei Co-Chief Executive Officer, **Michael Studer** Chief Risk Officer and **Erik Gunnervall** Head Investment Solutions Nordics & The Netherlands

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REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



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Report of the Statutory Auditor to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

Report of the Statutory Auditor on the Consolidated Financial Statements

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, statement of cash flows and notes (pages 35 to 109) for the year ended 31 December 2013.

Board of Directors' Responsibility

The board of directors is responsible for the preparation 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 of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG AGISA, a Swiss corporation, is a subsidiary of KPMG Holding AGISA, which is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity.

Member of the Swiss Institute of Certified Accountants and Tax Consultants

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



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

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Christoph Gröbli
*Licensed Audit Expert
Auditor in Charge*

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

Thomas Dorst
Licensed Audit Expert

Zurich, 12 March 2014

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CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	Note	2013	2012 (restated)
Revenues from management and advisory services, net	7	471'130	441'099
Other operating income	8	16'840	7'920
Share of results of associates	19	3'872	5'989
Third party services	9	(5'320)	(4'711)
Personnel expenses	2&10	(152'205)	(137'852)
General and administrative expenses		(23'829)	(21'013)
Travel and representation expenses		(10'226)	(9'241)
Depreciation and amortization	17&18	(18'881)	(19'764)
EBIT		281'381	262'427
Change in fair value of derivatives arising from insurance contract	27	33'500	204
Net finance income and expense	2&11	31'223	17'763
Profit before tax		346'104	280'394
Income tax expense	2&12	(29'132)	(23'269)
Profit for the period		316'972	257'125
Profit for the period attributable to:			
Shareholders of Partners Group Holding AG (net profit)		316'998	257'000
Non-controlling interest		(26)	125
Basic earnings per share (Swiss francs)	30	12.34	10.14
Diluted earnings per share (Swiss francs)	30	12.01	9.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	Note	2013	2012 (restated)
Profit for the period		316'972	257'125
Other comprehensive income:			
Exchange differences on translating foreign operations		(3'457)	(3'613)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		(3'457)	(3'613)
Net actuarial gains/(losses) from defined benefit plans	2	4'114	4'976
Tax impact on net actuarial gains/(losses) from defined benefit plans	2	(741)	(895)
Net actuarial gains/(losses) from defined benefit plans, net of tax		3'373	4'081
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		3'373	4'081
Total other comprehensive income for the period, net of tax		(84)	468
Total comprehensive income for the period, net of tax		316'888	257'593
Total comprehensive income attributable to:			
Shareholders of Partners Group Holding AG		316'914	257'468
Non-controlling interest		(26)	125

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	Note	2013	31 December 2012 (restated)	1 January 2012 (restated)
Assets				
Cash and cash equivalents	13	58'174	234'653	96'669
Marketable securities	14	14'787	4'140	2'297
Trade receivables	15	59'834	44'380	30'350
Other receivables	15	1'591	1'864	3'852
Prepayments, derivative assets	15	24'302	15'297	7'619
Short-term loans	16	494'296	187'322	213'558
Total current assets		652'984	487'656	354'345
Property and equipment	17	21'284	19'395	16'971
Intangible assets	18	52'682	38'429	49'796
Investments in associates	19	4'323	6'126	3'853
Other investments	20	235'112	221'085	210'979
Other financial assets	21	89'542	88'779	88'384
Employee benefits	2&26	3'726	1'646	-
Deferred tax assets	2&22	6'189	2'438	1'212
Total non-current assets		412'858	377'898	371'195
Total assets		1'065'842	865'554	725'540
Equity and liabilities				
Liabilities				
Trade payables		26'956	16'419	12'532
Income tax liabilities		1'344	8'361	20'583
Accrued expenses	23	51'548	49'220	34'803
Other current liabilities	24	4'685	3'038	710
Borrowings	25	60'000	-	-
Total current liabilities		144'533	77'038	68'628
Employee benefits		-	-	1'972
Derivatives arising from insurance contract	27	50'493	82'611	83'470
Provisions	28	6'100	3'094	-
Deferred tax liabilities	22	7'439	4'657	1'307
Other long-term liabilities		455	342	234
Total non-current liabilities		64'487	90'704	86'983
Total liabilities		209'020	167'742	155'611
Equity				
Share capital	29	267	267	267
Treasury shares		(202'870)	(206'704)	(205'111)
Legal reserves	29	218	218	218
Other components of equity	2	1'059'207	903'155	773'750
Equity attributable to shareholders of Partners Group Holding AG		856'822	696'936	569'124
Non-controlling interest		-	876	805
Total equity		856'822	697'812	569'929
Total equity and liabilities		1'065'842	865'554	725'540

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs				Other components of equity					2013
	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 2013 (restated)	267	(206'704)	218	(54'783)	957'938	903'155	696'936	876	697'812
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners:									
Purchase of treasury shares		(371'306)				-	(371'306)		(371'306)
Disposal of treasury shares		375'140			(35'283)	(35'283)	339'857		339'857
Share-based payment expenses					19'099	19'099	19'099		19'099
Tax effect resulting from equity-settled transactions					16'017	16'017	16'017		16'017
Non-controlling interest changes					12	12	12	(305)	(293)
Dividends paid to shareholders					(160'707)	(160'707)	(160'707)	(545)	(161'252)
Total contributions by and distributions to owners	-	3'834	-	-	(160'862)	(160'862)	(157'028)	(850)	(157'878)
Total comprehensive income for the period, net of tax									
Profit for the period					316'998	316'998	316'998	(26)	316'972
Other comprehensive income:									
Exchange differences on translating foreign operations				(3'457)		(3'457)	(3'457)		(3'457)
Net actuarial gains/(losses) from defined benefit plans					4'114	4'114	4'114		4'114
Tax impact on net actuarial gains/(losses) from defined benefit plans					(741)	(741)	(741)		(741)
Total other comprehensive income for the period, net of tax	-	-	-	(3'457)	3'373	(84)	(84)	-	(84)
Total comprehensive income for the period, net of tax	-	-	-	(3'457)	320'371	316'914	316'914	(26)	316'888
Balance as of 31 December 2013	267	(202'870)	218	(58'240)	1'117'447	1'059'207	856'822	-	856'822

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 - CONTINUED

In thousands of Swiss francs								
	Other components of equity							2012
	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 2012 (published)	267	(205'111)	218	(51'170)	826'468	775'298	570'672	805
Adoption of IAS 19 revised	-	-	-	-	(1'548)	(1'548)	(1'548)	-
Balance as of 1 January 2012 (restated)	267	(205'111)	218	(51'170)	824'920	773'750	569'124	805
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners:</i>								
Purchase of treasury shares		(228'785)				-	(228'785)	
Disposal of treasury shares		227'192			(12'594)	(12'594)	214'598	
Share-based payment expenses					17'955	17'955	17'955	
Tax effect resulting from equity-settled transactions					5'822	5'822	5'822	
Non-controlling interest changes					9	9	9	
Dividends paid to shareholders					(139'255)	(139'255)	(139'255)	(54)
Total contributions by and distributions to owners	-	(1'593)	-	-	(128'063)	(128'063)	(129'656)	(54)
Total comprehensive income for the period, net of tax								
Profit for the period					257'000	257'000	257'000	125
<i>Other comprehensive income:</i>								
Exchange differences on translating foreign operations				(3'613)		(3'613)	(3'613)	
Net actuarial gains/(losses) from defined benefit plans					4'976	4'976	4'976	
Tax impact on net actuarial gains/(losses) from defined benefit plans					(895)	(895)	(895)	
Total other comprehensive income for the period, net of tax	-	-	-	(3'613)	4'081	468	468	-
Total comprehensive income for the period, net of tax	-	-	-	(3'613)	261'081	257'468	257'468	125
Balance as of 31 December 2012 (restated)	267	(206'704)	218	(54'783)	957'938	903'155	696'936	876

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	Note	2013	2012 (restated) ¹⁾
Operating activities			
Profit for the period		316'972	257'125
Adjustments:			
Share of results of associates	19	(3'872)	(5'989)
Net finance (income) and expense	11	(31'223)	(17'763)
Income tax expense	12	29'132	23'269
Depreciation of property and equipment	17	6'078	5'835
Amortization of intangible assets	18	12'803	12'118
Impairment losses on intangible assets	18	-	1'811
Share-based payment expenses	10	19'099	17'955
Change in fair value of derivatives arising from insurance contract	27	(33'500)	(204)
Change in fair value of assets held in experience account		(139)	(680)
Change in provisions	28	3'006	3'094
Change in employee benefit assets/liabilities		2'034	1'255
Gain/(loss) on derivatives		-	700
Other non-cash items		-	(1)
Operating cash flow before changes in working capital		320'390	298'525
(Increase)/decrease in prepayments, derivative assets and short-term loans, trade and other receivables		(332'885)	6'263
Increase/(decrease) in trade payables, accrued expenses and other current liabilities		10'135	20'724
Financial expenses (other than interest) paid		(626)	(440)
Dividends received from associates	19	5'663	3'718
Cash generated from/(used in) operations		2'677	328'790
Income tax paid		(24'063)	(28'500)
Net cash from/(used in) operating activities		(21'386)	300'290

¹⁾ Presentation amended to be consistent with 2013 disclosures

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 – CONTINUED

In thousands of Swiss francs	Note	2013	2012 (restated) ¹⁾
Investing activities			
Change in marketable securities		(7'984)	(777)
Purchase of property and equipment	17	(8'162)	(8'213)
Purchase of intangible assets	18	(2'316)	(3'245)
Proceeds on disposal of other investments	20	53'870	39'006
Purchase of other investments	20	(40'407)	(36'564)
Acquisition of subsidiary, net of cash acquired	5	(20'353)	-
Disposal of subsidiary, net of cash received		1'615	-
Change in other financial assets		2'304	(2'308)
Interest received	11	356	3'973
Dividends received		16	15
Net cash from/(used in) investing activities		(21'061)	(8'113)
Financing activities			
Proceeds from borrowings	25	60'000	-
Interest paid	11	(1'008)	(463)
Dividends paid to non-controlling interest		(533)	(45)
Dividends paid to shareholders	29	(160'707)	(139'255)
Purchase of treasury shares		(371'306)	(228'785)
Disposal of treasury shares		339'857	214'598
Net cash from/(used in) financing activities		(133'697)	(153'950)
Net increase/(decrease) in cash and cash equivalents		(176'144)	138'227
Cash and cash equivalents as of 1 January	13	234'653	96'669
Foreign exchange gains/(losses) on cash and cash equivalents		(335)	(243)
Cash and cash equivalents as of 31 December	13	58'174	234'653

¹⁾ Presentation amended to be consistent with 2013 disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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 2013 and 2012 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 12 March 2014 and are subject to approval at the annual general meeting of shareholders on 15 May 2014.

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 actual figures either rounded to the nearest Swiss franc or presented in million Swiss francs unless otherwise stated. The statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at fair value: derivative financial instruments and financial instruments at fair value through profit or loss.

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 BoD performed an assessment of the risks to which the Group is exposed to at its meeting on 29 November 2013. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 4) as well as reputational risks. The BoD has taken into consideration the internal control system designed to monitor and reduce the risks of the Group for its assessment.

2.2 Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2013 are consistent with those of the previous financial year presented in this report, except where new or revised standards were adopted, as indicated below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

2.2.1 Standards, amendments and interpretations effective in 2013

The following new and revised standards have been adopted for the financial year beginning 1 January 2013:

- “Disclosures – Offsetting Financial Assets and Financial Liabilities” (amendments to IFRS 7),
- IFRS 13, “Fair Value Measurement”,
- “Presentation of Items of Other Comprehensive Income” (amendments to IAS 1), and
- IAS 19, “Employee benefits” (amended 2011).

IFRS 7, “Disclosures – Offsetting Financial Assets and Financial Liabilities” requires information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 “Financial Instruments: Presentation”. The amendment has not resulted in significant changes to the Group’s consolidated financial statements.

IFRS 13, “Fair Value Measurement” establishes a single framework for measuring fair value where this is required by other standards. It applies to both financial and non-financial items measured at fair value and requires more extensive disclosures. Besides additional disclosures in this regard (please refer to note 4), this amendment does not have a significant impact on the Group’s consolidated financial statements.

IAS 1, “Presentation of Financial Statements” requires entities to separate items presented in Other Comprehensive Income (OCI) into two groups, whether or not they may be reclassified to the income statement in the future. This amendment has no material impact on the consolidated financial statements.

The amended IAS 19, “Employee benefits” (i) eliminates the option of deferring the recognition of gains and losses resulting from defined benefit plans (the corridor approach), (ii) requires calculation of the net interest on the net defined benefit liability (asset) using the discount rate that is used to measure the defined benefit obligation and (iii) eliminates the option for presentation of gains and losses relating to those plans. Furthermore, it extends the disclosures with regard to the characteristics of defined benefit plans and risks arising from these plans.

IAS 19 revised, “Employee benefits” has been adopted in the financial year 2013 for the first time. The adoption was recognized in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors” and resulted in a restatement of equity as at 1 January 2012. Furthermore, the Group presents the consolidated financial statements of 2012 revised in accordance with IAS 19 and IAS 8. The restatement impacted the following line items in the consolidated financial statements:

In thousands of Swiss francs	1 January 2012 (published)	IAS 19 revised (restatement)	1 January 2012 (restated)
Impact on consolidated balance sheet and consolidated statement of changes in equity			
Employee benefits	(84)	(1'888)	(1'972)
Deferred tax assets	872	340	1'212
Other components of equity	775'298	(1'548)	773'750

In thousands of Swiss francs	31 December 2012 (published)	IAS 19 revised (restatement)	31 December 2012 (restated)
Impact on consolidated balance sheet and consolidated statement of changes in equity			
Employee benefits	(1'102)	2'748	1'646
Deferred tax assets	2'933	(495)	2'438
Other components of equity	900'902	2'253	903'155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	2012 (published)	IAS 19 revised (restatement)	2012 (restated)
Impact on consolidated income statement			
Personnel expenses	(137'554)	(298)	(137'852)
Net finance income and expense	25'727	(44)	25'683
Income tax expense	(23'331)	62	(23'269)
Profit for the period	257'405	(280)	257'125
Basic earnings per share (Swiss francs)	10.15	(0.01)	10.14
Diluted earnings per share (Swiss francs)	9.92	(0.01)	9.91

In thousands of Swiss francs	2012 (published)	IAS 19 revised (restatement)	2012 (restated)
Impact on consolidated statement of comprehensive income			
Profit for the period	257'405	(280)	257'125
Other comprehensive income:			
Net actuarial gains/(losses) from defined benefit plans	-	4'976	4'976
Tax impact on net actuarial gains/(losses) from defined benefit plans	-	(895)	(895)

The Group had already early adopted IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interest in Other Entities" and IAS 28, "Investments in Associates and Joint Ventures" in its consolidated financial statements 2012.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective, but have been early adopted

The following new and revised standards have been early adopted for the financial year beginning 1 January 2013:

- "Recoverable Amount Disclosures for Non-Financial Assets" (amendments to IAS 36)

In May 2013 the IASB published amendments to IAS 36 regarding "Recoverable Amount Disclosures for Non-Financial Assets", a clarification of disclosures required. The amendment has not resulted in significant changes to the Group's consolidated financial statements.

2.2.3 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's management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Standard / Interpretation		Effective date	Planned application by the Group
New standards or interpretations			
IFRS 9, "Financial Instruments"	**	postponed	1 January 2018 at the earliest
Revisions and amendments of standards and interpretations			
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)	*	1 January 2014	Reporting year 2014
Employee Contributions (amendments to IAS 19)	*	1 July 2014	Reporting year 2015
Annual Improvements to IFRSs 2010-2012 Cycle	*	1 July 2014	Reporting year 2015
Annual Improvements to IFRSs 2010-2012 Cycle	*	1 July 2014	Reporting year 2015

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

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

2.2.4 Change in presentation

The Group enhanced the presentation of the consolidated income statement. In course of the development of its operating business, the Group has increased the issuance of short-term loans from CHF 187.3 million (31 December 2012) to CHF 494.3 million (31 December 2013) to investment programs advised by the Group. The Group defines these loans as belonging to its operating business and therefore reclassifies the interest income received respectively from "net finance income and expense" to "other operating income". Short-term loans are expected to be repaid within twelve months.

Consequently, there is a reclassification in the consolidated statement of cash flows of CHF 13.4 million (2012: CHF 7.9 million) from investing activities to operating activities.

2012 comparatives have been reclassified accordingly.

In thousands of Swiss francs	2012 (published)	IAS 19 revised (restatement)	Change in presentation	2012 (restated)
Impact on consolidated income statement				
Other operating income	-	-	7'920	7'920
Net finance income and expense	25'727	(44)	(7'920)	17'763

2.3 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). The Company controls an investee (entity) if and only if the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time when decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(b) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2.14).

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.

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 BoD 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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
2013	EUR	1.2253	1.2307
	USD	0.8892	0.9268
	GBP	1.4726	1.4494
	SGD	0.7044	0.7408
Year	Currency	Balance sheet rate	Average rate
2012	EUR	1.2072	1.2052
	USD	0.9147	0.9377
	GBP	1.4856	1.4861
	SGD	0.7488	0.7507

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. 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:

- 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 the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.
- No revenue is recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

2.8 Other operating income

Other operating income comprises income resulting from the ordinary course of business but are not revenues from management and advisory services. Other operating income may include interest income on short-term loans or gain from disposals of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

2.9 Income and 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. The majority of the Group's lease expenses results from rental agreements, especially office space rental agreements.

(b) Net finance income and expense

Net finance income and expense comprises bank interest income and expense, 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 that are recognized in the income statement.

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.

2.10 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 basis 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.

2.11 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.

2.12 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

2.13 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.

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 costs 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:

- Buildings	30 years
- 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.

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 2.16).

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

2.14 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.

(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.

(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 IE §14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(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 had 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 discounted amount of EUR 28.5 million 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 21). The additional committed amount of EUR 28.5 million is amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014 (see note 18 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.

(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 of the balance sheet date. Intangible assets with a determinable useful life are amortized from the date they are available for use.

The estimated useful lives are as follows:

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

2.15 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 2.12; short-term loans, see note 16), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(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. 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. For further explanations in connection with the determination of fair value please refer to note 4.2.

2.16 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 both at 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than 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”). For the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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.

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.

2.17 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.

2.18 Provisions

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

2.19 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. 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.

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 Switzerland qualify as a post-employment defined benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

The Group's net obligation (asset) in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to 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.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect on the asset ceiling (if any, excluding interest) are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit obligation (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses related to defined benefit plans are recognized in profit or loss.

(b) Share-based payment transactions

The fair value at grant date 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 fair value at grant date of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2.20 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 issuance 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, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, 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 2013 AND 2012

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, rarely 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) Accounting for investment programs

The Group assessed its involvement with the investment programs that it advises to determine whether it has control over them (see note 2.3). In accordance with IFRS 10, the Group assessed its power over the investment programs, its exposure or rights to variable returns and its ability to use its power to affect its returns. The assessment determines whether or not the Group acts as an agent on behalf of the investors in the investment programs and within delegated decision-making rights.

In its assessment the Group focused on the exposure to the total economic interest that is a combination of the stake the Group has in an investment program and the Group's remuneration for its activities with regard to an investment program. IFRS 10 does not provide clear-cut thresholds and the Group took all facts and circumstances into consideration. The Group concluded that it acts as an agent for all investment programs that it advises. For detailed information on the investment programs and their carrying amounts please refer to note 20.

(b) 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 judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

For more information regarding fair value measurement please refer to note 4.2 "Fair value measurement".

(c) Revenue recognition

The Group describes its policy of revenue recognition in note 2.7. Although the application is straightforward, instances may arise where the Group has to decide whether revenues 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. Performance fees are only recognized once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012****3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
(CONTINUED)****(d) 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 2.14, 18 and 27). As explained in note 27, 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. In this model, some of the parameters are subject to estimation and may differ from the final result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

4. FINANCIAL RISK MANAGEMENT

4.1 Financial instruments by category

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

In thousands of Swiss francs	2013	2012
Financial assets		
Financial assets at fair value through profit or loss		
<i>Designated upon initial recognition:</i>		
Other investments	235'112	221'085
Other financial assets (restricted cash and cash equivalents)	84'884	83'496
	319'996	304'581
<i>Held for trading:</i>		
Marketable securities	14'787	4'140
Derivative assets	4'690	1'665
	19'477	5'805
Loans and receivables		
Trade receivables	59'834	44'380
Other receivables	1'591	1'864
Short-term loans	494'296	187'322
Other financial assets	4'658	5'283
	560'379	238'849
Cash and cash equivalents		
Cash and cash equivalents	58'174	234'653
	58'174	234'653
Total financial assets	958'026	783'888
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative liabilities (accrued expenses)	676	174
Derivatives arising from insurance contract	50'493	82'611
	51'169	82'785
Financial liabilities measured at amortized cost		
Trade payables	26'956	16'419
Borrowings	60'000	-
	86'956	16'419
Total financial liabilities	138'125	99'204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

4.2 Fair value measurement

Introduction

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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 liability, 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 following table shows the fair value hierarchy of the Group's financial assets and liabilities that are measured at fair value:

In thousands of Swiss francs				2013
	Level 1	Level 2	Level 3	Total
Marketable securities	14'787			14'787
Other investments			235'112	235'112
Derivative assets held for risk management		4'690		4'690
Financial assets	14'787	4'690	235'112	254'589
Derivatives arising from insurance contract			50'493	50'493
Derivative liabilities held for risk management (accrued expenses)		676		676
Financial liabilities	-	676	50'493	51'169

In thousands of Swiss francs				2012
	Level 1	Level 2	Level 3	Total
Marketable securities	4'140			4'140
Other investments	3'842		217'243	221'085
Derivative assets held for risk management		1'665		1'665
Financial assets	7'982	1'665	217'243	226'890
Derivatives arising from insurance contract		82'611		82'611
Derivative liabilities held for risk management (accrued expenses)		174		174
Financial liabilities	-	82'785	-	82'785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

The following table shows the reconciliation of all level 3 financial instruments in 2013:

In thousands of Swiss francs	Financial assets	Financial liabilities
Balance as of 1 January 2013	217'243	-
Transfers from level 2	-	82'611
Additions	40'362	-
Disposals	(49'119)	-
Change in scope of consolidation	521	-
Change in fair value	27'808	(33'500)
Effect of movements in exchange rates	(1'703)	1'382
Balance as of 31 December 2013	235'112	50'493

There were no transfers between the levels 1 and 2. The transfer from level 2 to level 3 results from judgmental changes made on input data regarding the valuation of derivatives arising from insurance contract. The transfer of the financial liability from level 2 to level 3 took place at the beginning of the reporting period.

Other investments

Other investments, disclosed as level 3 financial instruments, consist of investments in investment programs that the Group administers and advises. These investments often account for a stake of one percent in an investment program. For these investments, 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 judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

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 in accordance with IFRS 13 and determined on a reasonable basis.

These control processes include the review and approval of new investments made on behalf of investors. The Group has several investment committees. This includes one committee per business line, a global and legal investment committee and several special committees. These committees decide whether or not new investments will be made. The controls also include reviews of profit and loss at regular intervals, risk monitoring and reviews of price verification procedures and models, which are 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.

Valuation techniques

Other investments held by the Group consist of indirect investments into investment programs. Indirect investments are generally valued at the indirect investments' net asset values last reported by the indirect investments' governing bodies. When the reporting date of such net asset values does not coincide with the Group's reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the most recently available net asset value reported and the end of the reporting period of the Group. The valuation may also be adjusted for further information gathered by the Group during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions which involve such companies and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

The investment programs are in turn invested in direct and indirect equity and debt investments. Valuation techniques applied by the Group in the determination of the fair values of direct equity and debt investments are in line with IFRS 13 as follows:

- market approach
- income approach and
- combination of market and income approach.

Market approach

The market approach comprises valuation techniques such as market comparable companies and multiple techniques. A market comparable approach uses quoted market prices or dealer quotes for similar instruments to fair value a financial asset. A multiple approach can be used in the valuation of less liquid securities. Comparable companies and multiple techniques assume that the valuation of unquoted direct investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. Comparable public companies based on industry, size, development stage, strategy, etc. have to be determined. Subsequently the most appropriate performance measure for determining the valuation of the relevant direct investment is selected (these include but are not limited to EBITDA, price/earnings ratios for earnings or price/book ratios for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued direct investment and the comparable company set. The indicated fair value of the direct investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

Income approach

Within the income approach the Group primarily uses the discounted cash flow method and the capitalization model. Expected cash flow amounts are discounted to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the direct investment. Direct investments can be valued by using the "cash flow to investor" method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the "free cash flow to company" method and subsequently subtracting the direct investment's net debt in order to determine the equity value of the relevant direct investment. Expected future cash flows based on agreed investment terms or expected growth rates have to be determined. In addition and based on the current market environment, an expected return of the respective direct investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

Combination of market and income approach

As a combination of the market and the income approach the adjusted net asset value method is used. Indirect investments of investment programs managed by the Group are generally valued at the indirect investments' net asset values last reported by the indirect investments' general partners. When the reporting date of such net asset values does not coincide with the investment programs' reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the most recently available net asset value reported and the end of the reporting period of the investment program, and further information gathered by the investment advisor during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions which involve such companies and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

Where available, valuation techniques use market-observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar assets and active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Group selects the non-market-observable inputs to be used in its valuation techniques based on a combination of historical experience, derivation of input levels based upon similar investment programs with observable price levels and knowledge of current market conditions and valuation approaches.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Within its valuation techniques the Group uses different unobservable input factors. Significant unobservable inputs include: EBITDA multiples (based on budgeted/forward-looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for the equivalent period), discount rates, capitalization rates, price/book as well as price/earnings ratios and enterprise value/sales multiples. The investment program also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments, and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes. A significant portion of the investment programs' direct equity investments is measured at EBITDA multiples. EBITDA multiples used show wide ranges.

The value of level 3 direct equity investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are generally valued using a waterfall approach including different seniority levels of debt. Thus, the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation. No interrelationships between unobservable inputs used in an investment program's valuation of its level 3 investments have been identified.

Sensitivity of fair values

From a Group perspective, other investments are valued at the adjusted net asset values for the investment programs. A reasonably possible change in the adjusted net asset value would have the following effects on the fair value of other investments held by the Group with changes to be recognized in the income statement:

In thousands of Swiss francs	2013	2012
Adjusted net asset value (1% increase)	2'351	2'172

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies and different unobservable inputs, especially in the underlying investments of investment programs, could lead to different measurements of fair value. Due to the number of unobservable input factors used in the valuation of the investment programs' direct investments and the broad range, in particular concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful results.

Derivatives arising from insurance contract

The Group uses the Black-Scholes model to fair value the derivatives arising from insurance contract. The Black-Scholes model is an option pricing model which incorporates assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The Group uses an adjusted net asset value in relation to the bond notional as an unobservable input factor.

A movement of 5% in the adjusted net asset value, which is deemed to be a reasonably possible change, would have the following effect on the fair value of derivatives arising from insurance contract with movements to be recognized in the income statement:

In thousands of Swiss francs	2013	2012
Net asset value (5% increase)	23'822	21'401

For further information on inputs used in the valuation of derivatives arising from insurance contract please refer to note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

4.3 Financial risk management

The Group has exposure to the following risks arising from its holding 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 these risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The BoD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BoD has established the Risk & Audit Committee ("RAC"), which is responsible for developing and monitoring the Group's risk management policies. The RAC 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 in 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 RAC 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 RAC 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 RAC.

4.3.1 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 majority of the customers are investment programs that are advised and administered by the Group.

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 material 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 (note 13), derivative financial instruments (note 15), short-term loans (see note 16), other financial assets (represents mainly restricted cash investments, note 21) and deposits with banks. The surplus cash (see note 4.3.2) 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 short-term issue credit ratings definitions).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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	
	2013	2012
Other financial assets	89'542	88'779
Short-term loans	494'296	187'322
Trade receivables	59'834	44'380
Other receivables	283	419
Marketable securities	6'273	4'140
Cash and cash equivalents	58'165	234'649
Forward exchange contracts (derivative assets)	4'690	1'665
	713'083	561'354
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Other receivables (VAT etc.)	1'308	1'445
Marketable securities (equity securities)	8'514	-
Cash and cash equivalents (petty cash)	9	4
Prepayments	19'612	13'632
<i>Split of trade receivables into counterparty risk categories:</i>		
Invoiced to clients	13'425	8'376
To be collected by the Group through management contracts	46'409	36'004
	59'834	44'380

4.3.2 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, and assists 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 is 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 2013 AND 2012

The debt covenants include minimum capital requirements/ratios (see note 4.3.4), a negative pledge and change in ownership clause. The debt covenants were met throughout the current and prior year. The overall facility is currently used for guarantees and for margins for forward exchange contracts.

- An 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 the 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 4.3.4) as well as several information duties. The debt covenants were met during the current and prior year. As of 31 December 2013, the overall facility was drawn by CHF 60 million.

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

In thousands of Swiss francs						2013
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables	26'956	26'956				
Accrued expenses (derivative liabilities)	676	676				
Interest-bearing loans and borrowings	60'000	60'000				
Unfunded commitments	121'900	121'900				
	209'532	209'532	-	-	-	-
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	4'685	4'685				
Accrued expenses (bonus accruals, etc.)	50'872	50'872				
Derivatives arising from insurance contract	50'493			50'493		

In thousands of Swiss francs						2012
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables	16'419	16'419				
Accrued expenses (derivative liabilities)	174	174				
Unfunded commitments	112'700	112'700				
	129'293	129'293	-	-	-	-
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	3'038	3'038				
Accrued expenses (bonus accruals, etc.)	49'046	49'046				
Derivatives arising from insurance contract	82'611			82'611		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

4.3.3 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 returns.

The Group buys and sells derivatives in order to manage certain market risks. All such transactions are carried out within the guidelines defined in the rules of the organization and of operations, issued by the BoD.

(a) Currency risk

The Group is exposed to currency risk on revenues, purchases, expenses, short-term loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. Primarily, the currency risk results from exposure in euro (EUR), but also US dollar (USD), British pound (GBP) and Singapore dollar (SGD).

As a general guidance, the Group may selectively economically hedge certain recognized assets and liabilities or future cash flows.

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					2013
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	773	4'235	649	136	71
Marketable securities	-	6'525	-	-	-
Trade receivables	-	19'076	3'015	2	-
Other receivables	-	1'024	(26'705)	(19'302)	(12'772)
Prepayments	5'932	199	6'357	480	-
Short-term loans	-	87'406	346'545	33'686	-
Other financial assets	-	-	1'604	-	-
Trade payables	(97)	(2'549)	(906)	(73)	-
Accrued expenses	-	(1'668)	(225)	-	(21)
Forward exchange contracts	-	344	4'288	-	1
Total	6'608	114'592	334'622	14'929	(12'721)

In thousands of Swiss francs					2012
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	627	2'288	4'116	265	15
Trade receivables	62	16'718	2'582	4	-
Other receivables	-	(2'874)	(22'378)	(13'269)	(9'387)
Prepayments	1'773	505	617	-	-
Short-term loans	-	23'300	164'022	-	-
Other financial assets	-	2'414	498	-	-
Trade payables	(23)	(974)	(1'619)	(6)	-
Accrued expenses	-	(2'045)	(536)	-	-
Forward exchange contracts	-	112	1'553	-	-
Total	2'439	39'444	148'855	(13'006)	(9'372)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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 4.20% (2012: 1.30%), calculating the corresponding effect).

Volatilities	2013	2012
CHF/EUR	4.20%	1.30%
CHF/USD	8.47%	7.83%
CHF/GBP	6.98%	5.93%
CHF/SGD	7.46%	5.81%
EUR/USD	7.15%	8.00%
EUR/GBP	6.73%	5.96%
USD/GBP	7.17%	6.32%
Profit or loss		
Effect in thousands of CHF	2013	2012
CHF/EUR	1'517	185
CHF/USD	(4'093)	547
CHF/GBP	554	(672)
CHF/SGD	(942)	(537)
EUR/USD	23	51
EUR/GBP	536	347
USD/GBP	132	221
Total	(2'273)	142

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.

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 4.0 million with an outstanding volume of CHF 549 million (2012: CHF -1.5 million; volume CHF 193 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its bank balances, its investment into the Pearl experience account, disclosed as other financial assets (see note 21) as well as short-term loans (see note 16). Such cash flows are dependent on changes in short-term market interest rates. Due the short-term nature and limited sensitivity, the Group does currently not manage its cash flow interest rate risk.

As of the balance sheet date the Group has CHF 60 million borrowings with banks, but maintains further credit lines with banks (see note 4.3.2).

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

In thousands of Swiss francs	2013	2012
Variable rate instruments		
Financial assets	143'058	318'145
Financial liabilities	60'000	-
	83'058	318'145
Fixed rate instruments		
Financial assets	505'479	192'605
Financial liabilities	-	-
	505'479	192'605

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.

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.

	Variable rate instruments	
In thousands of Swiss francs	2013	2012
Profit or loss		
50 bp increase	415	1'591
50 bp decrease	(415)	(1'591)

(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 the Group's investments are entered into under existing investment management contracts whereby the Group invests alongside the investors in the private equity, private debt, private real estate or private infrastructure investment programs advised by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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			
	2013	Volatility	2012	Volatility
Marketable securities	14'787	16%	4'140	25%
Other investments:				
Private equity	140'058	14%	136'659	14%
Private debt	30'026	6%	24'580	7%
Private real estate	28'422	14%	20'122	14%
Other segments	36'606	9%	39'724	9%
Total	249'899		225'225	

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	
	2013	2012
Marketable securities	2'366	1'035
Other investments:		
Private equity	19'608	19'132
Private debt	1'802	1'721
Private real estate	3'979	2'817
Other segments	3'295	3'575
Total	31'050	28'280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

4.3.4 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 the 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, these 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.

Furthermore, Partners Group Holding AG has authorized conditional capital of CHF 40'050. The BoD is authorized to increase share capital by up to 15% at its discretion in consequence of the exercise of share-based payments.

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 2.2 million minimum capital as of 31 December 2013 (2012: GBP 1.9 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 (2012: 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 2013 (2012: 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 2013 (2012: 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 300 million. Furthermore the ratio of financial debt divided by equity needs to be below 125%.
- Partners Group (USA) Inc. is required to meet the minimum shareholders' equity requirements applicable to Qualified Professional Asset Managers (QPAMs) in the USA pursuant to its status as manager of ERISA plan asset vehicles.
- The Group is required by the Swiss Financial Market Supervisory Authority (FINMA) to report on its fixed costs in relation to its capital resources as defined by FINMA. For 2013, the Group reports CHF 174 million consolidated fixed costs (2012: 160 million). FINMA regulation requires that for 25% of the consolidated fixed costs (i.e. CHF 44 million; 2012: CHF 40 million) capital resources need to be maintained. The Group's consolidated capital resources as defined by FINMA equal CHF 619 million as of 31 December 2013 (2012: CHF 492 million).

All these capital requirements have been met during 2013.

The issued nominal share capital of Partners Group AG amounts to CHF 200'000 and the overall equity (capital adequacy) has to exceed CHF 20 million. Generally, the overall equity exceeds CHF 20 million. In the course of acquiring Perennius Capital Partners SGR S.p.a., Milan, Italy, in 2013, Partners Group AG's equity temporarily and only technically fell below the CHF 20 million as regulatory requirements do not allow to take into account the profits of the current financial year of CHF 99 million (unless they would have been subject to a formal review by the auditor). This will be remedied with the issuance of an audit opinion as of 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

5. CHANGES IN SCOPE OF CONSOLIDATION

(a) Incorporation of new Group entities

On 28 November 2013 the Group incorporated Partners Group Access Finance Limited, Guernsey. The entity's main purpose is to serve as general partner for Scottish or Guernsey based investment vehicles. The effect of this incorporation on the Group's consolidated financial statements is not material.

In 2012, the Group did not incorporate any subsidiaries.

(b) Restructurings

No restructurings took place in 2013.

As of 1 January 2012, the Group merged Partners Group Real Estate LLC into Partners Group (USA) Inc.

(c) Acquisition of subsidiaries

As of 1 July 2013, the Group acquired an additional stake of 85% in the asset manager Perennius Capital Partners SGR S.p.a., Milan, Italy ("Perennius"). As a result, the Group's equity interest in Perennius increased from 15% to 100%, obtaining control of Perennius. The company provides management and advisory services to their clients to invest in private market programs. Net assets and goodwill acquired are as follows:

In thousands of Swiss francs	Fair value
Cash and cash equivalents	1'506
Marketable securities	1'947
Trade receivables and other assets	2'230
Property and equipment	97
Intangible assets	5'135
Other investments	521
Trade payables	(1'609)
Deferred tax liabilities	(2'553)
Other current liabilities	(1'506)
Non-current liabilities	(118)
Net assets acquired at fair value	5'650
Goodwill	20'067
Fair value of initial investment in Perennius	(3'858)
Total purchase consideration	21'859
Cash acquired	(1'506)
Net cash outflow on acquisition	20'353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

5. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

The trade receivables comprise gross contractual amounts due of CHF 0.1 million, of which none were expected to be uncollectible at the acquisition date.

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 remeasurement to fair value of the Group's existing 15% interest in Perennius resulted in a gain of CHF 3.4 million. This amount has been included in "net finance income and expense" (see note 11).

Acquisition-related costs borne by the Group as the acquirer amounted to CHF 0.1 million during the financial year 2013 and were recognized in the income statement as expense for "third party services" or as "travel and representation expenses".

In the six-month period ending 31 December 2013, Perennius contributed revenues of CHF 5.9 million and a loss of CHF 0.4 million to the Group's results. If the acquisition had occurred on 1 January 2013, Perennius would have contributed CHF 11.3 million revenues and a loss of CHF 0.1 million to the Group's consolidated figures. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2013.

The Group has agreed to grant a performance incentive amount of a certain percentage of the performance fees generated by the investment programs and mandates established by Perennius within a defined time and under defined conditions. The Group has not included any contingent consideration regarding the performance incentive amount since the management does not expect the defined conditions to be met.

In 2012, the Group did not acquire any subsidiaries.

(d) Divestments of subsidiaries

As of 1 October 2013, the Group sold its 84% holding in Asset Management Partners AG, Baar, Switzerland to the management of the company.

Furthermore, the Group sold its 55% holding in Alternative Beta Partners AG, Baar, Switzerland to the management of the company as of 1 October 2013.

Both transactions did not result in any material impact on the Group's balance sheet and income statement.

In 2012, the Group did not divest any subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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 by 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 buy-outs 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. Partners Group covers the full range of equity and debt investment opportunities offered by real estate assets.

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. These affiliated companies were sold to the management of the companies as of 1 October 2013 (see note 5) and therefore, the segment information only includes the nine-month period to 30 September 2013. None of these segments met any of the quantitative thresholds for determining reportable segments in 2013 or 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

6. SEGMENT INFORMATION (CONTINUED)

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.

The BoD assesses the performance of the operating segments based on a gross 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 the 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						2013
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	329'281	42'935	61'104	37'810	-	471'130
Other operating income	11'489	242	1'301	3'808	-	16'840
Share of results of associates	3'872	-	-	-	-	3'872
Total	344'642	43'177	62'405	41'618	-	491'842
Third party services	(395)	(169)	(155)	(210)	(4'391)	(5'320)
Personnel expenses	(30'664)	(6'268)	(11'379)	(8'265)	(95'629)	(152'205)
General and administrative expenses	(26)	(6)	(28)	(257)	(23'512)	(23'829)
Travel and representation expenses	(937)	(355)	(545)	(494)	(7'895)	(10'226)
Depreciation and amortization	-	-	-	-	(18'881)	(18'881)
Gross segment result	312'620	36'379	50'298	32'392	(150'308)	281'381
<i>Reconciliation to profit for the period:</i>						
Change in fair value of derivatives arising from insurance contract						33'500
Net finance income and expense						31'223
Income tax expense						(29'132)
Profit for the period						316'972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

6. SEGMENT INFORMATION (CONTINUED)

In thousands of Swiss francs						2012 (restated)
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	321'005	39'389	47'895	32'810	-	441'099
Other operating income	5'183	490	1'213	1'034	-	7'920
Share of results of associates	5'989	-	-	-	-	5'989
Total	332'177	39'879	49'108	33'844	-	455'008
Third party services	(275)	(179)	(53)	(38)	(4'166)	(4'711)
Personnel expenses	(26'158)	(4'798)	(10'222)	(10'115)	(86'559)	(137'852)
General and administrative expenses	(23)	(6)	(23)	(194)	(20'767)	(21'013)
Travel and representation expenses	(1'150)	(241)	(709)	(487)	(6'654)	(9'241)
Depreciation and amortization	-	-	-	-	(19'764)	(19'764)
Gross segment result	304'571	34'655	38'101	23'010	(137'910)	262'427
<i>Reconciliation to profit for the period:</i>						
Change in fair value of derivatives arising from insurance contract						204
Net finance income and expense						17'763
Income tax expense						(23'269)
Profit for the period						257'125

As the Group pursues a fully integrated investment approach, most professionals engage in assignments across several segments within the private markets asset classes. Thus, only the personnel expense of those professionals entirely dedicated to a single segment have been allocated to the operating 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 and travel and representation expenses. Depreciation and amortization are not allocated to the operating segments.

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	2013	2012
Switzerland	211'173	184'299
Guernsey	148'104	152'383
North America	46'014	51'703
Other European countries	36'970	30'209
Rest of world	28'869	22'505
Total revenues from management and advisory services, net	471'130	441'099

In 2013 and 2012, 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 2013 AND 2012

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 the investment structure of Pearl Holding Limited, where the Group acts only as policyholder, since European International Reinsurance Company Limited (a subsidiary of Swiss Re) is the insurer and thus the Group forwards the entire amount to the insurer (see note 27).

Revenue deductions

The revenue deductions represent the Group's payments to third parties which 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 principally 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 2013 AND 2012

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

In thousands of Swiss francs	2013	2012
Private equity		
Private equity investment management	380'285	377'832
./. Revenue deductions	(51'004)	(56'827)
<i>Net private equity investment management</i>	329'281	321'005
Private equity insurance premiums	16'116	17'599
./. Insurance fees, where the Group acts as policyholder only	(16'116)	(17'599)
<i>Net private equity insurance premiums</i>	-	-
Total revenues from private equity, net	329'281	321'005
Private debt		
Private debt investment management	50'602	45'873
./. Revenue deductions	(7'667)	(6'484)
Total revenues from private debt, net	42'935	39'389
Private real estate		
Private real estate investment management	75'028	54'705
./. Revenue deductions	(13'924)	(6'810)
Total revenues from private real estate, net	61'104	47'895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

In thousands of Swiss francs	2013	2012
Other revenues		
Private infrastructure investment management	36'801	31'030
./ Revenue deductions	(4'644)	(6'065)
<i>Net private infrastructure investment management</i>	32'157	24'965
Revenues from affiliated companies	4'065	6'175
./ Revenue deductions	(363)	(504)
<i>Net revenues from affiliated companies</i>	3'702	5'671
<i>Other revenues</i>	1'951	2'174
Total other revenues, net	37'810	32'810
Revenues from management and advisory services, net	471'130	441'099

In thousands of Swiss francs	2013	2012
Summary		
Total gross revenues	564'848	535'388
./ Revenue deductions	(77'602)	(76'690)
./ Insurance fees, where the Group acts as policyholder only	(16'116)	(17'599)
Revenues from management and advisory services, net	471'130	441'099

8. OTHER OPERATING INCOME

In thousands of Swiss francs	2013	2012 (represented)
Interest income on short-term loans	13'425	7'920
Other income	3'415	-
Total other operating income	16'840	7'920

Interest income comprises the interest earned on short-term loans granted to investment programs advised by the Group (see note 2.2.4).

Other income results from the disposal of Asset Management Partners AG, Baar, Switzerland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

9. THIRD PARTY SERVICES

In thousands of Swiss francs	2013	2012
Consulting and legal fees	(4'356)	(4'583)
Sundry third party service expenses	(964)	(128)
Total third party expenses	(5'320)	(4'711)

10. PERSONNEL EXPENSES

In thousands of Swiss francs	2013	2012 (restated)
Wages and salaries	(107'518)	(97'411)
Share-based payment expenses	(19'099)	(17'955)
Other long-term benefits	(3'413)	(2'180)
Retirement schemes - defined contribution plans	(6'937)	(5'986)
Retirement schemes - defined benefit plans	(3'490)	(2'651)
Other social security expenses	(5'897)	(7'475)
Other social security and sundry personnel expenses	(5'851)	(4'194)
Total personnel expenses	(152'205)	(137'852)

Including expenses recognized for non-vested shares and share options granted in 2013 (refer to note 26(b)), 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	2013	2012
Grants 2006	-	(601)
Grants 2007	-	(834)
Grants 2008 (options and non-vested shares)	(1'692)	(1'802)
Grants 2009 (options and non-vested shares)	(2'162)	(2'252)
Grants 2010 (options and non-vested shares)	(2'908)	(3'645)
Grants 2011 (options and non-vested shares)	(2'264)	(3'195)
Grants 2012 (options and non-vested shares)	(4'212)	(4'741)
Grants 2013 (options and non-vested shares)	(4'653)	-
Share grants at start of employment	(1'208)	(885)
Total share-based payments	(19'099)	(17'955)

The average number of employees in 2013 was 663 (2012: 591), which is equivalent to 652 full-time employees (2012: 580).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

11. NET FINANCE INCOME AND EXPENSE

In thousands of Swiss francs	2013	2012 (restated)
Interest income	356	3'929
Net gains/(losses) on:		
Held for trading instruments	730	1'081
Fair value through profit or loss instruments, designated	28'672	15'552
Net change in fair value of other long-term liabilities	-	(113)
Net foreign exchange gain/(loss)	(533)	147
Other finance income	3'632	-
Total other finance income/(expense), net	32'857	20'596
Interest expense	(1'008)	(463)
Other financial expense	(626)	(2'370)
Total finance cost	(1'634)	(2'833)
Net finance income and (expense)	31'223	17'763

12. INCOME TAX EXPENSE

Recognized in income statement

In thousands of Swiss francs	2013	2012 (restated)
Current tax expense:		
Current year	32'294	24'079
Under/(over) provided in prior years	1'292	(2'045)
Total current tax expense	33'586	22'034
Deferred tax expense/(income):		
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	(4'454)	1'235
Total income tax expense	29'132	23'269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

12. INCOME TAX EXPENSE (CONTINUED)

Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2013	2012 (restated)
Profit before tax	346'104	280'394
Weighted average expected Group tax rate	8.09%	9.00%
Expected tax expense	28'008	25'238
Non-tax-deductible expense	65	78
Applicable tax rates differing from expected rate	(90)	(4)
Utilization of unrecognized tax loss carry-forwards	(152)	(2)
Under/(over) provided in prior years	1'292	(2'045)
Other impacts	9	4
Total income tax expense	29'132	23'269

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 jurisdictions 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 22.

Compared to the prior period, the business in jurisdictions with higher tax rates grew less than the overall business did.

13. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	2013	2012
Bank balances	58'165	234'649
Petty cash	9	4
Total	58'174	234'653

For further details on the changes in the cash and cash equivalents balance, please refer to the consolidated cash flow statement.

14. MARKETABLE SECURITIES

In thousands of Swiss francs	2013	2012
Equity securities held for trading	6'273	4'140
Debt securities	8'514	-
Total	14'787	4'140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

15. PREPAYMENTS, DERIVATIVE ASSETS, TRADE AND OTHER RECEIVABLES

In thousands of Swiss francs	2013	2012
Trade receivables	59'834	44'380
Other receivables	1'591	1'864
Derivative assets	4'690	1'665
Prepayments	19'612	13'632
Total	85'727	61'541

No material allowances were recognized during or at the end of the current and the prior year. As of the reporting date no material receivables are overdue. The Group reviews its counterparty risk in trade receivables on a regular basis. As disclosed in note 4.3, as of the balance sheet date, the Group can collect 78% (2012: 81%) of the trade receivables based on discretionary management agreements; the remaining 22% (2012: 19%) are invoiced to clients who are primarily major institutional clients.

16. SHORT-TERM LOANS

The short-term loans of CHF 494.3 million (2012: CHF 187.3 million) relate to loans to various investment programs with typically an expected repayment date within the next twelve months. Interest on these loans is calculated at a rate of 2.50% per annum above the applicable LIBOR interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

17. PROPERTY AND EQUIPMENT

In thousands of Swiss francs					2013
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost					
Balance as of 1 January 2013	3'092	10'327	16'245	14'899	44'563
Additions	2'805	1'235	2'038	2'084	8'162
Change in scope of consolidation - additions	-	2	-	95	97
Change in scope of consolidation - disposals	-	(204)	-	(199)	(403)
Effect of movements in exchange rates	-	(206)	(188)	(208)	(602)
Balance as of 31 December 2013	5'897	11'154	18'095	16'671	51'817
Accumulated depreciation					
Balance as of 1 January 2013	30	6'524	7'782	10'832	25'168
Additions	150	1'261	1'896	2'771	6'078
Change in scope of consolidation - disposals	-	(202)	-	(183)	(385)
Effect of movements in exchange rates	-	(108)	(91)	(129)	(328)
Balance as of 31 December 2013	180	7'475	9'587	13'291	30'533
Carrying amount					
As of 1 January 2013	3'062	3'803	8'463	4'067	19'395
As of 31 December 2013	5'717	3'679	8'508	3'380	21'284
Impairment losses incurred in 2013					nil

During 2013 and 2012 the Group acquired corporate apartments in Baar, Switzerland, with the intention to provide accommodation for its international employees during their short-term stays in the head office. These additions are presented as buildings in the property and equipment table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

17. PROPERTY AND EQUIPMENT (CONTINUED)

In thousands of Swiss francs					2012
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost					
Balance as of 1 January 2012	-	9'321	14'105	12'860	36'286
Additions	3'092	992	2'109	2'020	8'213
Effect of movements in exchange rates	-	14	31	19	64
Balance as of 31 December 2012	3'092	10'327	16'245	14'899	44'563
Accumulated depreciation					
Balance as of 1 January 2012	-	5'176	6'049	8'090	19'315
Additions	30	1'338	1'729	2'738	5'835
Effect of movements in exchange rates	-	10	4	4	18
Balance as of 31 December 2012	30	6'524	7'782	10'832	25'168
Carrying amount					
As of 1 January 2012	-	4'145	8'056	4'770	16'971
As of 31 December 2012	3'062	3'803	8'463	4'067	19'395
Impairment losses incurred in 2012					nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

18. INTANGIBLE ASSETS

In thousands of Swiss francs							2013
	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost							
Balance as of 1 January 2013	34'351	1'685	17'825	10'623	12'106	4'000	80'590
Additions	-	-	-	1'161	405	750	2'316
Change in scope of consolidation - additions	-	5'123	20'067	13	-	-	25'203
Change in scope of consolidation - disposals	-	-	-	(490)	-	-	(490)
Effect of movements in exchange rates	514	(24)	(495)	(17)	(12)	-	(34)
Balance as of 31 December 2013	34'865	6'784	37'397	11'290	12'499	4'750	107'585
Accumulated amortization and impairment losses							
Balance as of 1 January 2013	19'322	1'685	1'514	7'992	10'248	1'400	42'161
Additions	8'755	513	-	1'702	920	913	12'803
Change in scope of consolidation - disposals	-	-	-	(367)	-	-	(367)
Effect of movements in exchange rates	251	(10)	23	(11)	53	-	306
Balance as of 31 December 2013	28'328	2'188	1'537	9'316	11'221	2'313	54'903
Carrying amount							
As of 1 January 2013	15'029	-	16'311	2'631	1'858	2'600	38'429
As of 31 December 2013	6'537	4'596	35'860	1'974	1'278	2'437	52'682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

18. INTANGIBLE ASSETS (CONTINUED)

In thousands of Swiss francs							2012
	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost							
Balance as of 1 January 2012	34'623	1'712	18'254	8'764	10'819	4'000	78'172
Additions	-	-	-	1'870	1'375	-	3'245
Effect of movements in exchange rates	(272)	(27)	(429)	(11)	(88)	-	(827)
Balance as of 31 December 2012	34'351	1'685	17'825	10'623	12'106	4'000	80'590
Accumulated amortization							
Balance as of 1 January 2012	10'820	1'106	-	6'366	9'484	600	28'376
Additions	8'573	300	-	1'626	819	800	12'118
Impairment losses	-	300	1'511	-	-	-	1'811
Effect of movements in exchange rates	(71)	(21)	3	-	(55)	-	(144)
Balance as of 31 December 2012	19'322	1'685	1'514	7'992	10'248	1'400	42'161
Carrying amount							
As of 1 January 2012	23'803	606	18'254	2'398	1'335	3'400	49'796
As of 31 December 2012	15'029	-	16'311	2'631	1'858	2'600	38'429

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.

Client contracts

In the course of the acquisition of Perennius, the Group acquired existing client contracts. The Group has valued these contracts based on contractual relationships, taking into account cancellation periods and the nature of contracts. The estimated future returns have been discounted at a rate of 9.55% 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 five years.

The remaining net book value of client contracts acquired in 2011 in the course of the acquisition of Partners Group (Deutschland) GmbH, Germany, has been impaired in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

18. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Additions to goodwill in 2013 relate to the acquisition of Perennius as of 1 July 2013 (see note 5).

Of the carrying amount as of 31 December 2013 (CHF 35.9 million; 2012: CHF 16.3 million), CHF 20.0 million (2012: CHF nil) is allocated to the private equity segment and CHF 15.9 million (2012: CHF 16.3 million) to the private real estate segment.

No goodwill was added in 2012.

Impairment testing for cash-generating units 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 segment.
- Goodwill relating to the acquisition of Perennius in 2013 has been allocated to the private equity segment.

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. The carrying amounts of the units were determined to be lower than the recoverable amounts and thus no impairment of goodwill was recognized. The value in use was determined by discounting the future cash flows generated from the continuing use of the units and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a five-year estimate (2014–2018). Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied.
- Revenues were projected based on the development of existing business, taking into account the generation of additional business in the years 2014 to 2018.
- General expense growth, as well as third party expense growth, was considered at a constant rate of 10% p.a. (2012: 10% p.a.).
- Personnel expense growth was considered at a constant rate of 5% p.a. (2012: constant rate of 5% 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 9.55% [PG RE] (2012: 10.30%) respectively 10.74% [Perennius] were applied in determining the recoverable amounts of the units. The Group applied market interest rates of 2.84% [PG RE] (2012: 1.83%) and 4.05% [Perennius], adjusted by market risk premiums and industry weighted average beta factors.

Management believes that any reasonable possible change in any of the key assumptions would not cause the carrying value of goodwill of the private equity as well as of the private real estate operating segment to exceed the recoverable amounts.

Impairment losses of existing client contracts and goodwill in 2012

In 2011, the Group acquired Partners Group (Deutschland) GmbH (formerly known as D&W Service GmbH), Germany. As a part of the purchase price the Group acquired existing client contracts of CHF 0.9 million and goodwill of CHF 1.6 million. The acquired company (and the business allocable to the employees taken over) represented the lowest reporting level for internal management purposes (within the private equity direct business). Due to the insufficient earnings situation of the cash-generating unit, the remaining net book value of the existing client contracts (CHF 0.3 million) and goodwill (CHF 1.5 million) have been impaired in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

18. INTANGIBLE ASSETS (CONTINUED)

Placing expenses

The Group selectively uses third party placing agents for the distribution of its investment programs (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 investment programs the cost was incurred for, usually between three to five years (see note 2.14).

19. INVESTMENTS IN ASSOCIATES

The Group accounts for one investment in associates as summarized below:

In thousands of Swiss francs	Principal activity	Investment at cost	Carrying value	Ownership
LGT Private Equity Advisers, Vaduz/Liechtenstein	Asset management	400	4'323	40%

In thousands of Swiss francs	2013	2012
Balance as of 1 January	6'126	3'853
Dividends received from investment in associates	(5'663)	(3'718)
Other movements	(12)	2
Share of results	3'872	5'989
Balance as of 31 December	4'323	6'126

Summary of financial information of the investment in associates - 100%:

In thousands of Swiss francs	2013	2012
Total assets	10'815	15'411
Total liabilities	8	96
Equity	10'807	15'315
Revenues	11'117	16'442
Profit/(loss)	9'680	14'973

The financial information is based on unaudited financial statements as received from LGT Private Equity Advisers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

20. OTHER INVESTMENTS

The Group holds investments in various investment programs that it administers and advises. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group usually performs investment advisory activities to the benefit of external investors under a predetermined investment policy and receives a predetermined management fee and, where applicable, a performance fee for its services. The investment programs are financed by the investors. The Group usually acts as the investment manager. With regard to the investment programs, the Group acts as an agent on behalf of the investors in the investment programs and does therefore not consolidate these investment program structures.

Investments into investment programs are classified as at fair value through profit or loss and are measured at fair value (refer to note 2.15).

In thousands of Swiss francs	2013	2012
Balance as of 1 January	221'085	210'979
Additions	40'407	36'564
Disposals	(53'870)	(39'006)
Change in scope of consolidation	521	-
Change in fair value of investments held at period end	25'012	15'552
Change in fair value of investments disposed/liquidated in the period	253	-
Remeasurement to fair value of initial investment in Perennius	3'407	-
Effect of movements in exchange rates	(1'703)	(3'004)
Balance as of 31 December	235'112	221'085

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

In thousands of Swiss francs	2013	2012
Private equity	140'058	136'659
Private debt	30'026	24'580
Private real estate	28'422	20'122
Other operating segments:		
Partners Group managed	35'084	34'955
Third party managed	1'522	4'769
Total other investments	235'112	221'085

The fair value of these unconsolidated investments represents the Group's participation in the investment programs and is the maximum exposure from the unconsolidated investment program structures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

21. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	2013	2012
Assets held in experience account:		
Restricted cash and cash equivalents (held in EUR)	84'884	83'496
Loans to related parties	2'763	4'428
Other financial assets	1'895	855
Total	89'542	88'779

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 (see note 27). The convertible bond expires on 30 September 2014 but the cash and cash equivalents is not expected to be transferred to the Group prior to 2015, therefore the assets are disclosed as non-current financial assets and stated at fair value.

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

	2013	2012
Effective interest rate of restricted cash and cash equivalents	0.16%	0.82%

Once the convertible bond issued by Pearl Holding Limited, Guernsey, is fully repaid and a balance in the experience account remains, Pearl Management Limited, Guernsey, is entitled to the balance. The convertible bond is due as of 30 September 2014.

Pearl Management Limited is a fully consolidated Group entity. The Group consolidates its beneficial ownership in the assets held in the experience account. The assets in the experience account are held in euro and increase over the duration of the convertible bond via interest income on the funds held.

The loans to related parties of the Group of CHF 2.8 million (2012: CHF 4.4 million) bear interest at market related interest rates.

22. DEFERRED TAX ASSETS AND LIABILITIES

Development of deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following table shows the development of deferred income tax assets and deferred income tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

22. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In thousands of Swiss francs	2013	2012 (restated)
Deferred tax asset	6'189	2'438
Deferred tax liabilities	(7'439)	(4'657)
Deferred tax liabilities (net)	(1'250)	(2'219)

In thousands of Swiss francs	2013	2012 (restated)
Balance as of 1 January	(2'219)	(95)
Changes recognized in income statement	4'454	(1'235)
Changes recognized in other comprehensive income	(741)	(895)
Change in scope of consolidation - additions	(2'553)	-
Effect of movements in exchange rates	(191)	6
Balance of deferred tax liabilities as of 31 December	(1'250)	(2'219)

Analysis of deferred tax balances

The following table shows the tax effects on the temporary differences that exists between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as gross amounts before being offset within the same taxable entities. Period movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In thousands of Swiss francs	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	2013 Total
Deferred tax assets, gross	-	-		6'764	558	7'322
Deferred tax liabilities, gross	(2'095)	(3'525)	(297)	(3'552)	(72)	(9'541)
Balance as of 1 January 2013, net	(2'095)	(3'525)	(297)	3'212	486	(2'219)
Movements in 2013						
Balance as of 1 January 2013	(2'095)	(3'525)	(297)	3'212	486	(2'219)
Changes recognized in the income statement	(183)	4'036	367	177	57	4'454
Changes recognized in other comprehensive income	-	-	(741)	-	-	(741)
Changes from scope in consolidation	(2'510)	(43)	-	-	-	(2'553)
Effect of movement in exchange rates	81	(93)	-	(185)	6	(191)
Balance as of 31 December 2013, net	(4'707)	375	(671)	3'204	549	(1'250)
Deferred tax assets, gross	-	1'184	-	6'795	550	8'529
Deferred tax liabilities, gross	(4'707)	(809)	(671)	(3'591)	(1)	(9'779)
Balance as of 31 December 2013, net	(4'707)	375	(671)	3'204	549	(1'250)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

22. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In thousands of Swiss francs						2012 (restated)
	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
Deferred tax assets, gross	-	-	355	840	17	1'212
Deferred tax liabilities, gross	-	(1'203)	-	-	(104)	(1'307)
Balance as of 1 January 2012, net	-	(1'203)	355	840	(87)	(95)
Movements in 2012						
Balance as of 1 January 2012 (restated)	-	(1'203)	355	840	(87)	(95)
Changes recognized in the income statement	(2'148)	(2'398)	243	2'492	576	(1'235)
Changes recognized in other comprehensive income	-	-	(895)	-	-	(895)
Effect of movement in exchange rates	53	76	-	(120)	(3)	6
Balance as of 31 December 2012, net	(2'095)	(3'525)	(297)	3'212	486	(2'219)
Deferred tax assets, gross	-	-	-	6'764	558	7'322
Deferred tax liabilities, gross	(2'095)	(3'525)	(297)	(3'552)	(72)	(9'541)
Balance as of 31 December 2012, net	(2'095)	(3'525)	(297)	3'212	486	(2'219)

Non-current assets

Taxable temporary differences arise between the tax bases of property and equipment as well as intangible assets and their carrying amounts in the consolidated financial statements.

Other investments

Taxable temporary differences arise between the tax bases of other investments in certain jurisdictions and the carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements. The revaluation is included in "net finance income and expense" (see note 11).

Employee benefits (IAS 19)

The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (see note 26(a)).

Employee benefits (IFRS 2)

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of expenses for employee benefits (see note 26(b)) in the applicable accounting period in accordance with IFRS 2, "Share-based Payment", but the tax deduction based on these expenses is received in a different period; e.g. only 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

22. 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	2013	2012
Tax relevant losses carried forward as of 1 January	31	25
Additional losses in the current reporting period	18	6
Balance as of 31 December	49	31

The losses carried forward expire within the following time frame:

In thousands of Swiss francs	2013	2012
Amount not due to expire	49	31
Total losses carried forward	49	31

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 deferred taxes for all taxable temporary differences associated with investments in group entities, branches and associated companies. Due to the tax status of the companies holding such investments, no deferred tax would arise upon realization of such differences.

23. ACCRUED EXPENSES

In thousands of Swiss francs	2013	2012
Bonus accruals - to be paid out in the following year	32'004	33'472
Third party fees	1'594	2'813
Outstanding invoices	2'633	579
Derivative liabilities	676	174
Other accrued expenses	14'641	12'182
Total accrued expenses	51'548	49'220

24. OTHER CURRENT LIABILITIES

In thousands of Swiss francs	2013	2012
Social securities and other taxes	4'497	2'749
Other current liabilities	188	289
Total other current liabilities	4'685	3'038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

25. BORROWINGS

As of the balance sheet date, the Group had CHF 60.0 million borrowings from credit lines with banks outstanding (2012: nil; see note 4.3.2). For information regarding the Group's exposure to interest rate risk refer to note 4.3.3.

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 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.

The defined benefit plan is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separated from the Group. The pension fund commission comprises two employee and two employer representatives. The board and the pension fund commission of the pension fund are required by law to act in the best interest of the participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund. At least four times a year, the Group's representatives meet and analyze consequences as well as decide on adjustments in the investment strategy. The strategic investment policy of the pension fund can be summarized as follows:

Asset Class	1 January 2013
Cash	0%
Public debt	25%
Public equity	25%
Private markets	35%
Alternatives/other	15%
Total	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

The Group's pension plan recognizes an employee benefit asset. Consequently, the Group feels comfortable with its investment strategy. Partners Group does not expect a negative impact on funding arrangements or future contributions due to its investments and investment strategy.

Development of obligations and assets

In thousands of Swiss francs	2013	2012 (restated)
Present value of benefit obligation as of 1 January	(38'382)	(34'537)
Change in scope of consolidation	7'477	-
Included in profit or loss:		
Service cost	(2'471)	(2'651)
Employees' contribution	(1'509)	(1'334)
Interest expense	(662)	(832)
Past service costs, curtailments, plan amendments	651	-
Included in other comprehensive income		
Actuarial gains/(losses) on benefit obligation arising from:		
- demographic assumptions	(731)	-
- financial assumptions	972	2'260
- experience adjustment	704	948
Other:		
Benefits paid	352	(2'236)
Present value of benefit obligation as of 31 December	(33'599)	(38'382)
Fair value of plan assets as of 1 January	40'028	32'565
Change in scope of consolidation	(9'094)	-
Included in profit or loss:		
Interest income	684	788
Included in other comprehensive income		
Expected return on plan assets	3'094	1'770
Other:		
Employers' contribution	1'456	1'335
Employees' contribution	1'509	1'334
Benefits paid	(352)	2'236
Fair value of plan assets as of 31 December	37'325	40'028
Net defined benefit asset/(obligation)	3'726	1'646

The net defined benefit obligation covers a weighted average duration of 11.3 years (2012: 10.3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

Asset allocation as of 31 December

	2013	2012
Cash	9.2%	10.8%
Public debt	18.8%	26.8%
Swiss franc bonds	1.9%	6.6%
Foreign currency bonds	14.4%	15.6%
Convertible bonds	2.5%	4.6%
Public equity	26.0%	26.4%
Swiss franc equity securities	12.8%	13.1%
Foreign currency equity securities	13.2%	13.3%
Property	0.0%	0.0%
Private markets	24.2%	19.2%
Alternatives/other	21.8%	16.8%
Commodities	0.8%	2.1%
Absolute return	11.7%	10.0%
Insurance linked	9.3%	4.7%
Total	100.00%	100.00%

All equities and bonds have quoted prices in active markets.

Principal actuarial assumptions as of 31 December

Assumptions underlying the values of the defined benefit obligation at the reporting date were as follows:

Principal actuarial assumptions as of	2013	2012
Discount rate	1.85%	1.75%
Expected net return on plan assets	1.85%	1.75%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

Assumptions as of	2013	2012
Average retirement age		
Male	63	63
Female	62	62
Mortality tables used	BVG 2010 (GT)	BVG 2010 (PT)
Turn over	BVG 2010	BVG 2010
Capital option	50.00%	50.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts presented below:

In thousands of Swiss francs	Impact on defined benefit obligation	Impact on service cost
Decrease of discount rate (-0.5%)	(1'928)	(261)
Increase of discount rate (+0.5%)	1'681	225
Decrease of salary increase (-0.5%)	247	40
Increase of salary increase (0.5%)	(224)	(43)

Although the analysis above does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions presented.

The expected employer's contribution in 2014 is estimated as CHF 1.7 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

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	01.01.2011	39'735	5 years' service	17.11.2020
Non-vested shares	01.01.2011	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
Options	30.11.2012	4'904	none	30.11.2022
Options	30.11.2012	224'102	5 years' service	30.11.2022
Non-vested shares	30.11.2012	92'744	5 years' service	indefinite
Non-vested shares	30.11.2012	19'344	2 years' service	indefinite
Options	29.11.2013	208'780	5 years' service	29.11.2023
Non-vested shares	29.11.2013	89'778	5 years' service	indefinite
Non-vested shares	29.11.2013	14'630	2 years' service	indefinite
Total options/non-vested shares granted since 2005		6'194'661		
Options/non-vested shares expired/ forfeited since grant date		(904'726)		
Exercises up to 2012		(1'876'011)		
Exercises during 2013		(862'952)		
Forfeitures during 2013		(79'903)		
Net options/non-vested shares outstanding as of 31 December 2013		2'471'069		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

In 2013, the Group further granted 5'432 (2012: 5'481) shares to employees of the Group that commenced employment with the Group in 2013. 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 the end of the restriction period.

Share grants	Grant year	Number of instruments	Vesting conditions
Shares	2009	2'885	1 year service
Shares	2010	5'330	1 year service
Shares	2011	7'660	1 year service
Shares	2012	5'481	1 year service
Shares	2013	5'432	1 year service

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

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2013	2013	2012	2012
Outstanding as of 1 January	124.41	3'100'736	119.53	3'256'462
Forfeited during the period	142.49	(79'903)	124.54	(192'429)
Exercised during the period	131.66	(862'952)	110.29	(304'391)
Granted during the period - options	270.00	208'780	236.00	229'006
Granted during the period - shares	-	104'408	-	112'088
Outstanding as of 31 December	128.34	2'471'069	124.41	3'100'736
Exercisable as of 31 December		1'076'233		1'160'718

Of the outstanding 2'471'069 options and non-vested shares under the diverse programs of the Group, 1'076'233 options and non-vested shares are exercisable immediately, and all other options and non-vested shares are subject to a restriction period of at least until 26 November 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

The outstanding instruments are split by strike price and grant year as follows:

Numbers of instruments outstanding			
Grant year	Strike price in CHF	2013	2012
Options granted in 2005	29.96	74	22'768
Options granted in 2005	44.94	-	26'700
Options granted in 2006	138.00	145'796	509'099
Options granted in 2007	159.00	245'622	596'313
Options granted in 2008	100.00	540'277	603'363
Options granted in 2009	150.00	209'570	211'790
Options granted in 2010 and 1.1.2011	209.00	195'590	217'290
Options granted in 2011	195.00	125'996	139'696
Options granted in 2012	236.00	214'695	229'006
Options granted in 2013	270.00	208'780	-
Non-vested shares granted from 2008 to 2013	-	584'669	544'711
Total instruments outstanding		2'471'069	3'100'736

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 restrictions of the options.

Fair value of share options and non-vested shares granted in 2013, and related assumptions:

	Options	Non-vested shares	Non-vested shares
Date of grant	29.11.2013	29.11.2013	29.11.2013
Fair value per option/non-vested share at measurement date (in CHF)	17.91	203.13	203.13
Share price (in CHF)	225.70	225.70	225.70
Exercise price (in CHF)	270.00	-	-
Vesting conditions	5 years	5 years	2 years
Expected volatility	22.92%		
Expected term of execution	5 years		
Expected dividend ratio	3.15%		
Risk-free interest rate (based on Swap rates)	0.11%		
Total options/non-vested shares granted	208'780	89'778	14'630
Amount to be recognized as service expense (in CHF)	3'739'250	18'236'605	2'971'792
Amount recognized in income statement in current year (in CHF)	623'208	3'039'434	990'597
Total amount recognized in income statement in current year (in CHF)			4'653'239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

26. EMPLOYEE BENEFITS (CONTINUED)

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 of 29 November 2013 this average calculation resulted in an expected five-year volatility of 22.92% (30 November 2012: 26.67%).

The Group grants non-vested shares together with options on an annual basis at the absolute discretion of the BoD. 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 two years, the Group already as of grant date recognizes a third of the corresponding amount in the income statement.

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 & Compensation Committee and the BoD envisage an allocation of approximately 30-50% of the total carry pool to eligible employees. The MCP includes a vesting period of up to five years in line with the Group's overall long-term incentive schemes. The MCP will be paid in cash to the eligible employees. At this point in time, future performance fees cannot be predicted for these investments, because they depend on numerous variable parameters and future events. As a consequence, future costs associated with the MCP cannot be reliably estimated so that the Group does not recognize future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, MCP allocation costs will be recognized in the same period when the corresponding performance fees will be recognized, which is once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.

27. DERIVATIVES ARISING FROM INSURANCE CONTRACT

(a) Introduction

Pearl Holding Limited

In 2000, the Group entered into an agreement with the investment program of 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 paid certain amounts into an experience account (see note 21), 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 portfolio of Pearl, and thus is classified as a derivative financial instrument. The Group's exposure is limited to the value of the assets contained in the experience account. Due to the positive development of the value of the portfolio of Pearl and based on the valuation applying the Black-Scholes model, part of the derivatives arising from insurance contract was reduced in 2013 and 2012.

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 18) and an additional derivative liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

27. DERIVATIVES ARISING FROM INSURANCE CONTRACT (CONTINUED)

(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:

	2013	2012
Adjusted net asset value (in relation to bond notional)	107.0%	106.8%
Strike price (in millions)	EUR 712.8	EUR 712.8
Dividend yield	3.40%	3.48%
Risk free interest rate	0.46%	0.48%
Implicit volatility	12%	12%
Term of option	30.09.2014	30.09.2014

In 2013 the Group decided to use an adjusted net asset value by applying a discount on the published net asset value. The discount corresponds to the discount on the net asset value to the market price of Pearl of 7.4% (2012: 0%).

The settlement of the option is not expected to be executed prior to 2015.

Strike price

The strike price reflects the redemption amount of the bond.

Dividend yield

The dividend yield reflects the outflows in Pearl with regards to investment management fees, 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 (i) net asset value of Pearl or (ii) 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 currently below the respective amount shown as assets held in experience account (see note 21). Therefore, the balance of the derivative liabilities arising from insurance contract relating to Pearl currently represents a lower amount than the assets contained in the experience account.

(c) Derivative liabilities arising from insurance contract

In thousands of Swiss francs	2013	2012
Balance as of 1 January	82'611	83'470
Change in fair value	(33'500)	(204)
Effect of movements in exchange rates	1'382	(655)
Balance as of end of period	50'493	82'611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

28. PROVISIONS

In thousands of Swiss francs	MCP	Others	Total
Balance as of 1 January 2013	-	3'094	3'094
Change in scope of consolidation	-	118	118
Additions	5'988	51	6'039
Amounts used	-	(353)	(353)
Reversed amounts (unused)	-	(2'732)	(2'732)
Effect of movements in exchange rates	(57)	(9)	(66)
Balance as of 31 December 2013	5'931	169	6'100

As of 31 December 2013 the majority of provisions relate to the MCP, which was introduced in 2011 (see note 26).

29. SHARE CAPITAL AND RESERVES

In effective number of shares	2013	2012
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 31 December - fully paid in	26'700'000	26'700'000

The issued share capital comprises 26'700'000 registered shares (2012: 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 2013 (2012: CHF 218'100) consisting of CHF 217'100 (2012: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (2012: 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 925'893 (2012: 1'218'791) 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.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend distribution of CHF 193.6 million (CHF 7.25 per share) for 2013. During the reporting period, the Company paid a dividend of CHF 160.7 million (CHF 6.25 per share) (2012: CHF 139.3 million, CHF 5.50 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2012 of CHF 166.9 million was not fully distributed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

29. SHARE CAPITAL AND RESERVES (CONTINUED)

Outstanding shares

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

In effective number of shares		2013	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2013	26'700'000	1'218'791	25'481'209
Purchase of treasury shares		1'599'648	(1'599'648)
Disposal of treasury shares		(1'892'546)	1'892'546
Balance as of 31 December 2013	26'700'000	925'893	25'774'107
Weighted average number of shares outstanding during the period (360 days)			25'683'552
Shareholders above 5% (in % of shares issued)		Shares held	in %
Gantner Alfred		2'673'659	10.01%
Erni Marcel		2'673'659	10.01%
Wietlisbach Urs		2'673'659	10.01%
BlackRock Inc., New York, USA		1'364'504	5.11%

Alfred Gantner, Marcel Erni and Urs Wietlisbach have entered into a lock-up agreement comprising all of their remaining shareholdings following the conclusion of the placement of a minority portion of their shareholdings in November 2012. This lock-up agreement expires on 1 January 2014.

In effective number of shares		2012	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2012	26'700'000	1'309'778	25'390'222
Purchase of treasury shares		1'308'743	(1'308'743)
Disposal of treasury shares		(1'399'730)	1'399'730
Balance as of 31 December 2012	26'700'000	1'218'791	25'481'209
Weighted average number of shares outstanding during the period (360 days)			25'343'643
Shareholders above 5% (in % of shares issued)		Shares held	in %
Gantner Alfred		2'673'659	10.01%
Erni Marcel		2'673'659	10.01%
Wietlisbach Urs		2'673'659	10.01%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

30. EARNINGS PER SHARE

	2013	2012 (restated)
Basic and diluted earnings per share		
Net profit for the period (in thousands of Swiss francs)	316'998	257'000
Weighted average number of ordinary shares outstanding	25'683'552	25'343'643
Average fair value of one ordinary share during the period (in Swiss francs)	232.08	179.99
Weighted average number of shares under option during the period	2'075'617	2'624'444
Weighted exercise price for shares under option during the period (in Swiss francs)	153.88	142.43

		2013
	Earnings per share	Number of shares
Net profit for the period (in thousands of Swiss francs)	316'998	
Weighted average number of ordinary shares outstanding		25'683'552
Basic earnings per share (in Swiss francs)	12.34	
Weighted average number of shares under option during the period		2'075'617
Number of shares that would have been issued at fair value ¹⁾		(1'369'640)
Diluted earnings per share (in Swiss francs)	12.01	26'389'529

		2012 (restated)
	Earnings per share	Number of shares
Net profit for the period (in thousands of Swiss francs)	257'000	
Weighted average number of ordinary shares outstanding		25'343'643
Basic earnings per share (in Swiss francs)	10.14	
Weighted average number of shares under option during the period		2'624'444
Number of shares that would have been issued at fair value ¹⁾		(2'021'878)
Diluted earnings per share (in Swiss francs)	9.91	25'946'209

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

As of 31 December 2013 the Group had 2'471'069 options and non-vested shares outstanding (2012: 3'100'736). To cover the outstanding options at an average fair value of the shares during the period of CHF 232.08 (2012: CHF 179.99), net (i.e. after considering the respective strike price) 705'977 treasury shares are necessary (2012: 602'566). The treasury shares necessary to cover the granted non-vested shares, on the other hand, have already been put aside in separate escrow accounts. Thus, the number of treasury shares (see note 29) is already net of non-vested shares outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

31. OPERATING LEASES

Leases as a lessee

Non-cancelable operating lease rentals are payable as follows:

In thousands of Swiss francs	2013	2012
Less than one year	8'270	7'694
Between one and five years	26'226	25'527
More than five years	6'469	7'844
Total	40'965	41'065

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 9.1 million was recognized as an expense in the income statement in respect of operating leases (2012: CHF 8.0 million). The Group received payments of CHF 0.6 million (2012: CHF 0.4 million) from sublease agreements.

32. CAPITAL COMMITMENTS

As of 31 December 2013 the Group had capital commitment contracts for CHF 314.2 million (2012: CHF 270.9 million), whereof CHF 121.9 million (2012: CHF 112.7 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 programs advised by the Group (see notes 16 and 20).

33. CONTINGENCIES

The Group currently has contingent assets resulting from the disposal of Partners Group Fund Services Limited, Guernsey, in 2010, where the transaction price included potential earn-out payments. Furthermore, the Group has an additional contingent asset resulting from the disposal of Asset Management Partners AG, Baar, Switzerland. Currently, the future financial impact cannot be assessed reliably.

A contingent liability results from the acquisition of Perennius. The Group has agreed to a performance incentive amount of a certain percentage of the performance fees generated by the investment programs and mandates established by Perennius within a defined time and under defined conditions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

34. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its group entities/subsidiaries (see note 35), associates (see note 19), investment programs (see note 20), 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 (2012: CHF 0.3 million) and at the balance sheet date associates owed CHF nil to the Group (2012: CHF 75'000). In 2013 the Group received dividends of CHF 5.7 million (2012: CHF 3.7 million) from associates (see note 19).

Loans to related parties of the Group amount to CHF 2.8 million (2012: CHF 4.4 million) and are included in "other financial assets" (see note 21).

The Group purchased treasury shares from its shareholders as follows:

In effective number of shares	2013	2012
Purchase of treasury shares from shareholders employed by the Group	888'747	311'337
	888'747	311'337
Average purchase price per share (in Swiss francs)	233.87	172.19

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 10) amounts to:

In thousands of Swiss francs	2013	2012
Board members of Partners Group Holding AG:		
Short-term employment benefits	2'864	946
Post-employment benefits	221	154
Share-based payment expenses	239	100
Total Board members	3'324	1'200
Executive Board:		
Short-term employment benefits	7'462	6'402
Post-employment benefits	594	353
Share-based payment expenses	1'388	931
Total Executive Board	9'444	7'686
Total Board members and Executive Board	12'768	8'886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

34. 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	2013	2012
Board members (vested options)	20'443	20'443
Board members (non-vested options and shares)	35'125	-
Members of the Executive Board (non-vested options and shares)	365'367	573'623
Total	420'935	594'066

Share ownership (unrestricted):

In effective number of shares	2013	2012
Board members	8'386'046	8'028'477
Members of the Executive Board	1'804'937	1'357'418
Total	10'190'983	9'385'895

For further information in accordance with Art. 663b^{bis} and 663c of the Swiss Code of Obligations refer to notes 10 and 11 of the entity accounts of Partners Group Holding AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

35. SUBSIDIARIES

Details of the Group's operating subsidiaries as of the reporting date are set out below:

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			2013	2012
Partners Group AG	Investment manager	Switzerland	100%	100%
Asset Management Partners AG	Asset management	Switzerland	-	84%
Alternative Beta Partners AG	Asset management	Switzerland	-	55%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (Luxembourg) S.à r.l.	Investment manager	Luxembourg	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Perennius Capital Partners SGR S.p.A.	Investment manager	Italy	100%	15%

At the end of the reporting period, the Group had other subsidiaries that perform advisory services and hold the investments in the investment programs (see note 20). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		2013	2012
General partner to investment programs	Guernsey	16	15
General partner to investment programs	Scotland	2	2
General partner to investment programs	Germany	1	1
Manager to investment vehicles	USA	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	5	5
Management and advisory services to investment programs	Guernsey	3	3

The Group does not have any material non-controlling interests.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012****36. SUBSEQUENT EVENTS**

No events took place between 31 December 2013 and 12 March 2014 that would require material adjustments to the amounts recognized in these consolidated financial statements.



LAUNCHING A NEW PRIVATE MARKETS INCOME FUND

Felix Haldner Head Investment Structures, **Stefan Näf** Head Investment Solutions, **Reto Munz** Head Listed Private Markets and **Markus Pimpl** Investment Solutions

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



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Report of the Statutory Auditor to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

Report of the Statutory Auditor on the Financial Statements

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 114 to 125) for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

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



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

Report on Other Legal Requirements

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

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

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

KPMG AG

Christoph Gröbli
*Licensed Audit Expert
Auditor in Charge*

Thomas Dorst
Licensed Audit Expert

Zurich, 12 March 2014

INCOME STATEMENT OF PARTNERS GROUP HOLDING AG FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	2013	2012
Income from financial investments	316'264	202'550
Revaluation gains on financial investments	1'035	1'066
Gains on disposal of participations	8'123	-
Other financial income	7'355	5'330
Total income	332'777	208'946
General and administrative expenses	(1'429)	(3'370)
Other financial expenses	(53'183)	(20'000)
Profit before taxes	278'165	185'576
Taxes	(3'146)	(2'363)
Net profit for the period	275'019	183'213

BALANCE SHEET OF PARTNERS GROUP HOLDING AG AS OF 31 DECEMBER 2013 AND 2012

In thousands of Swiss francs	2013	2012
Assets		
Current assets		
Cash and cash equivalents	27'445	202'855
Marketable securities	12'798	4'140
Treasury shares	202'267	203'036
Trade receivables	8	25
Other receivables:		
Third parties	93	296
Group companies	129'015	58'099
Deferred expenses and accrued income	532	120
Total current assets	372'158	468'571
Non-current assets		
Financial investments:		
Participations	668'562	506'148
Loans to group companies	9'802	9'658
Loans to employees	801	3'813
Other financial assets	1'256	658
Total non-current assets	680'421	520'277
Total assets	1'052'579	988'848
Liabilities and shareholders' equity		
Liabilities		
Trade payables:		
Third parties	-	25
Other current liabilities:		
Third parties	2'174	2'549
Group companies	171'159	218'904
Accrued expenses	387	90
Provisions	398	3'130
Total liabilities	174'118	224'698
Shareholders' equity		
Share capital	267	267
General legal reserves:		
Legal reserves	1	1
Legal reserves from capital contributions	217	217
Reserves for treasury shares	202'730	205'825
Available earnings:		
Retained earnings	400'227	374'627
Net profit for the period	275'019	183'213
Total shareholders' equity	878'461	764'150
Total liabilities and shareholders' equity	1'052'579	988'848

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	2013	2012
Guarantees		
Guarantees for subsidiaries	425'000	425'000

Partners Group Holding AG maintains the following lines of credit as of 31 December 2013 (see note 4.3.2 of the consolidated financial statements), where it also guarantees for amounts which might be 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 guarantees, 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	
		2013	2012	2013	2012
Partners Group AG	Switzerland	CHF 200	CHF 200	100%	100%
Princess Management Limited	Guernsey	EUR 3'000	EUR 6'000	100%	100%
Partners Group (USA) Inc.	USA	USD 75	USD 75	100%	100%
Partners Group (Guernsey) Limited	Guernsey	GBP 5'000	GBP 5'000	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 6'635	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	SGD -	SGD -	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	BRL 795	BRL 348	100%	100%
Partners Group (Deutschland) GmbH	Germany	EUR 25	EUR 25	100%	100%
Partners Group (France) SAS	France	EUR 250	EUR 250	100%	100%
Pearl Management Limited	Guernsey	EUR 20	EUR 20	100%	100%
Penta Management Limited	Guernsey	EUR 20	EUR 20	100%	100%
Partners Private Markets Management Limited ^{1) / 2)}	Guernsey	EUR -	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 3'620	100%	100%
Partners Group Management II Limited	Guernsey	EUR 4'270	EUR 4'270	100%	100%
Partners Group Management III Limited	Guernsey	EUR 13'520	EUR 15'520	100%	100%
Partners Group Management IV Limited ²⁾	Guernsey	GBP 20	EUR 20	100%	100%
Partners Group Management V Limited	Guernsey	USD 11'820	USD 11'820	100%	100%
Partners Group Management VI Limited	Guernsey	EUR 23'820	EUR 23'820	100%	100%
Partners Group Management VII Limited	Guernsey	USD 7'120	USD 4'120	100%	100%
Partners Group Management VIII Limited	Guernsey	EUR 2'500	EUR 2'500	100%	100%
Partners Group Management IX Limited	Guernsey	EUR 4'020	EUR 4'020	100%	100%
Partners Group Management X Limited	Guernsey	USD 6'420	USD 4'420	100%	100%
Partners Group Management XI Limited	Guernsey	USD 4'000	USD 4'000	100%	100%
Partners Group Management XII Limited	Guernsey	EUR 2'020	EUR 2'020	100%	100%
Partners Group Management XIII Limited	Guernsey	AUD 10'020	AUD 5'020	100%	100%
Partners Group Management XIV Limited	Guernsey	USD 5'020	USD 20	100%	100%
Partners Group Client Access Management I Limited	Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Access Finance Limited	Guernsey	USD 20	-	100%	-
Partners Group Management I S.à r.l.	Luxembourg	EUR 4'531	EUR 4'531	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	EUR 5'231	EUR 5'231	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	EUR 31	EUR 31	100%	100%

¹⁾ Formerly known as: Partners Private Equity Management Limited

²⁾ Change in local currency in current year

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

3. PARTICIPATIONS (CONTINUED)

In thousands of currency units		Share capital		Ownership interest	
		2013	2012	2013	2012
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	-	84%
Alternative Beta Partners AG	Switzerland	-	CHF 100	-	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 2012	1'309'778	148.72	194'790
Purchase of treasury shares	1'308'743	174.81	228'785
Sale of treasury shares	(1'399'730)	167.02	(233'779)
Balance as of 31 December 2012	1'218'791	166.59	
Purchase of treasury shares	1'599'648	232.12	371'306
Sale of treasury shares	(1'892'546)	191.24	(361'939)
Balance as of 31 December 2013	925'893	218.46	

The shares are valued at the lower of transaction or market price. The average value per share amounts to CHF 218.46 (31 December 2012: CHF 166.59).

The company has 2'471'069 (31 December 2012: 3'100'736) 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	2013	2012
Balance as of 1 January	374'627	333'072
Allocation of previous year's result	183'213	183'997
Dividends paid to shareholders	(160'708)	(139'255)
Net changes in reserves for treasury shares	3'095	(3'187)
Balance as of 31 December	400'227	374'627

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

6. CONDITIONAL CAPITAL

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

	2013	2012
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)

	2013	2012
Gantner Alfred	10.01%	10.01%
Erni Marcel	10.01%	10.01%
Wietlisbach Urs	10.01%	10.01%
BlackRock Inc., New York, USA	5.11%	n/a

Alfred Gantner, Marcel Erni and Urs Wietlisbach have entered into a lock-up agreement comprising all of their remaining shareholdings following the conclusion of the placement of a minority portion of their shareholdings in November 2012. This lock-up agreement expires on 1 January 2014.

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 2.1million (net of tax) in 2013. 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 29 November 2013. The risk management covers in particular the strategic and business risks, operational risks, financial risks as well as reputational risks. The Board of Directors has taken into consideration the internal control system designed to monitor and reduce the risks of the company for its assessment.

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

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

In thousands of Swiss francs						2013	
	Base compensa- tion (cash)	Variable compensa- tion (cash bonus)	Other compensa- tion ¹⁾	Options/ shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Board of Directors							
Gantner Alfred, Executive Chairman	320	-	74	-	394	0.4%	889
Dr. Erni Marcel	320	-	57	-	377	0.4%	889
Wietlisbach Urs	320	-	61	-	381	0.4%	889
Dr. Dallara Charles ⁴⁾ , Executive Vice Chairman	370	373	52	239	1'034	0.6%	1'334
Meister Steffen ⁴⁾	470	255	89	-	814	0.7%	1'556
Dr. Strutz Eric	50	-	-	-	50	-	-
Ward Patrick ⁴⁾	124	-	-	-	124	0.3%	667
Dr. Wuffli Peter	100	-	-	-	100	-	-
Dr. Zürcher Wolfgang	50	-	-	-	50	-	-
Total Board of Directors	2,124	628	333	239	3'324	2.8%	6'224
Executive Board							
Dr. Schäli Stephan, Head Private Equity	370	305	84	96	855	0.8%	1'778
Total Executive Board	3,990	3'248	818	1'388	9'444	5.7%	12'716

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

²⁾ amounts include payments of all Group entities

³⁾ figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2013. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 3.3 million and used CHF 2.2 million as a base scenario for illustrative purposes.

⁴⁾ member of the Board of Directors since 2 May 2013

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 & Compensation Committee and the Board of Directors envisage an allocation of approximately 30-50% of the total carry pool to eligible employees. The MCP includes a vesting period of up to five years in line with the Group's overall long-term incentive schemes.

The determination of the highest compensation for a member of the Executive Board is based on an assumed expected payout of CHF 2.2 million per 1% carry pool allocation.

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

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

In thousands of Swiss francs						2012	
	Base compensa- tion (cash)	Variable compensa- tion (cash bonus)	Other compensa- tion ¹⁾	Options/ shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Board of Directors							
Gantner Alfred, Executive Chairman	270	-	70	-	340	0.6%	915
Dr. Erni Marcel, Executive Vice Chairman	270	-	53	-	323	0.6%	915
Wietlisbach Urs, Executive Vice Chairman	270	-	56	-	326	0.6%	915
Dr. Strutz Eric	25	-	3	25	53	-	-
Dr. Wuffli Peter	50	-	5	50	105	-	-
Dr. Zürcher Wolfgang	25	-	3	25	53	-	-
Total Board of Directors	910	-	190	100	1'200	1.8%	2'744
Executive Board							
Meister Steffen, Chief Executive Officer	270	680	75	147	1'172	0.7%	1'143
Total Executive Board	2,394	3'857	504	931	7'686	5.0%	8'004

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

²⁾ amounts include payments of all Group entities

³⁾ figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2012. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 2.4 million and used CHF 1.6 million as a base scenario for illustrative purposes.

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 2013			2013
	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	2'673'659	-	-
Dr. Erni Marcel, Executive Vice Chairman	2'673'659	-	-
Wietlisbach Urs, Executive Vice Chairman	2'673'659	-	-
Dr. Dallara Charles ¹⁾	169	1'000	2'000
Meister Steffen ¹⁾	356'400	2'175	29'950
Dr. Strutz Eric	-	-	3'600
Ward Patrick ¹⁾	-	-	-
Dr. Wuffli Peter	7'000	-	9'235
Dr. Zürcher Wolfgang	1'500	-	7'608
Executive Board			
Frei André, Co-Chief Executive Officer ²⁾	56'539	3'050	30'700
Rubeli Christoph, Co-Chief Executive Officer ²⁾	691'400	3'050	6'100
Wenger Jürg, Chief Operating Officer	141'933	450	7'300
Dr. Wipfli Cyrill, Chief Financial Officer	33'331	3'450	33'167
Angéloz Claude ³⁾	257'535	4'450	48'400
Biner René	51'034	2'650	18'100
Haldner Felix	350'300	2'150	43'800
Knecht Andreas ⁴⁾	136	6'450	12'900
Näf Stefan	93'376	4'650	65'200
Dr. Schäli Stephan	98'200	2'650	21'300
Schwager Reto ⁴⁾	4'805	2'450	27'700
Dr. Studer Michael ³⁾	26'348	2'950	12'300
Total	10'190'983	41'575	379'360

¹⁾ member of the Board of Directors since 2 May 2013

²⁾ Co-Chief Executive Officer since 1 July 2013

³⁾ member of the Executive Board since 1 January 2013

⁴⁾ member of the Executive Board since 1 July 2013

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 2012			2012
	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	2'673'659	-	-
Dr. Erni Marcel, Executive Vice Chairman	2'673'659	-	-
Wietlisbach Urs, Executive Vice Chairman	2'673'659	-	-
Dr. Strutz Eric	-	-	3'600
Dr. Wuffli Peter	6'000	-	9'235
Dr. Zürcher Wolfgang	1'500	-	7'608
Executive Board			
Meister Steffen, Chief Executive Officer	534'000	8'575	56'650
Wenger Jürg, Chief Operating Officer	140'333	2'050	34'000
Dr. Wipfli Cyrill, Chief Financial Officer	28'255	5'650	41'100
Alsterlind Pamela	2'830	10'448	53'100
Biner René	41'200	5'450	100'700
Frei André	54'139	4'650	29'100
Haldner Felix	347'100	5'150	70'100
Näf Stefan	80'361	9'050	84'400
Dr. Schäli Stephan	129'200	6'250	47'200
Total	9'385'895	57'273	536'793

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 2013

In thousands of Swiss francs	2013
Net profit for the year	275'019
Retained earnings	400'227
Available earnings	675'246
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(193'575)
To be carried forward	481'671



FINDING RELATIVE VALUE IN THE HEALTHCARE SECTOR

Robert Collins Investment Solutions Americas, **Remy Hauser** Head Healthcare Industry Value Creation and **Fredrik Henzler** Head Industrials Industry Value Creation

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. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the US Securities and Exchange Commission (SEC) and the UK Financial Conduct Authority (FCA), we further uphold the requirements that these regulations imply. 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. Regulatory developments
10. 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

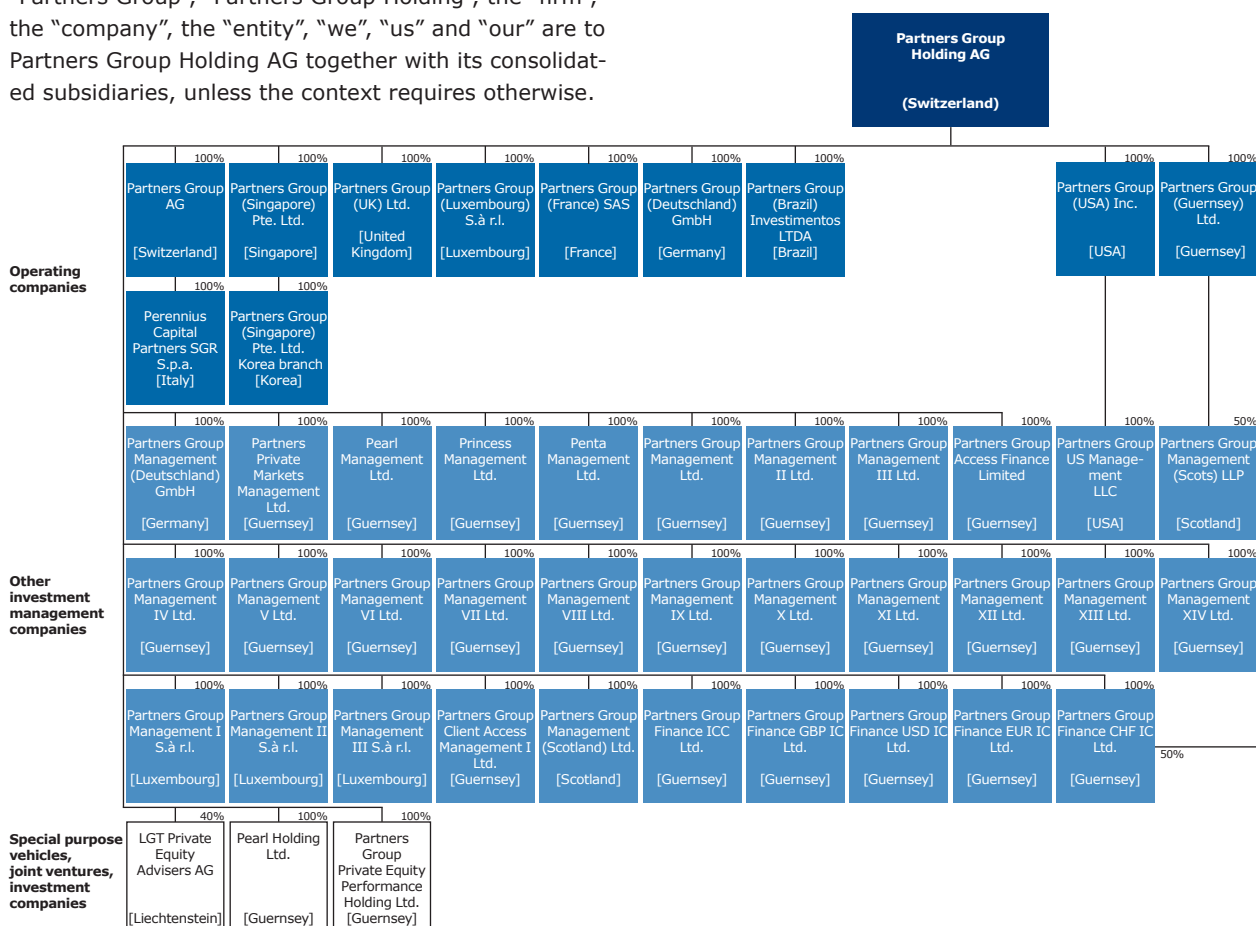
Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United Kingdom, the United States, Singapore, Guernsey and other jurisdictions. The chart below provides an overview of the group structure as of 31 December 2013.

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 2013 is CHF 6.4 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 3 to the financial statements of Partners Group Holding AG in the annual report 2013.



Disclaimer: the purpose of the chart above is to provide an overview of the group structure of Partners Group Holding AG and its subsidiaries/affiliates. The ownership percentages reflected in the chart are meant for illustrative purposes and are rounded.

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 2013.

Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach each hold 2'673'659 shares, corresponding to 10.01% of total share capital each. In the course of a placement of a minority portion of their shareholdings in November 2012, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach entered into a lock-up agreement comprising all of their shareholdings. This lock-up agreement expires on 1 January 2014.

In addition, a group controlled by BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, USA disclosed an acquisition of shares resulting in a shareholding of 1'364'504 shares, corresponding to 5.11% of the total share capital, on 5 November 2013.

At year-end Partners Group Holding held 925'893 treasury shares, corresponding to 3.47% 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 the individuals have now each signed a non-compete agreement which expired at the end of March 2013.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2013 can be found on the SIX Swiss Exchange homepage:
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Capital

The issued nominal share capital of Partners Group Holding amounts to CHF 267'000, comprising 26'700'000 fully paid in registered shares with a nominal value of CHF 0.01 each. 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 2013.

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 2013 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

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 2013.

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 2013 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 ¹	Function
Alfred Gantner	1997	2016	Swiss	45	SC ² , RAC, NCC	Director, Executive Chairman
Dr. Marcel Erni	1997	2014	Swiss	48	SC	Director
Urs Wietlisbach	1997	2015	Swiss	52	MC ² , SC	Director
Dr. Charles Dallara	2013	2014	American	65	MC	Director, Executive Vice Chairman, Chairman of the Americas
Steffen Meister	2013	2016	Swiss	43	BDC ² , NCC, SC, MC	Director
Dr. Eric Strutz	2011	2014	German	49	RAC, NCC	Director
Patrick Ward	2013	2014	South African	61	MC	Director, Chairman UK&Middle East
Dr. Peter Wuffli	2009	2016	Swiss	56	RAC ²	Director
Dr. Wolfgang Zürcher	2005	2015	Swiss	49	NCC ²	Director

¹ Detailed information on committees is provided in section 3.3 below
 RAC: Risk & audit committee
 NCC: Nomination & compensation committee
 BDC: Business development committee
 SC: Strategy committee
 MC: Markets committee

² Committee chair

3. Board of directors

The board of directors of Partners Group Holding is entrusted with the ultimate strategy and direction of the company and the supervision of the management. As of 31 December 2013, the board of directors consists of nine members.

3.1 Members of the board of directors

Apart from their roles on the board of directors of their family office PG3 AG and those mentioned below, the co-founders of Partners Group Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach, do not hold any management positions or any board memberships within the financial industry 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 co-founded Partners Group in 1996. He is a member of the global investment committee. He is the executive chairman of Partners Group Holding's board of directors, based in Zug. He has 22 years of industry experience. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Cantrade Privatbank (UBS). He holds an MBA from the Brigham Young University Marriott School of Management, Utah, USA. He is a member of the board of directors of the Partners Group portfolio companies Strategic Partners Corp., USA and VAT Vakuumventile AG, Switzerland.



Dr. Marcel Erni co-founded Partners Group in 1996. He is a member of the global investment committee. He is an executive member of Partners Group Holding's board of directors and the chief investment officer, based in Zug. He has 22 years of industry experience. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and McKinsey & Co. He holds an MBA from the University of Chicago Booth School of Business, Illinois, USA and a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland. He is a member of the board of IHAG Holding AG, Switzerland, Castle Private Equity AG, Switzerland, as well as of Global Blue SA, Switzerland, a Partners Group portfolio company.



CORPORATE GOVERNANCE

Urs Wietlisbach co-founded Partners Group in 1996. He is an executive member of Partners Group Holding's board of directors and chairman of the markets committee, based in Zug. He has 25 years of industry experience. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.



Dr. Charles Dallara is the executive vice chairman of Partners Group Holding's board of directors and chairman of the Americas, based in Washington, D.C. He has 38 years of industry experience. Prior to joining Partners Group, he was the Managing Director and Chief Executive Officer of the Institute of International Finance. Previously, he was a Managing Director at J.P. Morgan & Co. In addition, he held the following positions in the George H.W. Bush and Ronald Reagan administrations: Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of the Treasury for Policy Development and Senior Advisor for Policy to the Secretary of the Treasury, United States Executive Director of the IMF, and, concurrently, Senior Deputy Assistant Secretary of the Treasury for International Economic Policy and US Alternate Executive Director at the IMF. He holds a Master of Arts, a Master of Arts in Law & Diplomacy and a PhD from the Fletcher School of Law and Diplomacy at Tufts University, Massachusetts, USA, and a bachelor's degree in economics from the University of South Carolina, USA. He is a director of Scotiabank, a member of the board of directors of the Bertelsmann Foundation NA, a member of the senior advisory board of Oliver Wyman, a member of the board of the National Bureau of Economic Research (NBER), a member of the International Advisory Board of Lingnan (University) College, Sun Yat-sen University and vice chair of the board of advisors of The Fletcher School of Law and Diplomacy, Tufts University. Dr. Dallara does not exercise any official functions, hold a political post or have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Steffen Meister is an executive member of Partners Group Holding's board of directors and chairman of the business development committee, based in Zug. He has been with Partners Group since 2000 and has 19 years of industry experience. Previously, he served as

the chief executive officer of Partners Group between 2005 and 2013 and prior to that, held several senior executive positions in the firm. Prior to joining Partners Group, he worked at Credit Suisse Financial Products. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. Mr.

Meister 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. Eric Strutz is a member of the board of directors of Partners Group Holding. He was Chief Financial Officer and a member of the Board of Managing Directors of Commerzbank AG until 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, Germany, and St. Gallen (HSG), Switzerland, and holds an MBA from the University of Chicago, Illinois, USA, as well as a PhD in business administration from the University of St. Gallen (HSG), Switzerland. He is a member of the board of directors and the executive committee of Mediobanca S.p.A., Italy. 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.



Patrick Ward is a member of Partners Group Holding's board of directors and chairman UK & Middle East, based in London. He has 33 years of industry experience. Prior to joining Partners Group, he was Advisory Director and Chairman of Goldman Sachs Asset Management International. Previously, he was Deputy Chairman and Co-Chief



Executive Officer of Goldman Sachs International and a member of the firm's management committee, having previously co-headed the equities division globally. He holds a master's degree in management from North-

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western University, Illinois, USA, and an MBA from the University of the Witwatersrand, Johannesburg, South Africa. Neither Mr. Ward nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Mr. Ward 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 is a member of the board of directors of Partners Group Holding and holds mandates in various other organizations. He is chairman of the risk & audit committee of the board of directors. He chairs the philanthropic elea Foundation for Ethics in Globalization that he established together with his wife in 2006. He is also Chairman of the IMD Foundation and Supervisory Board of the Lausanne business school IMD and Vice-Chairman of the Board of the Zurich Opera House. Peter Wuffli studied economics at the University of St. Gallen (HSG), Switzerland, 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., is a member of the board of directors of Partners Group Holding and a partner of Wenger & Vieli, Attorneys-at-Law. He is chairman of the nomination & compensation committee of the board of directors. He advises national and international clients with respect to mergers and acquisitions, cap-

ital markets and banking law. Before joining Wenger & Vieli in 1996, Dr. Zürcher worked as an assistant at the chair of corporate and banking law at the University of Zurich, Switzerland, and with an international law firm in the United States. 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.



Organizational changes in the board of directors and senior management

On 7 March 2014, Partners Group announced planned changes in its board of directors.

The board of directors plans to propose to the annual general meeting of shareholders on 15 May 2014 that Dr. Peter Wuffli, member of the board of directors since 2009, be elected chairman of the board. Alfred Gantner will remain a board member and will chair the firm's global investment committee.

Furthermore, Steffen Meister shall be named delegate of the board of directors with certain delegated financial authorities, continuing to focus on leading and coordinating major business development initiatives of the firm while overseeing executive management. Dr. Eric Strutz shall take over Peter Wuffli's responsibility as chairman of the risk & audit committee.

These suggested changes remain subject to final clearance by the Swiss regulatory authorities.

During 2013, Partners Group added three members to its board of directors as well as making changes in its chief executive office and executive board.

On 8 March 2013, Partners Group announced two planned additions to the board of directors of Partners Group Holding AG combined with changes in its executive board.

The annual general meeting of shareholders on 2 May 2013 elected Steffen Meister, chief executive officer of the firm since 2005, to the board as a full-time

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executive member. In this role Steffen Meister chairs the firm's business development committee and focuses on the firm's major business, corporate and organizational initiatives. He also joined the nomination & compensation committee as well as becoming a member of two newly formed strategy and markets committees, which are chaired by Alfred Gantner and Urs Wietlisbach, respectively. The strategy committee directs major strategic initiatives of the firm while the markets committee concentrates on strategic client-related initiatives.

To ensure a seamless transition of the firm's operational management, the board of directors announced the appointment of Christoph Rubeli and André Frei, both partners of the firm and with the firm for more than 14 and 12 years, respectively, as co-chief executive officers as of 1 July 2013.

Furthermore, Reto Schwager, partner, and Raphael Meier, managing director, were named co-heads of the client services business department from 1 July 2013 and Reto Schwager joined the executive board of Partners Group in his new role. Andreas Knecht, general counsel and partner of the firm, also joined the executive board of the firm from 1 July 2013.

In addition, the annual general meeting of shareholders on 2 May 2013 elected Patrick Ward to the board of directors of Partners Group Holding AG as non-executive member and a member of the markets committee with the title of chairman UK & Middle East, based in the firm's London office. Patrick Ward recently retired as Advisory Director and chairman of Goldman Sachs Asset Management International after serving 33 years at Goldman Sachs. He was formerly Deputy Chairman and Co-Chief Executive Officer of Goldman Sachs International and a member of Goldman Sachs International's management committee having previously co-headed the equities division globally.

Furthermore, Charles Dallara joined the firm as a partner with the title of chairman of the Americas and was also elected to the board of directors as executive vice chairman by the annual general meeting of shareholders on 2 May 2013. Charles Dallara was the Managing Director of the International Institute of Finance from 1993 to 2013. Prior to assuming his role at the IIF, Charles Dallara held a number of senior positions in the Reagan and Bush 41 Administrations.

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 130 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. Please see the table on page 130 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 four times a year as set forth in the company's rules of the organization and of operations (the "Rules"); in 2013, five meetings were held, which lasted between one and a half and four hours each. 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 unless higher quorums are provided by applicable provisions.

The board of directors has established five sub-committees to promulgate and monitor related directives and policies: the risk & audit committee, the nomination & compensation committee, the business development committee, the strategy committee and the markets 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 130 above for the composition of these committees.

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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 & audit committee

The risk & 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 & 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 & 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 2013, the members of the risk & audit committee were Dr. Peter Wuffli (chair), Alfred Gantner and Dr. Eric Strutz. The risk & audit committee held four meetings in 2013, which each lasted approximately three hours. In addition, the external auditors attended all meetings of the risk & audit committee in 2013. The co-chief executive officers, chief financial officer, chief risk officer as well as internal audit regularly attend risk & audit committee meetings. The majority of the committee members were present at all meetings.

Nomination & compensation committee

The nomination & compensation committee advises the board of directors and the executive board regarding (i) the composition of the board of directors and (ii) the firm-wide nomination and remuneration policy and strategy. As of 31 December 2013, the members of the nomination & compensation committee were Dr. Wolfgang Zürcher (chair), Alfred Gantner, Steffen Meister and Dr. Eric Strutz. The nomination & compensation committee held two meetings in 2013, 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's role is to advise the board of directors in particular on major business, corporate and organizational initiatives within the current set of guidelines and practices. The business de-

velopment committee guides the day-to-day coordination of strategic projects and their implementation, decisions related to the firm's rules of the organization and of operations and instructs and directs the executive board. It also oversees the firm's budget and financials, senior and strategic hiring, the implementation of hiring batches, office planning and fundraising status. As of 31 December 2013, the business development committee was chaired by Steffen Meister. The co-chief executive officers as well as further members of senior management participate in the meetings to discuss the relevant agenda points. The business development committee met bi-weekly in 2013 for approximately three hours each to discuss strategic matters of the firm. The majority of the meetings throughout the year were attended by all members.

Strategy committee

The newly formed strategy committee directs the firm's major strategic initiatives. It is responsible for strategic business initiatives and decisions, oversees fundamentals in terms of the firm's organization, its human capital development and its financial fundamentals. As of 31 December 2013, the members of the strategy committee were Alfred Gantner (chair), Marcel Erni, Urs Wietlisbach and Steffen Meister. The co-chief executive officers as well as the former co-head of the investment solutions team also participate in meetings. The strategy committee held three meetings in 2013 which each lasted approximately six hours. The majority of the meetings were attended by all members.

Markets committee

The newly formed markets committee coordinates global marketing and (key) client activities, drives strategic fundraising initiatives and identifies new key product and fundraising themes. In addition it oversees the coverage of the firm's top 20 client prospects, the global consultant network, the firm's global public relations strategy as well as its advisory network. As of 31 December 2013, the members of the markets committee were Urs Wietlisbach (chair), Charles Dallara, Patrick Ward and Steffen Meister. The head of the investment solutions team also participates in meetings. The markets committee held five meetings in 2013 which lasted between two and four hours each. The majority of the meetings were attended by all members.

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

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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 co-chief executive officers are held by 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. 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 co-chief executive officers, chief financial officer and chief operating officer are in a regular dialogue with the executive members of the board of directors (at least bi-weekly through the business development committee) 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 is a member of the executive board 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

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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).

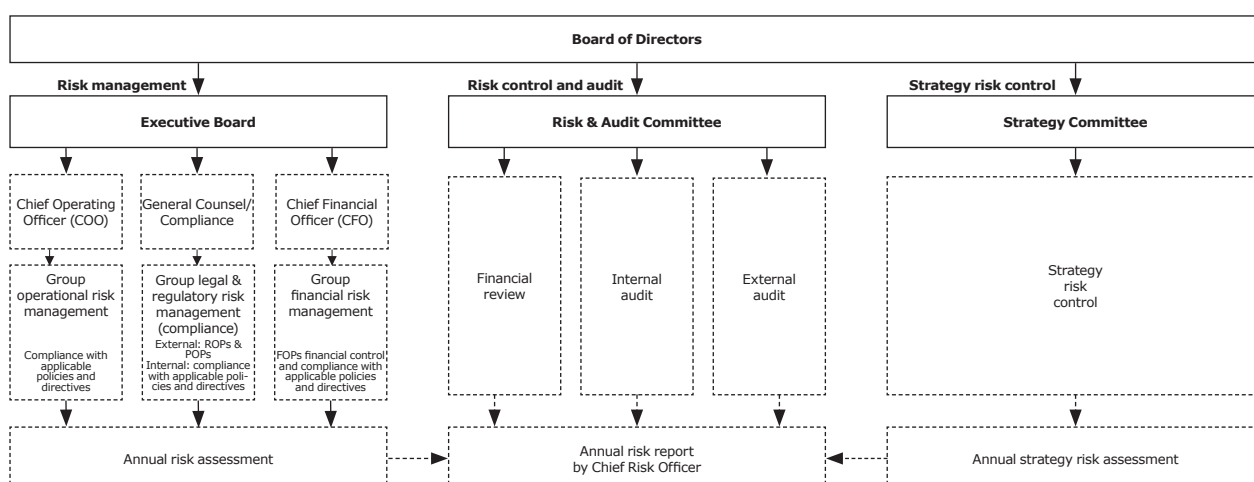
3.5.1.2 Main risk categories

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

- (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 & 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 & 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.



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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 & audit committee.

3.5.1.3 Risk control and audit

The risk control and audit of Partners Group Holding is delegated to the risk & audit committee, which establishes appropriate processes regarding financial review, internal and external audit. The risk & audit committee regularly reports its findings to the board of directors.

Internal audit supports the board of directors, the risk & 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 & audit committee as well as the co-chief executive officers, 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 & 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 adequacy of implemented internal controls. When performing its audit engagements, internal audit 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 findings, 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 strategy committee has the responsibility to establish appropriate processes regarding the group strategy risk control. The strategy committee regularly reports its findings in relation to strategy risk control to the board of directors.

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 & 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 head of the business development committee, the co-chief executive officer André Frei, the chief financial officer and the general counsel.

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

Name	Joined Partners Group in	Nationality	Age	Position
André Frei ¹	2000	Swiss	38	Co-Chief Executive Officer
Christoph Rubeli ¹	1998	Swiss	52	Co-Chief Executive Officer and Head Private Equity Directs
Jürg Wenger	1999	Swiss	54	Chief Operating Officer and Head Resources
Dr. Cyrill Wipfli	2002	Swiss	40	Chief Financial Officer and Head Resources
Claude Angéloz	2000	Swiss	46	Co-Head Private Real Estate
René Biner	1999	Swiss	43	Head Private Finance
Felix Haldner	2001	Swiss	50	Head Investment Structures
Andreas Knecht ¹	2009	Swiss	44	General Counsel
Stefan Näf	2000	Swiss	40	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	45	Head Private Equity
Reto Schwager ¹	2006	Swiss	43	Co-Head Client Services
Dr. Michael Studer	2001	Swiss	41	Chief Risk Officer and Head Investment Services

¹ from 1 July 2013

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 executive board is comprised of the co-chief executive officers, chief financial officer and chief operating officer of the firm along with the heads of all business departments, including the chief risk officer; the general counsel is also a member of the executive board with the aim of ensuring compliance with legal and regulatory requirements in decision making. Day-to-day topics are principally delegated to and discussed in the executive office, while the executive board considers firm-wide and cross-departmental aspects, such as human resources and salary steering. The executive office comprises the co-chief executive officers and chief operating officer as well as the heads of the investment structures and investment services business departments, the latter of which also serves as the chief risk officer.

André Frei is a co-chief executive officer of Partners Group, based in Zug. Together with Christoph Rubeli, he leads the executive board. He is a member of the global investment committee. He has been with Partners Group since 2000 and has 14 years of industry experience. Previously, he served as the chief risk of-



ficer of Partners Group between 2008 and 2013 and as the head of the client services business department. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is also a CFA charterholder.

Christoph Rubeli is a co-chief executive officer of Partners Group, based in Zug. Together with André Frei, he leads the executive board. He is head of the private equity directs and primaries business unit. He is a member of the global investment committee, the private equity directs investment committee and the private equity primaries Asia-Pacific and emerging markets investment committees. He has been with Partners Group since 1998 and has 28 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.



Jürg Wenger is the chief operating officer of Partners Group and head of the resources business department, based in Zug. He is a member of the executive board. He has been with Partners Group since 1999 and has 26 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds a master's degree in business law from the University of Zurich, Switzerland.



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Dr. Cyrill Wipfli is the chief financial officer of Partners Group and head of the finance business unit, based in Zug. He is a member of the executive board. He has been with Partners Group since 2002 and has 18 years of industry experience. Prior to joining Partners Group, he worked at McKinsey & Co., Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation. He holds a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland.



Claude Angéloz is co-head of the private real estate business department and head of the private real estate directs and primaries business unit, based in Zug. He is a member of the executive board. He is a member of the private real estate directs investment committee, the private real estate secondaries investment committee and the private real estate primaries investment committee. He has been with Partners Group since 2000 and has 22 years of industry experience. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.



René Biner is head of the private finance business department and co-head of the private debt business unit, based in Zug. He is a member of the executive board. He is a member of the global investment committee and the chairman of the private debt investment committee. He has been with Partners Group since 1999 and has 20 years of industry experience. Prior to joining Partners Group, he worked at PricewaterhouseCoopers. He holds a master's degree in economics and business administration from the University of Fribourg, Switzerland. He is also a Swiss certified public accountant.



Felix Haldner is head of the investment structures business department and head of the structuring services business unit, based in Zug. He is a member of the executive board. He has been with Partners Group since 2001 and has 26 years of industry experience. Prior to joining Partners



Group, he worked at PricewaterhouseCoopers. He holds a master's degree in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar and is a certified Swiss tax expert. He is a board member of the Swiss Funds' and Asset Management Association and sits in the Tax, Legal & Regulatory Committee of the European Private Equity and Venture Capital Association.

Andreas Knecht is the general counsel of Partners Group, based in Zug. He is a member of the executive board. He has 18 years of industry experience. Prior to joining Partners Group, he worked at a number of different law firms, including Niederer Kraft & Frey, and at Man Group. He holds a master's degree in law from the University of Zurich, Switzerland and an LL.M. from New York University. He is admitted to the Swiss bar.



Stefan Näf is the global head of the investment solutions business department, based in Zug. He is a member of the executive board. He has been with Partners Group since 2000 and has 18 years of industry experience. Previously, he was part of the European investment solutions business unit where he founded the London office and prior to that, he was part of the private equity directs and primaries business unit, based in Zug. Prior to joining Partners Group he worked at the European Institute for Risk Management (EIRM). He holds a master's degree in banking and finance from the University of St. Gallen (HSG), Switzerland.



Dr. Stephan Schäli is head of the private equity business department and co-head of the private equity secondaries business unit, based in Zug. He is a member of the executive board. He is the chairman of the global investment committee and of the private equity secondaries investment committee. He has been with Partners Group since 1999 and has 17 years of industry experience. Prior to joining Partners Group, he worked at UBS and Goldman Sachs & Co. He holds an MBA from the University of Chicago, Booth School of Business, Illinois, USA and a PhD in business administration from the University of St. Gallen (HSG), Switzerland.



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Reto Schwager is co-head of the client services business department, based in Zug. He is a member of the executive board. He has been with Partners Group since 2006 and has 18 years of industry experience. Previously, he was the head of the Asia-Pacific investment solutions business unit and before that, the head of the distribution partners business unit. Prior to joining Partners Group, he worked at AIG Investments Ltd. and Nomura Bank Ltd. He holds an Executive MBA from the University of Maryland.



Dr. Michael Studer is the chief risk officer of Partners Group, head of the investment services business department and head of the portfolio and risk management business unit, based in Zug. He is a member of the executive board and a member of the global investment committee. He has been with Partners Group since 2001 and has 18 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Organizational changes in senior management

On 8 March 2013, Partners Group announced certain planned changes in the firm's executive office and executive board. Please refer to section 3.1 on page 132 above for the full details of these changes.

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 of the executive board hold permanent management or consultancy functions for important Swiss or foreign interest groups, and none of the members have official functions or hold political posts. None of the members of the executive board have carried out tasks for Partners Group prior to joining the firm, except Felix Haldner, who acted for Partners Group in a consultant capacity during his employment at PricewaterhouseCoopers.

4.3 Management contracts

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

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5. Compensation, shareholdings and loans

5.1 Overall compensation approach

The compensation for all employees of the firm is based on overall compensation guidelines set out by the board of directors with the support of the nomination & 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 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) MCP.

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 generated for our clients 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 & compensation committee. At its meetings, the nomination & compensation committee discusses the group's compensation guidelines for the current year and its general salary policy for the coming year and provides a final overall compensation proposal to the board of directors for approval. Please also see section 3.3 for further information regarding the nomination & compensation committee.

The nomination & compensation committee typically meets in Q3 of a year to set the framework for the overall compensation strategy for the current year. This includes taking the overall budget and forecasts of the current as well as the following year into consideration along with the development of investment activities. At this meeting, the nomination & compensation committee defines overall budgets for the basic and variable compensation for the current year as well as any salary increases for the subsequent year. It also sets the overall budgets for the equity participation plan and the MCP and defines guidelines for the distribution of these.

The executive board of the firm in cooperation with the management teams of the individual business lines then subsequently prepares suggestions for the division of the overall budgets as well as the proposed promotions within the firm. These suggestions and proposals are presented to the nomination & compensation committee in a meeting typically held in Q4 of a year. At this meeting, the nomination & compensation committee ratifies the overall compensation and promotions for members of the firm.

Senior management promotions and compensation are ratified individually and certain decisions are proposed to the full board of directors for final consideration and decision.

The proposed compensation for the members of the board of directors and of the executive board is reviewed individually in a second step. The nomination & compensation committee proposes the coming year's fixed annual salary for the members of the executive board and the variable components (bonus, equity and MCP participation) for the current year to the full board of directors for final consideration and decision. While taking the factors mentioned in 5.1 above into consideration, the board of directors sets the compensation for the members of the board of directors and the executive board at its full discretion.

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, advised by the nomination & compensation committee. The typical basic remuneration of the members of the board of directors consists of a fixed annual compensation, which is paid in either cash or equity. This compensation is reflective of a board mandate which includes no additional major functions.

Members of the board of directors may receive a higher annual compensation should they be assigned additional tasks and responsibilities, such as the post of chairman of the risk & audit committee, or take a more active role within the firm's ongoing business activities, respectively. This is again at the full discretion of the board of directors and may be paid in either cash or equity or may also contain an interest in the MCP.

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 & 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, additional employee benefits (pension fund, expense allowance etc.) 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 full discretion. The members of the executive board were granted shares and options in the employee participation plan during the reporting year and all received interests in the MCP, in which investments attributable to the financial year 2013 were included. Please see note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2013 for an overview of the compensation paid to the members of the executive board in 2013. The ratio of the executive board's variable component (cash bonus, equity incentives and other compensation, excl. MCP) compared to the base compensation ranged from 80% to 306% in the reporting year (2011: 168% to 334%). 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 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 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 2013.

5.6 Management carry program (MCP)

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 2013, investments made in the financial year 2013 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 di-

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rects, (ii) private equity secondaries, (iii) private real estate, (iv) private debt, (v) private infrastructure and further include two more general pools, (i) global private markets and (ii) global private equity.

The nomination & compensation committee and the board of directors envisage an allocation of around 30-50% of the potential total carry pool to eligible 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 vesting period in line with the Group's overall long-term incentive scheme.

Future performance fee cannot be predicted for investments made at this point in time because it depends on numerous variable parameters. As a consequence, costs associated with the MCP cannot be estimated so that the Group did not recognize any liabilities for the MCP allocations in its consolidated financial statements 2013, 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 2013.

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 2013 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 as well as the total compensation paid to the execu-

tive board and the highest amount paid to one individual member, including his name and function. 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 2013.

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 2014, the AGM for shareholders is scheduled for 15 May.

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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.

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 2013, 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 2013.

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 & audit committee, which periodically monitors the qualification, independence and performance of the external auditors.

The risk & 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 2013, the external auditors participated in all meetings of the risk & audit committee in order to discuss audit processes as well as FINMA guidelines and monitoring. 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 & 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 & audit committee (3.3) as well as internal audit (3.5.1.3) above.

9. Regulatory developments

In a referendum in March 2013, the Swiss voters accepted an initiative to increase the influence shareholders of Swiss listed companies have in corporate governance matters such as board of directors and executive board compensation (Minder Initiative on "Ordinance against Excessive Compensation with respect to Listed Stock Corporations"), which came into effect on 1 January 2014. Partners Group is currently in the process of implementing these requirements including revising its constituent documents subject to regulatory and shareholders' approval where necessary. The board of directors will propose the duly amended and revised documentation to the annual general meeting of shareholders on 15 May 2014.

10. 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 2014 are as follows:

Event	Date
Annual general meeting of shareholders	15 May 2014
Ex-dividend date	19 May 2014
Dividend record date	21 May 2014
Dividend payment date	22 May 2014
Pre-close announcement AuM as of 30 June 2014	17 July 2014
Publication semi-annual report	9 September 2014

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

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

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

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CREATING VALUE IN A PORTFOLIO COMPANY

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