



Christian Unger Co-Head Industry Value Creation, **Claudia Petersen** Integrated Investments, **Erik Kaas** Investment Solution Management, **Andreas Baumann** Head Integrated Investments

REALIZING POTENTIAL IN PRIVATE MARKETS

ANNUAL REPORT 2014



Partners Group
Passion for Private Markets



Cyrus Driver Head Private Equity Asia, **Jürgen Diegruber** Head Munich,
Robert Collins Co-Head Investment Solutions Americas

KEY FIGURES

746 professionals

18 offices

around the world

EUR 37.6 billion

assets under management

1.39%

net revenue margin

CHF 574 million

net revenues

CHF 347 million

EBITDA

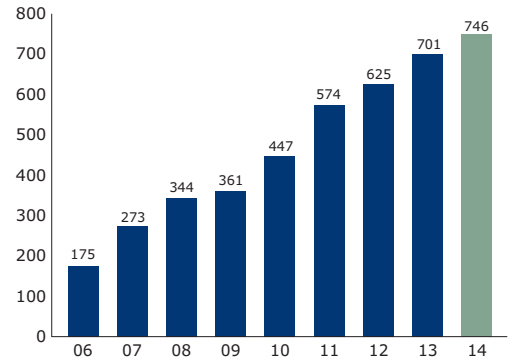
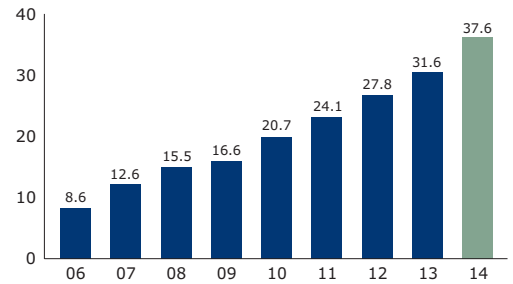
CHF 375 million

net profit

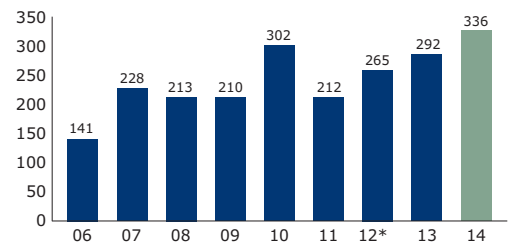
CHF 336 million

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 the capital protected product Pearl Holding Limited
*restated

Share price development



	2013	2014
Average assets under management (in EUR bn, daily)	30.0	34.0
Revenue margin ^{1, 2}	1.33%	1.39%
Revenues (in CHF m) ²	492	574
EBITDA margin	61%	60%
EBITDA (in CHF m)	300	347
Financial result (in CHF m)	31	37
IFRS net profit (in CHF m)	317	375
Adjusted net profit (in CHF m) ³	292	336
Net liquidity position at end of year (in CHF m) ⁴	492	621
Shareholders' equity (in CHF m)	857	1'103
Return on shareholder's equity (ROE) ³	39%	37%
Equity ratio ³	84%	88%

¹ based on average AuM calculated on a daily basis

² revenues from management and advisory services, net, including other operating income and share of results of associates

³ adjusted for certain non-cash items relating to the capital-protected product Pearl Holding Limited

⁴ including loans to products

Share information as of 31 December 2014

Share price	CHF 289.50
Total shares	26'700'000
Market capitalization	CHF 7.7 bn
Free float ¹	64.70%
Diluted shares (weighted average)	26'347'932
Adjusted diluted earnings per share ²	CHF 12.75
Dividend per share ³	CHF 8.50
Dividend yield per share ³	2.9%
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 the capital-protected product Pearl Holding Limited

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

Corporate calendar

13 May 2015	Annual General Meeting of shareholders
16 July 2015	Pre-close announcement assets under management as of 30 June 2015
8 September 2015	Interim results and report as of 30 June 2015

TABLE OF CONTENTS

Key figures	3
Message from the management	6
2014 at a glance – Partners Group's business model and review of financial performance	9
Market commentary	23
Corporate responsibility	29
Consolidated financial statements	33
Financial statements Partners Group Holding AG	82
Compensation Report	135
Corporate governance	151
Contacts	175

MESSAGE FROM THE MANAGEMENT

DEAR CLIENTS, BUSINESS PARTNERS AND FELLOW SHAREHOLDERS,

2014 was another great year for Partners Group. Record levels of investment activity, capital raising and profitability, as well as substantial progress in the build-out of our investment platform and development of our global organization were some of our notable achievements. These were accomplished in an environment that was both attractive and challenging. The attractive was the growth in institutional assets and their increasing allocation to private markets investments, which we view as a structural, long-term and global trend. The challenging was persistently high asset prices fueled by low interest rates, which continued to necessitate a highly disciplined investment approach.

We are pleased to report on the outcome of our investment process. In 2014, we were able to deploy USD 7.9 billion in global private markets investments on behalf of our clients, of which 47% were direct investments, 36% secondaries and 17% private markets fund investments. For direct investments, the focus continued to be on high-quality assets with significant value creation potential, offering our clients the opportunity to achieve highly attractive risk-adjusted returns in their private markets portfolios. Our investment professionals screened over 3'600 direct investment opportunities, over USD 107 billion of secondary deal flow and over 660 primary investments in 2014. Maintaining our selective and disciplined investment approach, our investment teams closed on only 2% of the screened direct investment opportunities and USD 2.9 billion of secondaries. We further invested into 43 private markets funds, deepening our relationship with private markets investment houses and industry advisers globally and thereby expanding the potential for sourcing and sharing investment opportunities in the future.

Our capabilities as a direct investor and unique positioning as a globally leading, integrated private markets manager continue to receive recognition from clients and the broader private markets industry. In 2014, we shared Private Equity International's award for North American Deal of the Year for the acquisition of MultiPlan, a leading US provider of medical insurance claims processing and cost-containment services, with our investment partner. We also received Infrastructure Investor's award for Global PPP Deal of the Year Award for our investment in North West Rail Link, Australian's largest ever public transport infrastructure project, and Private Debt Investor's award for European Deal of the Year for our financing of Caffè Nero, the European coffee house chain.

Overall, our investments have delivered a net outperformance over the MSCI World of 7.5% p.a. since 2000. We have also taken advantage of the attractive exit environment and generated USD 5.9 billion in underlying portfolio distributions in the last twelve months. Based on this track record, our distinctive servicing capabilities and our commitment to constantly invest into the build-out of our investment platform, clients entrusted us with a record amount of EUR 6.1 billion of new commitments in 2014, resulting in total assets under management of EUR 37.6 billion as of year-end. Client demand was strong across all asset classes and continued to be highly diversified across regions, size and types of clients.

Growth in client commitments combined with discipline in pricing resulted in total revenues of CHF 574 million in 2014 (up 17% versus 2013). Our continued focus on cost control despite ongoing platform investment activity helped us keep our EBITDA margin stable and reach the highest ever level of profitability in 2014, with CHF 336 million of adjusted net profit and CHF 375 million of IFRS profit. Reflecting both these positive results as well as our continued confidence in our business model and our ability to grow going forward, the Board of Directors will propose a dividend increase of 17% to CHF 8.50 per share at the upcoming Annual General Meeting in May 2015.

MESSAGE FROM THE MANAGEMENT

We continue to expect two distinct structural forces to drive growth opportunities in our industry over the long term: institutional assets under management will continue to increase globally and allocations to private markets investments are likely to rise in tandem. We also see significant potential in the defined contribution (DC) pension scheme markets in the US, UK and Australia, a market segment which is comparable in size to defined benefit (DB) pension markets, and which has to-date had minimal exposure to private markets.

At the same time, client demand and market requirements are becoming increasingly more sophisticated. Mandates are tending to become larger and more customized, with increasingly tailored risk/return profiles achieved through a multi-asset class investment approach across equity, debt, real estate and infrastructure markets. Already today, some 40% of our clients are invested in more than one asset class with us and we expect cross-asset class portfolio solutions to become even more important to our clients in the coming years. Similarly, their requirements in terms of servicing, reporting, liquidity management and compliance are continually increasing.

All these trends will force industry consolidation over time and favor organizations with global reach, integrated investment platforms across asset classes and highly developed technology-enabled servicing capabilities. In this context, we took further important steps in 2014 in our long-term effort to position our firm as a leader with regards to current and future requirements for success. For example, we further strengthened our leadership team in 2014 at both Executive Board and Board of Directors level. Our intention is to continuously develop our organizational set-up to ensure that our capabilities consistently deliver superior investment performance to our clients, realizing the potential of private markets through our integrated platform.

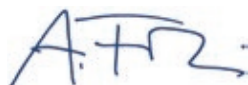
At the executive level, Partners Group appointed 22 senior managers across diverse offices and functions to form a new and diverse global leadership team, the Global Executive Board. Its main mandate is to initiate and support strategic initiatives, foster a distinctive and cohesive corporate culture and drive human capital development. In addition, the Board of Directors announced in November 2014 that it will propose the nomination of Grace del Rosario-Castaño as a new independent Board Member and as the Chairwoman of the Nomination & Compensation Committee at the upcoming Annual General Meeting. Ms. Castaño formerly spent 24 years at Johnson & Johnson, lastly as Company Group Chairman Asia-Pacific, based in Singapore, with responsibility for 13 operating companies in the region. With her background and distinctive corporate experience, Ms. Castaño will both strengthen the Board and add to its diversity.

Ms. Castaño succeeds Dr. Wolfgang Zürcher, who has decided to step down after serving on the Board since the IPO of Partners Group, almost ten years ago. Partners Group thanks Dr. Zürcher for his outstanding contribution and strong commitment during this extended and decisive period in Partners Group's corporate development.

We are excited about our achievements in 2014 and passionate about our future potential. On behalf of the whole firm, we are pleased to present you with a comprehensive overview of our business activities in 2014 as well as our outlook for the years to come. We thank you for your continued trust in Partners Group and for your contribution in realizing our potential.



Dr. Peter Wuffli
Chairman of the Board of Directors



André Frei
Co-Chief Executive Officer



Christoph Rubeli
Co-Chief Executive Officer



David Hunter Investment Solutions Americas, **René Biner** Co-Head Investments,
Alexander Ott and **Robin Thywissen** Private Debt Europe

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

INVESTMENTS

Realizing potential in private markets

In 2014, Partners Group further strengthened its position as a leading global investment house across all private markets asset classes through a superior track record and best-in-class client servicing and operational capabilities. This was demonstrated by the positive performance seen during the period in terms of investment and client activity, as well as its 2014 financial results.

Global platform expansion remains key focus

Six years after the financial crisis, recovery is patchy, leverage remains high and central bank liquidity continues to flood the market. Despite near-term support from low oil prices and the improved economic performance in the US, global growth should remain anemic as many obstacles to growth are unresolved. The constant climb in asset prices despite sluggish economic growth is slowing and we believe prices will plateau around current levels. However, outside of periods of meaningful temporary corrections due to increased market and exchange rate volatility, new central bank liquidity coupled with investors' needs to deploy cash should hold valuations at high levels. Against this backdrop, a disciplined investment approach of selecting only those quality assets with attractive value-creation opportunities and reasonable prices is key to success.

In line with Partners Group's relative value investment approach, the firm's investment teams have remained highly selective in this market environment. Nonetheless, with EUR 37.6 billion in assets under management (AuM) and close to 750 employees in 18 offices around the world as of year-end 2014, Partners Group was again able to further enlarge its investment activities, resulting in an investment amount of USD 7.9 billion across all private markets asset classes in 2014.

The ability to remain selective depends on robust deal flow, which the firm can assure through its global sourcing platform, in which over 500 investment professionals are actively involved. In 2014, the team screened over 3'600 direct transactions, over USD 107 billion of deal flow on the secondary market, as well as over 660 primary investments. These record deal flow numbers resulted in 80 direct transactions amounting to USD 3.7 billion (98% decline rate), USD 2.9 billion of

secondary transactions and 43 commitments to private markets funds in the magnitude of USD 1.4 billion.

First screenings in 2014

	Directs	Secondaries	Primaries
Private equity	959	USD 77.4 billion	348
Private debt	471	n/a	22
Private real estate	1'505	USD 24.5 billion	229
Private infrastructure	667	USD 5.6 billion	66
Total screened	3'602	USD 107.5 billion	665
Executed	USD 3.7 billion 80 transactions*	USD 2.9 billion	USD 1.4 billion 43 commitments

*Including 46 senior loan investments amounting to USD 1.0 billion
Note: preliminary and estimated figures

Strengthening our position as a global private markets investor

In 2014, Partners Group further strengthened its position as a leading global investor in all private markets segments. The eight verticals in the firm's Industry Value Creation team (IVC) ensure 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 our clients. In total, Partners Group invested directly in 34 individual assets globally and 46 senior loan investments in 2014. Some examples of the firm's private markets investments are given below.

In private equity, Partners Group signed an agreement to acquire a controlling stake in Dynacast International, a leading global manufacturer of precision engineered components, in December. The transaction has an overall enterprise value of USD 1.1 billion and closed in the first quarter of 2015. Earlier in 2014, Partners Group acquired Voyage Care, the UK's leading provider of specialist residential services and supported living for people with learning disabilities, for GBP 375 million.

In private debt, the firm acted as Mandated Lead Arranger in the mezzanine refinancing of Caffè Nero in January 2014. The European coffee house chain has more than 600 stores across five countries (UK, Poland, Cyprus, Turkey and the UAE) and employs over 4'500 staff across 200 cities. In France in June, Partners Group also acted as Mandated Lead Arranger for the junior debt financing of Labeyrie Fine Foods, a leading European food producer focused on gourmet foods including smoked salmon and fish, prawns and shellfish

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

as well as gastronomic specialties and convenience food. The company has customers in more than 40 countries.

In private real estate, Partners Group completed the secondary purchase of a EUR 300 million property portfolio in Finland and Sweden in September, comprising a total of approximately 380'000 square meters of lettable area. This transaction was announced shortly after Partners Group closed the largest dedicated real estate secondaries program ever raised in the market at its hard cap of USD 1.95 billion. Additionally, the firm invested in the development of Skylab, a state of the art office building in the Plan-les-Ouates high-tech and business park in Geneva, Switzerland.

In private infrastructure, Partners Group was in September part of the winning consortium to build and operate Sydney's North West Rail Link, Australia's largest public transport infrastructure project under construction with an overall construction cost of AUD 8.3 billion, which is expected to become operational in 2019. The North West Rail Link will deliver a 36 km rapid transit service connecting Chatswood on Sydney's North Shore to the city's north-western suburbs. In January 2014, Partners Group announced the development of a Japanese solar platform, Japan Solar, which will partner with Nippon Renewable Energy to become one of Japan's largest independent solar utility businesses. The platform has raised over USD 700 million in equity capital and is developing and constructing a pipeline of over 400MW of Japanese solar projects.

The integrated business approach fosters industry collaboration

A crucial feature of Partners Group's global investment platform is its fully integrated investment approach. The firm invests in a combination of direct, secondary and primary investments across all asset classes and in doing so fosters close collaboration and a platform of knowledge-sharing amongst individual teams and business departments and also with other private markets firms.

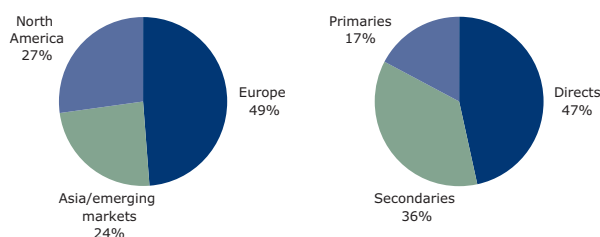
Partners Group is well-positioned with a broad network of investment partners and maintains a comprehensive set of industry relationships, whether the role is as a primary capital provider, joint-lead investor, senior or mezzanine debt provider, provider of secondary solutions, or fully-fledged value-add partner for a direct investment in a portfolio company. This investment approach enables the firm to build deep relationships with

other private markets investment houses, increasing the potential for sourcing and sharing investment opportunities. At the same time, Partners Group's industry expertise supports investment partners in their ability to transact on assets. In this way, the firm has significantly strengthened its industry network and positioned itself as a true global partner to top performing private markets investment houses, providing significant value-add possibilities.

With over 620 private markets investment partners and more than 300 advisory board seats, Partners Group's business model is uniquely differentiated and hard to replicate in the industry.

During 2014, investment activities remained geographically diversified, with 49% of capital invested in Europe, 27% in North America and 24% in Asia-Pacific and emerging markets, reflecting Partners Group's global reach and scope. The breadth of the firm's platform continues to ensure that only those investments with the most attractive risk/return profiles on a global basis are executed. During the period, 83% of Partners Group's investments were direct and secondaries, further highlighting the firm's ability to compare global investment opportunities at the individual asset level and select only the most attractive of them. This is a clear differentiator versus firms with a regional or sector focus, adding stability to the organization and to client portfolios by not being reliant on one specific region or sector.

Private markets investments 2014 (volumes)



2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

CLIENTS

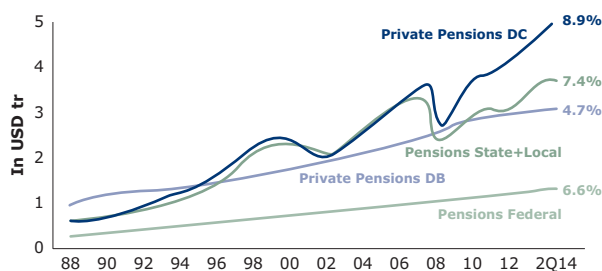
AuM growth drivers remain intact

The long-term growth drivers that have contributed to Partners Group's business in the past remain intact: increasing assets under management in global pension plans, rising allocations to private markets, continuing market consolidation and the strong performance of private markets.

1. Growing global institutional AuM

A recent study by Towers Watson, its Global Pensions Assets Study 2015, showed that global pension fund assets increased to a total of USD 36 trillion in 2014, a rise of 6.1% compared to 2013. While the US still represents the largest portion with 61%, followed by the UK with 9% and Japan with 7%, other countries are also on the rise and contributing to the growth of global pension fund assets. Based on global demographic development, pension plans are expected to continue to grow, and a significant part of this growth in relative terms should come from emerging markets. For the first time, Towers Watson added Malaysia, Mexico and South Korea to its study of the 16 largest pension fund markets globally. Over the last five years, pension schemes in South Korea and Mexico have grown with a compound annual growth rate (CAGR) of 14% and 13%, respectively.

Annualized growth of US private & public pension assets



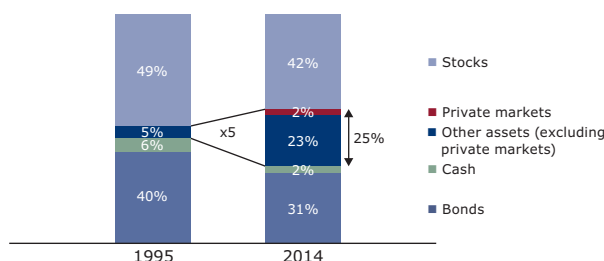
Source: US Federal Reserve Flow of Funds data and KBW Research, June 2014

2. Rising allocations to private markets

The continued rise of allocations to private markets – and away from bonds – has been a long-term trend and is less dependent on shorter term interest movements. Towers Watson analyzed the allocations of the seven largest pension fund markets and looked at a

20-year time horizon from 1995 until 2014: allocations to bonds of the largest pension fund markets have decreased from 40% to 31%, while allocations to equities have decreased from 49% to 42%. At the same time, allocations to other asset classes, which also include private markets, have increased from 5% to 25%, highlighting the structural trend towards further diversification amongst pension funds over the past years. This structural shift has contributed to the increased appetite for private markets and is expected to continue, especially against the background of the current low interest environment.

Diversifying asset allocations in the world's seven largest pension fund markets



Source: Towers Watson Global Pension Asset Study 2015 and Global Alternatives Survey 2014; Partners Group estimates

Partners Group believes this structural trend will not be impacted by any potential rebound in interest rates, as investors have not only realized the additional return potential that private markets can provide, but also the diversification benefits to their portfolios. According to Preqin's H2 2014 Investor Outlook on alternative assets, 91% of investors plan to either increase or maintain their allocation to private equity in the longer term, compared to 93% for real estate and 87% for infrastructure.

3. Continuing market consolidation

Investors are building out their global private markets portfolios against a backdrop of continued consolidation in the market amongst private markets managers. Many institutions show a growing preference for a select few market leaders with the ability to provide global portfolio solutions across asset classes, while at the same time offering a highly institutionalized operational set-up. Investors primarily focus on those firms that have a successful track record as well as the size and scope to implement a truly global investment practice. This focus should help global market leaders to continue to gain market share in their respective fields.

Partners Group's investment track record and its ability to tailor risk/return profiles through a multi-asset class

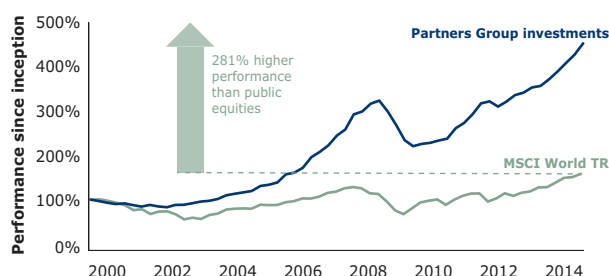
2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

investment approach combining equity and debt markets across the globe has positioned the firm as clear market share winner. Equally important is the firm's focus on client-centric service capabilities to reduce administrative efforts and manage regulatory complexity.

4. Outperformance of private markets

Since 2000, Partners Group's investments have demonstrated a net outperformance over the MSCI World of 7.5% p.a., based on cash flows observed and commitments made consistently across all investment years.

Partners Group's net outperformance over public markets of 7.5% p.a.

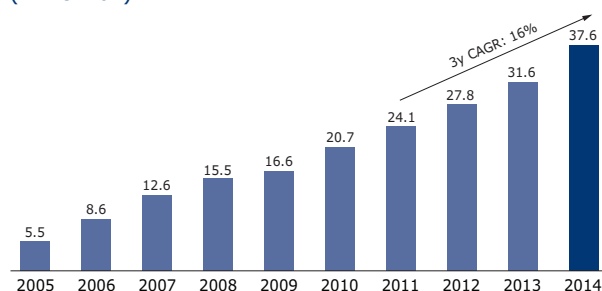


For illustrative purposes only. Past performance is not indicative of future results. Performance based on quarterly time weighted returns of all Buyout investments made by Partners Group as of 30 June 2014 excluding disposals for non-investment related factors such as liquidity, in USD. Returns are net of calculated standard management and performance fees of Partners Group. Public benchmark figures from Bloomberg (NDDUWI Index).

Total AuM development

During 2014, Partners Group saw strong client demand, with a total of EUR 6.1 billion received in new commitments from its global client base across all private markets asset classes. The firm's AuM stood at EUR 37.6 billion as of 31 December 2014 (2013: EUR 31.6 billion), an increase of 19% year on year. Over the last three years, Partners Group's AuM has grown with an annualized growth rate of 16%.

Total assets under management (in EUR bn)

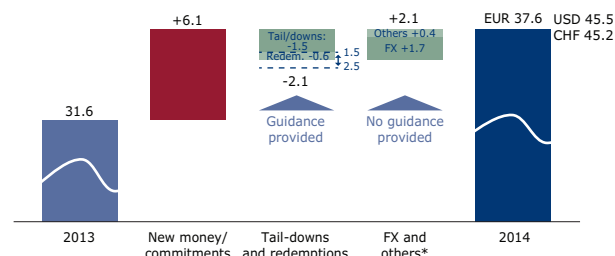


Note: assets under management exclude discontinued public alternative investment activities and affiliated companies

The breakdown of total AuM as of 31 December 2014 is as follows: EUR 23 billion private equity, EUR 7 billion private real estate, EUR 4 billion private debt and EUR 4 billion private infrastructure.

Next to the gross AuM growth of EUR 6.1 billion, there were EUR -1.5 billion in tail-down effects from mature private markets programs and EUR -0.6 billion was redeemed by the firm's clients in liquid and semi-liquid programs. The total amount of EUR -2.1 billion also came within the communicated range of EUR -1.5 to -2.5 billion. Given that slightly more than 30% of the firm's AuM is USD-denominated, the strengthening of the US Dollar against the Euro by 14% had a positive impact on EUR AuM growth in 2014, contributing EUR +1.7 billion. A further positive contribution of EUR +0.4 billion stemmed mainly from performance-related effects from a select number of investment vehicles, where fees are exceptionally based on NAV. Overall, the negative effects were neutralized by these positive factors.

Total assets under management (in EUR bn)



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

Strong client demand in 2014

Partners Group regards the result of another record year of new commitments from its global clientele as confirmation of its client-centric set-up. Requirements amongst investors vary significantly around the globe and it is therefore essential to be close to clients and have the ability to address individual needs. With one of the largest client relationship teams in the industry, Partners Group ensures a truly global client focus with the relevant local expertise.

Greater numbers of investors are looking into customized private markets solutions catering to their individual investment needs. Partners Group has seen increasing demand for specialized private markets mandates over recent years and these strategic portfolio solutions now represent almost half of the total new

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

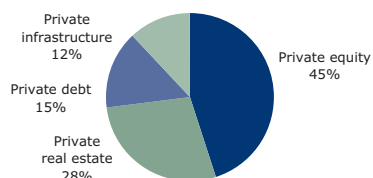
commitments to the firm. In these portfolios, the firm tailors risk/return profiles through a multi-asset class investment approach combining equity and debt markets, matching asset/liability needs through cash-flow profiling and enabling a fast portfolio build-up through investment level steering. Partners Group also offers various accounting, reporting and treasury management services to reduce administrative efforts and manage regulatory complexity. Today, Partners Group manages more than 60 mandates and expects these portfolio solutions to become increasingly important to the firm and its clients over the next years.

Demand by asset class

Although client demand relating to private equity investments remains the largest contributor to Partners Group's AuM, we see a continued diversification into different asset classes and a preference from investors to receive their different investment solutions from one provider. Over 40% of Partners Group's clients are invested in more than one private markets asset class with the firm, highlighting the competitive advantages of offering an integrated platform.

With regards to investment programs, the key drivers of assets under management in private equity and infrastructure were the global integrated and the direct investment programs. In real estate, demand was driven by global integrated as well as the global secondary program. In private debt, the main contributors were global direct mezzanine and global senior loans as well as multi-asset class loans.

Client demand by asset class (in percentage of assets raised in 2014)

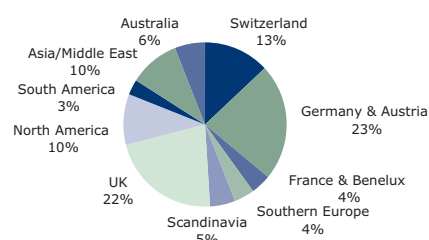


Demand by region

In 2014, total client demand continued to be very well-diversified globally from existing as well as new institutional investors. Notably strong regions were Germany & Austria with 23% of total new client commitments in 2014 (2013: 11%), Middle East/Asia with 10% (2013: 16%) and Australia with 6% (2013: 12%), while other regions such as core Europe also remained strong, contributing 49% (2013: 30%).

The main driver for client commitments across the globe remained largely 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 2014)

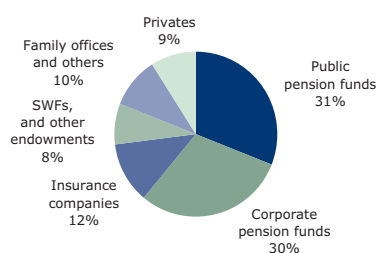


Note: including allocatable assets raised from certain open-ended products

Demand by client type

Client demand in 2014 was again spread across multiple institutional investors and also private investors. Corporate and public pension funds dominated new commitments and represented 61% of total demand (2013: 66%). With private markets continuing to play an ever more important role in the search for alternate sources of yield, the confidence in less liquid segments has also increased further, supporting the gradual trend towards higher allocations.

Clients (in percentage of assets raised in 2014)



Note: including allocatable assets raised from certain open-ended products

Public and corporate pension funds: accounting for 61% of new commitments, public and corporate pension funds remained the largest contributor to client demand in 2014. The key target for pension funds when allocating to private markets is to further diversify their portfolio and increase performance through enhancement of their risk/return profile. Many pension schemes still have significant allocations to bonds and therefore seek an experienced investment partner when they decide to increase their allocation to private

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

markets. Most of these clients are looking for global offerings to build up private markets exposure, accompanied by comprehensive servicing, which enables them to manage their private markets allocation with significantly less effort.

Insurance companies: these investors continued to adapt their asset allocation to Solvency II, contributing 12% of the overall demand in 2014 (2013: 7%). With Solvency II finally coming into effect in 2016, much of the uncertainty amongst insurance companies has been mitigated, offered increased potential for future commitments to private markets.

Morgan Stanley expects assets under management in alternatives to almost double by 2020 to a total volume of USD 2 trillion amongst insurance companies, a trend from which Partners Group anticipates benefitting due to its pro-active relationship-building with insurers and support of their implementation of private markets allocations under Solvency II.

Larger insurers are more likely to build their own model concerning the respective risk/return characteristics of private markets, which would reduce the required capital underpinning and thus increase the attractiveness of the private markets asset class in general. As such, the capital burden under Solvency II does not necessarily make private markets investments more expensive than public equity, especially when adjusting for returns.

Sovereign wealth funds (SWFs) and other endowments: both sovereign wealth and endowment funds are amongst the most sophisticated investors with significantly higher allocations to private markets than other institutional investors. Several of Partners Group's largest SWF clients have their own investment teams and engage with the firm for more specific and complex solutions to complement their existing portfolios, attracted by its global platform combined with its structuring and servicing capabilities. According to a study recently published by Morgan Stanley, global assets under management of sovereign wealth funds are expected to grow from USD 6.1 trillion in 2014 to USD 9.1 trillion by the year 2020, implying a growth of 50%. In the same time period, their assets under management in alternatives are expected to almost double from USD 1.1 trillion to USD 2.1 trillion, thereby increasing allocations by around 5% to 23% on average by the year 2020.

SWFs and endowments look for investment partners with the ability to invest large amounts of capital through a global platform. Partners Group has been successful in building relationships with these investors in the past and has proven its ability to provide investment opportunities to them. It is one of the few investors who can provide the necessary platform to give these investors access to global private markets and significant deal flow.

Family offices and private investors: private markets have historically been asset classes best suited for institutional investors, given the long-term investment horizon and terms as well as the large minimum investment amounts. In recent years though, interest from private clients – from high net worth individuals and family offices to retail clients – has significantly increased. These investors are trying to get private markets exposure through offerings which provide more liquidity and have a shorter duration than traditional private markets vehicles.

Since the late 1990s, Partners Group has built a long-standing track record of liquid and semi-liquid offerings across private markets asset classes. The firm offers investment programs with monthly liquidity that invest across private markets asset classes, as well as registered investment funds in the US, providing global private equity exposure for smaller initial investment amounts. Partners Group is actively working with a number of intermediaries across the globe to develop investment programs that give private investors greater access to private markets. In 2014, Partners Group saw 9% of its client demand from individual investors via its global network of distribution partners.

Furthermore, the firm sees significant potential in the defined contribution (DC) pension scheme market which requires solutions with daily liquidity for all asset classes, including private markets. Partners Group has worked on solutions for the key DC pension markets, namely the US, the UK and Australia, and expects to launch suitable private markets solutions for those markets in the near future.

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Conclusion

Partners Group is confident 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. The fact that the firm is already doing this should clearly strengthen its positioning in the market. Clients around the globe value strategic portfolio solutions that require managers not only to have the capability to evaluate the various asset classes and investment opportunities in terms of their relative value, but also to have deep enough access to global deal flow to take advantage of the sector that offers the greatest relative value at any point in time.

The leading position and business model of Partners Group in the market was highlighted by a recent Goldman Sachs analysis of the global asset management industry, published at the end of 2014: Goldman identified the key factors that characterize successful asset management companies by looking at asset managers' business mix, asset base, exposure to institutional clients and their ability to receive stable, recurring fees for their services. Using this quantitatively-driven approach, Goldman then ranked the 46 asset managers included in their global research universe. Partners Group is ranked number 1 amongst asset managers with a focus on private markets investments.

Goldman Sachs: most competitive asset managers with a private markets focus

1. Partners Group
2. Fortress Investment
3. Oaktree Capital
4. KKR & Co.
5. Blackstone
6. Apollo
7. Ares Management
8. The Carlyle Group
9. Intermediate Capital Group

Source: Goldman Sachs Global Investment Research, October 2014

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

FINANCIALS

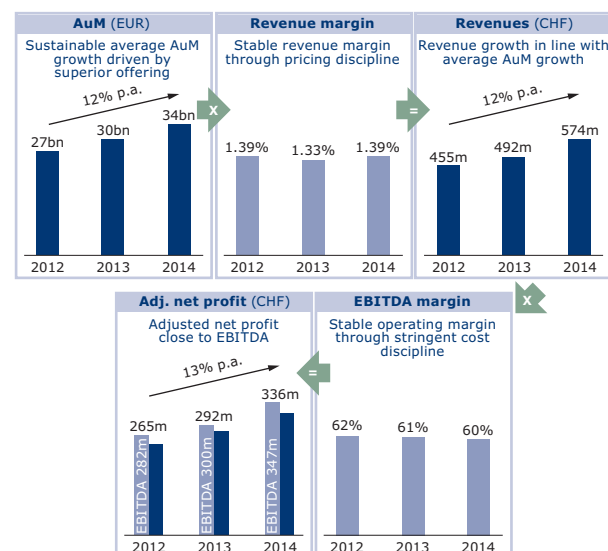
Another successful year

2014 was another successful year for Partners Group in all regards. From a financial perspective, the firm is happy to announce a record amount of CHF 574 million in revenues, an EBITDA of CHF 347 million and an adjusted net profit of CHF 336 million and IFRS net profit of CHF 375 million. The Board of Directors is confident about the future potential of the business and therefore proposes an increased dividend of CHF 8.50 per share in 2015 to be paid to its shareholders (2014: CHF 7.25), corresponding with its dividend policy of distributing over 50% of the firm's adjusted net profit.

A straightforward growth model

The favorable long-term underlying client trends highlighted earlier in this report and the industry's outperformance against public markets, combined with Partners Group's comprehensive private markets offering, are expected to further drive the firm's AuM and market share. As the chart below shows, Partners Group's financial model is easily explained: as its revenue margin has remained remarkably stable, revenue growth has followed average AuM growth. This combined with a cost-conscious operations model targeting an EBITDA margin of ~60% on newly generated business has ensured that profitability has also increased proportionately with AuM growth.

A straightforward growth model



Revenue growth in line with average AuM growth

The total average AuM of EUR 34 billion in 2014 increased by 13% compared to the previous period (2013: EUR 30 billion). Recurring revenues (82% of all revenues during this period) stemming from management fees increased alongside average AuM, rising 14% to CHF 472 million (2013: CHF 413 million).

Other revenues (18% of all revenues during this period) amounted to CHF 102 million in 2014 (2013: CHF 79 million), growing disproportionately to AuM, and stem from performance fees, late management fees and other income.

	2013	2014
AuM as of the end of the year (in EUR bn)	31.6	37.6
Average AuM (in EUR bn, daily)	30.0	34.0
Revenue margin ^{1,2}	1.33%	1.39%
Recurring revenue margin ^{1,2,3}	1.12%	1.14%
Revenues (in CHF m) ²	492	574
Recurring revenues (in CHF m) ^{2,3}	413	472
EBITDA margin	61%	60%
EBITDA (in CHF m)	300	347
IFRS net profit (in CHF m)	317	375
Adjusted net profit (in CHF m) ⁴	292	336

¹ based on average AuM calculated on a daily basis

² revenues from management and advisory services, net, including other operating income and share of results of associates

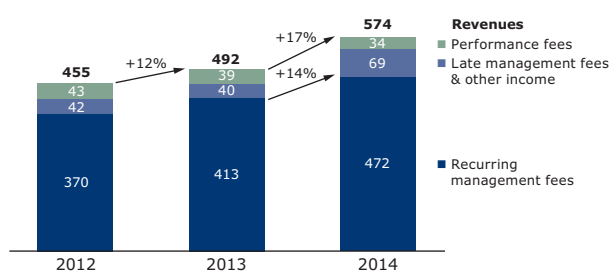
³ recurring revenues are based on stable, long-term management fees and recur every year

⁴ adjusted net profit is adjusted for certain non-cash items relating to the capital-protected product Pearl Holding Limited; in particular: CHF +46 million stemming from the freed provision stipulated in the insurance contract (note 28 of the consolidated financial statements) and CHF -6 million of additional amortizations of the initial put option (note 2.15d & note 19)

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Overall, total revenues increased by 17% to CHF 574 million in 2014 (2013: CHF 492 million).

Revenue growth in line with AuM growth (in CHF m)

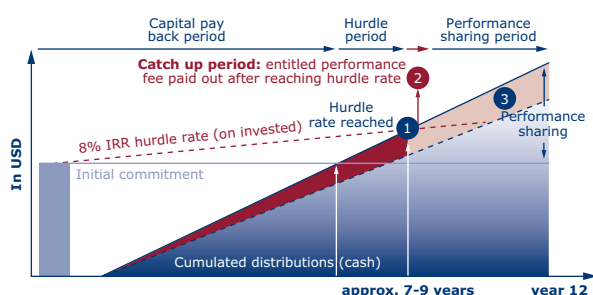


Note: revenues include revenues from management and advisory services, net, other operating income and share of results of associates

Additional performance fee potential from 2016/17

As illustrated in the chart below, typically traditional private markets investment programs start to pay performance fees about seven to nine years after inception, subsequent to clients receiving distributions equivalent to their initial commitment and after hurdle rates have been met. During 2014, Partners Group was able to successfully realize a significant number of private markets assets on behalf of its clients leading to USD 5.9 billion in underlying portfolio distributions. Distributions paid to clients during the year further increased cumulated distributions and therefore the likelihood of generating performance fees in the next few years. Partners Group expects a number of closed-ended structures to pass their hurdles in 2016/17 and therefore pay performance fees to a much larger extent than in 2014. In 2014, performance fees amounted to CHF 34 million (2013: CHF 39 million) and represented 6% of total revenues of the firm (2013: 8%).

Performance fee-sharing mechanism in a typical limited partnership



Late management fees & other recurring income

Late management fees occur in limited partnership structures, which typically have a contractual life of 10-12 years. At 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 at 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 years are called late management fees. A period in which older programs complete fundraising is more likely to lead to higher late management fees in the same period.

Late management fees and other income in 2014 amounted to a total of CHF 69 million, significantly higher than in the previous year (2013: CHF 40 million), mainly due to the completion of fundraising for two large programs in the first half of the year, namely a EUR 1.5 billion global direct private equity program and a EUR 1 billion global infrastructure investment program. The firm generated other income of CHF 19 million (2013: CHF 13 million) in interest income from providing working capital facilities to investment programs for treasury management purposes and to facilitate cash management for clients. As of 31 December 2014, the firm had a net liquidity position of CHF 621 million, comprising of cash and equivalents and short-term loans.

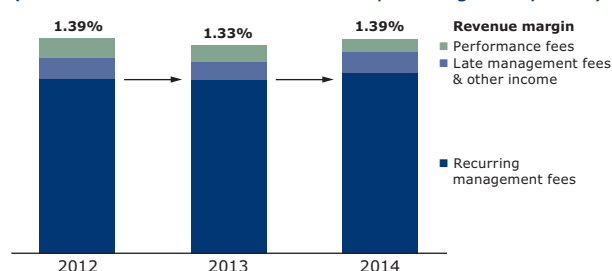
Continued revenue growth

Partners Group's recurring revenue margin continued to show stability and amounted to 1.14% (2013: 1.12%). The vast majority (82%) of the firm's revenue base is recurring and based on long-term contracts with its clients, providing highly visible cash-flows. In the medium term, Partners Group expects to maintain a stable recurring revenue margin. Over recent years, the firm has shifted its product mix in favor of more resource-intensive direct and secondary investment strategies, which have a higher management fees than primary investments. Clients appreciate these direct and secondary focused offerings as value creation is significantly more pronounced.

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Over the last ten years, the firm has seen a remarkably stable revenue margin, ranging from about 1.20% to about 1.40%, with an average of around 1.30%. Variations to the long-term average mainly occurred due to fluctuations in performance and late management fees during the period. In 2014, the revenue margin continued to demonstrate stability and slightly increased to 1.39% (2013: 1.33%).

Stable revenue margin (calculated as revenues divided by average daily AuM)



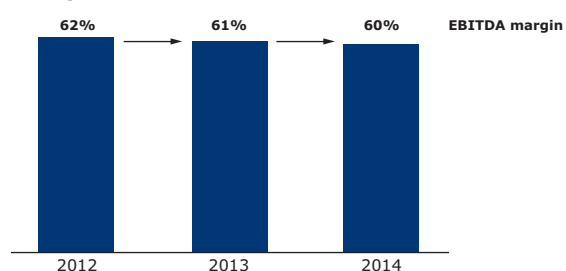
Note: revenues include revenues from management and advisory services, net, other operating income and share of results of associates

Stable EBITDA margin of 60%

Partners Group manages its costs in a disciplined manner. In 2014, the EBITDA margin remained stable at 60% (2013: 61%) and EBITDA increased by 16% in line with revenues to a record CHF 347 million (2013: CHF 300 million). Partners Group has always taken a long-term approach to employee compensation in order to support its business strategy and encourage a corporate culture of commitment, accountability and entrepreneurial behavior. As a result, employee costs have consistently represented the majority of total costs since the IPO of the firm (2014: >80% of costs above EBITDA).

Partners Group's cost management approach not only targets an EBITDA margin of 60% on its newly generated management fees stemming from new assets raised in any given year, but also targets a 60% EBITDA margin on future performance fees.

Stable EBITDA margin development through cost discipline



Financial result driven by strong value creation in clients' portfolios

Partners Group invests alongside its clients in its investment programs (typically 1%). In 2014, strong value creation and performance generation in these investment programs was the largest contributor to the net financial result, which amounted to CHF 45 million (2013: CHF 29 million). Overall the net finance income, adjusted for costs of interest and foreign exchange movements, amounted to CHF 37 million in 2014 (2013: CHF 31 million).

Net profit contribution of CHF 46 million through extraordinary income in relation to Pearl

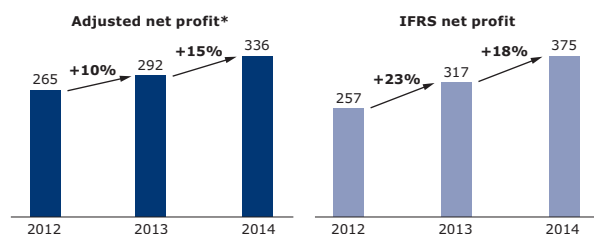
The investment program Pearl successfully converted from bonds to shares at its legal maturity on 30 September 2014. In combination with the conversion, the accumulated, escrowed management fees of CHF 84 million were freed from the provision stipulated in the insurance contract. The remaining carrying value of this provision on the balance sheet was CHF 50 million at the beginning of 2014 and this was reduced to CHF 0 at the end of the year, resulting in an additional non-cash relevant net profit of a total of CHF 46 million for the full year 2014, after settlement of an insurance contract. Partners Group adjusts its IFRS net profit for all non-cash items relating to the capital protected investment program Pearl and therefore reports an "adjusted net profit".

Bottom line continues to follow top line

The adjusted net profit increased by 15% in 2014, standing at CHF 336 million (2013: CHF 292 million) and representing a new record amount for the firm. IFRS profit increased by 18% in 2014, standing at CHF 375 million (2013: CHF 317 million).

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Net profit adjusted for certain non-cash items relating to one product (in CHF m)



*adjusted net profit is adjusted for certain non-cash items relating to the capital-protected product Pearl Holding Limited; in 2014: CHF +46 million stemming from the freed provision stipulated in the insurance contract and CHF -6 million of additional amortizations of the initial put option

Partners Group is committed to maintaining its dividend policy of distributing at least 50% of adjusted net profit. The total proposed payout of CHF 227 million corresponds to a 68% payout ratio of the adjusted net profit and represents a dividend yield of 3% of the share price of CHF 289.50 on 31 December 2014.

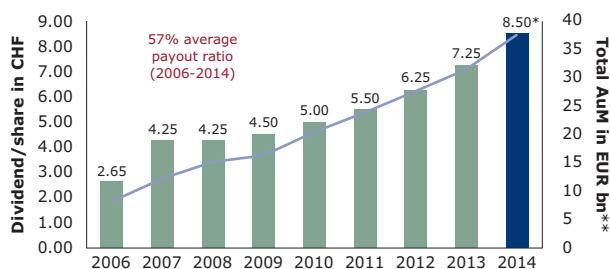
Net liquidity of CHF 621 million

Partners Group's balance sheet continues to be strong, with a current net liquidity position of CHF 621 million, comprising of cash and equivalents and short-term loans. This includes working capital facilities for investment programs provided by the group for treasury management purposes to facilitate cash management for clients and make more effective use of the firm's cash; typically facilities can be converted back to cash within less than two weeks.

Record dividend proposed for the financial year 2014

Based on the further development of the business in all asset classes and regions, as well as on the solid operating result, Partners Group's Board of Directors proposes a dividend of CHF 8.50 per share (2014: CHF 7.25 per share) to its shareholders at the Annual General Meeting (AGM) on 13 May 2015. This represents a dividend increase of 17%, in line with the development of revenues and net profit.

Dividend payments since IPO



*Proposal by the Board of Directors to the AGM on 13 May 2015

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

2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

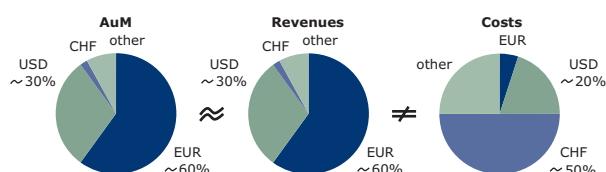
OUTLOOK

Mid-term measures to further diversify AuM, revenue and cost base in order to decrease dependency on Swiss franc

The firm continues to build its platform and further broaden its client base, which currently commits predominantly to EUR- and USD-denominated investment programs and/or mandates. On a look-through basis, roughly 60% of Partners Group's AuM is denominated in EUR (2013: 65%), about 30% in USD (2013: 30%), while the remaining 10% is spread across several other currencies, including some larger mandates in clients' local currencies (e.g. GBP, AUD, etc.).

Partners Group's revenues, in line with AuM, also primarily derives from EUR- and USD-denominated investment programs. At the same time, a significant portion of Partners Group's cost base is in CHF (~50%).

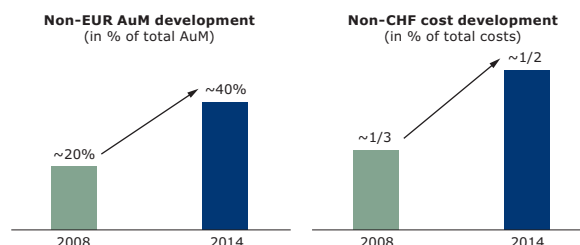
Currency exposure 2014 (estimates)



However, Partners Group's ability to invest and raise the vast majority of its capital globally has led to strongly diversified business development and competitiveness and its growth potential should not be impacted by foreign exchange movements.

The firm has consistently executed on its business strategy to further grow the business internationally and has therefore attracted client demand from around the globe. As a result, Partners Group's exposure to EUR-denominated AuM has significantly decreased. In 2014, 39% of the firm's AuM was non-EUR-denominated, which compares to 21% in 2008. In parallel, the team has grown in line with the increased set of investment opportunities around the world. This global expansion is expected to continue and further diversify Partners Group's cost base. In 2014, half of Partners Group's cost base was non-CHF-denominated, which compares to a third in 2008.

Drive AuM and cost diversification



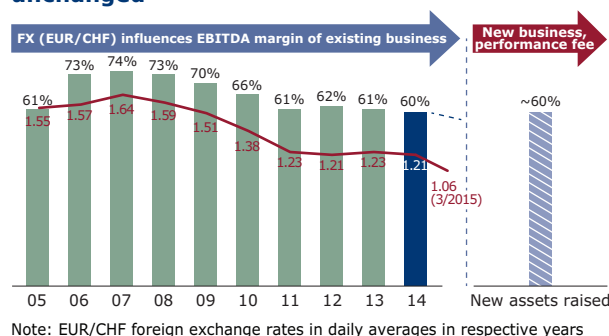
EBITDA margin target of ~60% on new business remains unchanged, though FX likely to have an impact in 2015

The significant strengthening of the Swiss franc against other currencies in early January 2015 after the Swiss National Bank's announcement on currency exchange rates is expected to negatively affect the firm's EBITDA margin on its existing business.

In the past, Partners Group has applied a 40% cost/income ratio to newly generated business based on actual FX rates in a given year. As a result, the EBITDA margin on existing business has become exposed to foreign exchange fluctuations. Due to foreign exchange considerations, the firm's overall EBITDA margin is likely to fall below 60% in 2015, based on exchange rates seen in the first quarter of 2015 (the actual impact depends on the final average daily rates calculated at year-end).

However, Partners Group will continue to apply an ongoing 60% EBITDA margin target to newly generated business at operating level before performance-related items, which will ensure the firm retains the financial stability to invest in the expansion of its investment platform across regions and sectors equally across all economic cycles.

60% EBITDA target margin on new business unchanged



2014 AT A GLANCE – PARTNERS GROUP'S BUSINESS MODEL AND REVIEW OF FINANCIAL PERFORMANCE

Over CHF 30 million potential performance upside in 2015 due to Pearl

In 2015, Partners Group expects to realize an additional performance upside of over CHF 30 million from its investment product Pearl. This performance-driven gain in NAV will support the firm's bottom line in 2015 and thereafter, together with the existing CHF 84 million in Pearl assets, will be converted into cash through income statement neutral distributions in the mid-term, as proceeds are received from exits in the program's underlying investment portfolio.

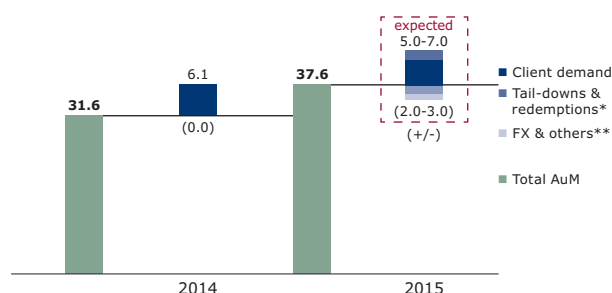
Strong client demand expected in 2015

The firm expects to see continued strong client interest in its investment programs and tailor-made mandate solutions, which continue to be the preferred investment strategy for large institutional investors. Partners Group's platform offers clients the flexibility to build private markets portfolios to suit their specific risk/return requirements across private equity and private debt, as well as real assets such as infrastructure and real estate.

As a result, Partners Group believes client demand will further develop, driven by its solid pipeline of investment opportunities, and thus for 2015 has shifted the anticipated bandwidth for gross client commitments upwards to EUR 5-7 billion (2014: EUR 4.5-6.5 billion).

Next to the higher projected gross client demand for 2015, Partners Group also expects EUR -2 to -3 billion (2014: EUR -1.5 to -2.5 billion) in tail-down effects from the more mature Partners Group programs and potential redemptions from liquid and semi-liquid programs.

AuM, expected client demand and other effects (in EUR bn)



*Tail-downs consist of maturing investment programs; redemptions stem from liquid and semi-liquid programs (<10% of AuM)

**Others consist of performance from select investment programs and other effects

Note: negative effects in 2014 consist of both, tail-down & redemptions as well as FX & others

Performance fees have potential to grow from 2016/17

Increased distribution activity over recent years due to a benign exit environment has further increased the maturity profile of a number of client portfolios and therefore increased the visibility on performance fees in the years to come. As a result, these performance fees are expected to disproportionately ramp up in the years 2016/17 and beyond. Furthermore, while the expected growth of the business should also lead to higher management fees in absolute terms, Partners Group believes performance fees as a proportion of total revenues will grow to up to 20% in the medium term based on the shift of the investment mix in favor of more direct and secondary investment strategies.

Continued focus on platform growth backed by strong fundamentals and further market consolidation

Partners Group continues to dedicate substantial resources to further growing its investment capacity, enabling the firm to benefit from a larger and steadily increasing opportunity set, with a particular focus on the extended middle market. The firm is confident that the further build-out of its investment platform will contribute tremendously to its capabilities to create value and to consolidate the firm's position among the clear global leaders in private markets.



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

MARKET COMMENTARY

REALIZING POTENTIAL IN PRIVATE MARKETS AS MACRO UNCERTAINTY RISES

Staying disciplined in a low-return environment

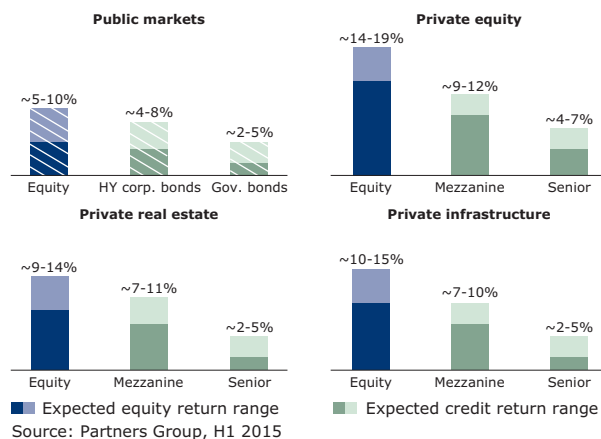
The search for yield has distorted asset prices across many public markets. Equity valuations are being pushed up by multiple expansion rather than improving fundamentals (earnings). Risk premia for select asset classes have compressed beyond reasonable levels, skewing risk/return profiles to unfavorable dimensions. Yields on global corporate high-yield bonds until recently kept retreating despite an increase in leverage levels. Ten-year Spanish and Italian government bond yields are at record lows, despite economic uncertainty and ever-rising fiscal debt. Core real estate, core infrastructure and some equity markets are also showing signs of overheating. While we do not project any major correction, many assets have become vulnerable to risk reversal flows and rising rates. Volatility is deemed to increase notably.

Capital markets rally not driven by fundamentals



After years of seemingly limitless yield-hungry capital inflows and record low interest rates, return expectations need to be adjusted downward to reflect compressed risk premia. In contrast, private markets still offer significantly higher return potential given the inherent return from value creation initiatives in the equities space and the higher expected loss-adjusted interest coupon received on debt.

Private markets offer higher asset return potential



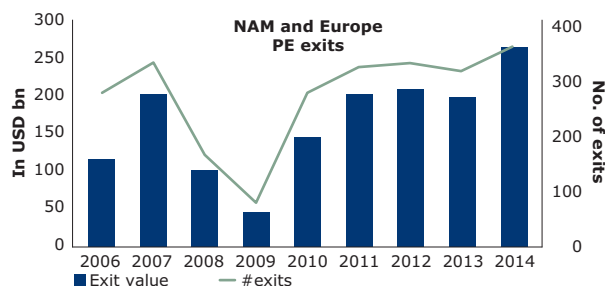
PRIVATE EQUITY

Taking a strategic approach to investment in times of economic uncertainty

We continue to see high prices, with LBO valuations often exceeding peak 2007 levels. The availability of cheap leverage and USD 1 trillion of equity dry powder continue to drive competition for deals and record prices across both the US and Europe. However, on a macro scale, growth remains elusive and recovery is patchy, dependent on geography and sector. Barring any unforeseen sustained and more meaningful market corrections, these trends are likely to continue into the mid-term, with prices staying high but volatility increasing.

As a response to heated valuations, financial sponsors are looking to capitalize on current conditions and take the opportunity to exit portfolio companies either via the public markets or through trade sales. According to Preqin, full-year exit volume of USD 159 billion as of 31 December 2014 was at record levels in North America. In Europe, private equity firms had generated an aggregate USD 115 billion of exits in the same timeframe, with financial sponsor-backed exits driving both the number (36%) and total proceeds (22%) of European exits. Partners Group too has been actively developing liquidity across its programs, with USD 3.9 billion generated in distributions from exits across our integrated private equity platform in the twelve months ending 31 December 2014.

Buoyant exit activity in 2014



Source: Preqin, January 2015; includes only deals that have disclosed exit values

As private equity markets mature, we believe sponsor-to-sponsor transactions are likely to become increasingly mainstream. This is a positive for owners of assets, who can count on a wider set of potential buyers for their portfolio companies. For Partners Group in

particular, this presents a unique opportunity as we draw on information and expertise held across our integrated investment platform, which comprises not only direct investments, but also secondary and primary investments. Through our indirect portfolio of secondaries and primaries, we can develop not only sector insights about specific industries, but also track and monitor companies as they develop. These deep insights put us in a strong position as a buyer of individual assets on behalf of our clients. For example, in the case of **MultiPlan**, which we acquired in March 2014, we had previously been a minority joint investor alongside the prior private equity owners, as well as having had exposure through our secondary and primary strategies. We had tracked and monitored the company for many years, gaining differentiated insights into its performance and development over different cycles. As a result of this, we were well-positioned to pursue an opportunity to acquire the asset in 2014. Given the depth of our familiarity with MultiPlan's business, we believe we can be a valuable strategic partner for the company, working with management to ensure its continued growth in the rapidly changing healthcare market.

Our investment in **Permotio International Learning** is an example of how we help mid-market companies grow internationally. With Permotio, we combined our top-down views of the growing global education market with a granular analysis (thanks to the depth of both our existing direct and indirect portfolios) to identify a creative way to access the education market. Instead of buying an existing platform, we focus on a buy-and-build strategy and consider this as a more effective way of accessing the fast-growing education market and building a leading international schools group. To do this, we teamed with a strong management team and in May of 2014 completed our first acquisition. The target company Colegios Laude operates several internationally-oriented schools across Spain, providing bilingual education to both local and expat communities. The schools are well-regarded and have grown significantly over the last few years, despite the tough economic environment in Spain. Together with Permotio's management team, we will focus on completing further acquisitions, while implementing value creation initiatives to improve the learning experience, deepen the managerial capabilities within the schools and expand their key marketing activities.

MARKET COMMENTARY

PRIVATE REAL ESTATE

A market for selective investing and plentiful exits

The wall of liquidity searching for yield, the gradual economic expansion and extraordinarily low fixed income yields have all continued to drive investor interest and capital flows to private real estate. Demand for stable, income-producing core assets has lifted asset valuations in most major markets past previous peaks, further skewing the risk/return profile, and reinforced our conviction in three key investment strategies amid a low growth and high price real estate environment:

1. buy properties below replacement cost
2. identify deficient and unattractive properties to buy-fix-and-sell through owner-oriented asset management
3. develop core properties in markets with strengthening fundamentals.

In Europe, our investment focus primarily targets opportunities in Northern Europe, where fundamentals are still favorable and demographic trends support growing residential demand. We believe the stability of the Danish economy combined with the urbanization trend and scarcity of owner-occupier stock make the Danish residential market stand out as a highly attractive environment in which to pursue multi-family acquisitions. Copenhagen in particular is experiencing a population boom, growing by approximately 1'000 new inhabitants per month. Denmark's overall home ownership ratio stands at 51% and in Copenhagen this figure is at a mere 18%. Given this market dynamic, in September 2014 we closed on a compelling opportunity to purchase a portfolio of eight rental properties with over 700 rental apartments totaling 73'000 square meters, primarily located in Copenhagen. **The Nordic Living portfolio** was sold by a Danish pension fund with an over-allocation to residential real estate. The portfolio of properties benefits from a modern build, is well-located and would be expected to attract a premium over other Copenhagen rental properties (82% of which are pre-1964 builds). The business plan is a soft buy-fix-sell strategy, assuming only minor capital expenditure adjustments for the kitchen and bathrooms of certain assets to make them more attractive to owner-occupiers. Inflation and downside protection are offered by way of strong demand for the units as rental properties from both users and institutional owners.

In the US, as conventional property types have gotten more competitively priced, our relative value analysis overweights niche strategies that require unique property type expertise, such as select service hotels. To capitalize on the growing opportunity in the serviced hotel sector, in September 2014, Partners Group invested USD 64 million in a US value-added hospitality program operated by Rockbridge Capital, on behalf of its clients. This strategy focuses on implementing a buy-fix-and-sell approach in tier 1 and tier 2 markets focusing on 3- to 4-star hotel investments that require significant renovation or repositioning. We anticipate the upward cycle for hotels, specifically in the middle hotel segment, will offer significant upside potential.

In the Asia-Pacific region, the ability to address building deficiencies and redevelop dated buildings to reposition them as core properties in undersupplied markets continues to offer compelling investment opportunities. In Hong Kong, office tenants have relocated entire or partial office operations out from the traditional business district to city fringe locations in order to pursue cost efficiencies, upgrade from class B to class A space or consolidate office locations. Partners Group was able to capitalize on this trend by investing in a value-added project to repurpose an existing building in **Kowloon East** at the beginning of 2013 on behalf of its clients. The business plan was to renovate the existing building into a modern class A office property, providing a more attractive layout suitable for a modern office space. The initial business plan consisted of repositioning and exiting a stabilized class A office property to a core investor, end-user, or local high net worth individual at the end of a four-year hold period. However, with significant interest already expressed by potential purchasers, we considered that a change of business plan and a more imminent sale could instead be attractive for our investors.

PRIVATE DEBT

Finding sweet spots in a liquidity-fuelled market

In this liquidity-fuelled market, sweet spots remain to be found in the mid-cap segment where leverage levels have remained stable, versus significant increases in leverage for large-cap syndicated transactions. The extra premium earned (i.e. the spread over large cap) for investing in mid-cap transactions has continued to increase over 2014, which leads Partners Group to maintain its debt investment strategy on behalf of its clients around three main themes: focus on middle market companies with limited access to high-yield issuance or large syndicated financing; attractive niches with appealing risk/return profiles in less-competitive private debt environments; and creative structures, as innovation is required in an ever-evolving and competitive financing environment.

In the current market, we continue to **focus on transactions in the middle market** such as **Materne Mont Blanc**, a leading French producer of healthy fruit and dairy desserts which has been owned by LBO France since late 2010. The company has demonstrated strong financials and resilient performance during the economic crisis. Partners Group was recently approached by management to provide senior debt financing to support the build-out of the company's second plant in the US. Partners Group worked hand-in-hand with management and formed a club deal with local banks for this growing business that, given its size at the time, did not have access to the large syndicated or high-yield market. Having already worked on a potential financing for LBO France in 2010, we had gained relevant experience which enabled us to be fast and predictable when delivering a tailored financing solution to the management. Additionally, our investment experience within the European specialized food segment, an area we have been very active in for some time, provided us with valuable market insight.

Consistent with a focus on the food industry and our **search for attractive niches**, in May 2014 we provided financing to **Retail Zoo**, a leading multi-brand Australian Quick Service Restaurant (QSR) franchisor with a focus on healthy concepts and brands, a niche in the broader QSR segment which we deem attractive due to its strong growth potential. The company is a clear market leader with approximately 50% market share in its niche and generates significant cash flow and pre-

dictable earnings streams based on royalties and rebates. During the due diligence process we leveraged our global network and investment portfolio, which includes a juice franchisee in the US, enabling us to better assess and understand the business model, economics and attractiveness compared to other QSR concepts. In addition, we were also able to rely on past experiences in the Australian QSR sector including Collins Foods Group and Quick Service Restaurant Holdings. This internal knowledge and capacity to quickly understand the business model contributed to our ability to secure the deal ahead of the competition.

On the mezzanine side, Partners Group also recently financed one of the world's leading manufacturers of premium industrial belts used in a wide range of applications. The European company supplies 20'000 customers in several industries including elevators, manufacturing, agriculture, mining, packaging, home automation, food, and pharmaceuticals.

A significant part of its revenues are derived from the replacement of existing belts. Partners Group lead-arranged the junior financing of the company in the context of its acquisition by a leading European private equity sponsor in a primary LBO together with the founding family. The junior financing was structured as a "pay if you can" (PIYC) instrument with flexible inter-creditor agreements, which allowed swift implementation and the negotiation of the senior financing package, which was arranged by conservative local banks. Partners Group's flexible financing also facilitated the setup of the management incentive plan, which was tailored to the company's acquisition strategy. We were able to originate and gain access to the financing through our strong and longstanding relationship with the sponsor, for whom we arranged several European transactions in the past three years. This continuing relationship enabled us to base our financing on common and agreed financial and legal precedents which facilitated the financing negotiations.

MARKET COMMENTARY

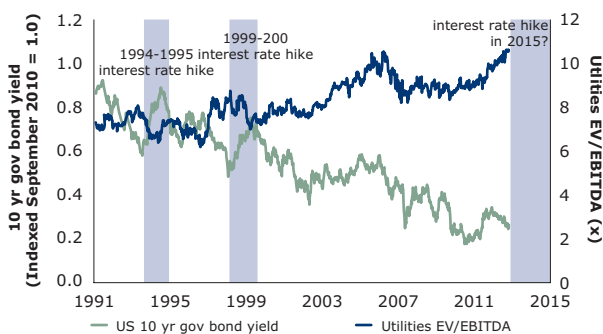
PRIVATE INFRASTRUCTURE

What to do when valuations keep rising

High investor appetite for private infrastructure continues to lead to record high valuations in core market segments and the underwritten equity returns for core assets remain at or below 8%. At first sight, investors justify paying these high valuations by pointing to the quality of the underlying assets and the long-term nature of infrastructure investment, a compelling argument in the continuous low yield environment. However, with a few exceptions, we believe the true relative value in infrastructure investment continues to lie outside this crowded core space.

The chart below shows, for instance, how valuations of utilities have developed over the last 20 years and provides evidence that (i) valuations are cyclical over time, and (ii) periods of rising interest rates have coincided with falling multiples with the exception of the recent run-up.

Interest rate vs. valuation of listed utilities



Note: shaded areas mark episodes of US Federal Reserve rate hikes

Source: Bloomberg, January 2015

The implications of the current market environment are two-fold. On the one hand, we continue to believe that a certain mean reversion should be expected over the medium term, which leads us to be very cautious in evaluating highly competitive large-cap core transactions, such as regulated utilities or brownfield yielding assets in developed countries. On the other hand, this environment has been conducive for exits, allowing for various attractive sales or listings of companies, including several portfolios of assets that have been acquired in secondary market transactions.

We continue to overweight the following three key investment themes on behalf of our clients:

1. capturing risk premiums that arise when less capital flows to certain market sectors and regions
2. finding opportunities to create value via operational improvements, risk reduction and asset-scaling
3. exploiting the access to transactions generated through our existing investments and large, global investment platform.

For example, Partners Group sourced a highly scalable investment opportunity in an attractive niche of the telecoms sector that stands to bring tangible benefits to businesses and individuals. In January 2015, Partners Group signed an agreement to provide equity financing for the construction of a 10'400 kilometer sub-sea fiber optic cable that will run from New York, USA, to São Paulo, Brazil. The **Seabras-1** cable will supply one of the fastest-growing transoceanic routes and will have the lowest latency (time delay) between US financial centers and its landing point in São Paulo.

In September 2014, Partners Group acquired a 30% stake in Turkish natural gas distributor **Enerya**. The stake was acquired from Enerya's parent company, Turkey's STFA Group, which continues to hold the remaining equity and will collaborate closely with Partners Group. Partners Group built a close relationship with STFA Group over the years prior to the deal and views the company as the best local partner for the successful delivery of Enerya's well-defined business plan. Enerya owns and operates nine natural gas distribution companies in different regions in Western and Central Turkey, each with exclusive 30-year concession rights in their respective regions under a strong regulatory framework, giving it one of the largest and most diversified natural gas distribution portfolios in Turkey. The company was handling a total volume of around 2.9 billion m3 of natural gas annually across its various business lines by the end of 2014, with more than 800'000 subscribers. Turkey exhibits strong growth potential for natural gas, driven by a young and growing population, rising per capita income and industrial development. Partners Group is now working with the Enerya management team and STFA Group to further build out Enerya's platform to profit from this growth trend. The company sees an opportunity to expand geographically, partly through consolidation due to the fragmented nature of the gas distribution market in Turkey. This is a prime example of how an investment platform is used for non-traditional sourcing to tap a growing market. For instance, Partners Group is supporting Enerya in a bid for a new network in a new region, which would account for 30% of its total network.



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

CORPORATE RESPONSIBILITY

WE ARE RESPONSIBLE INVESTORS

Our approach

Partners Group is committed to investing responsibly. We were one of the first private markets investment firms to join the United Nations Principles for Responsible Investment when we became a signatory in 2008 and we have developed a transparent responsible investment policy and framework for integrating environmental, social and governance (ESG) factors.

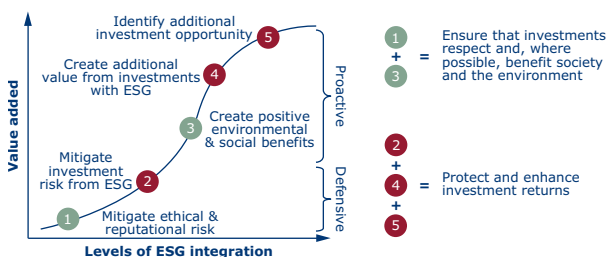
Policy and framework

Partners Group's responsible investment policy highlights two reasons for integrating ESG factors:

- **Investment:** to mitigate investment risk and, where possible, to enhance investment returns
- **Environmental:** to ensure that companies and assets in which we invest on behalf of our clients respect and, where possible, benefit society and the environment.

Our responsible investment framework recognizes that there are different levels at which ESG factors can be relevant in investment decisions we make through the investment process.

Partners Group's ESG integration methodology



The application of this framework is best illustrated by describing how ESG factors are integrated in current investments made by Partners Group.

1. Mitigate ethical & reputational risk

Action is one of Europe's fastest growing non-food discount retailers. It is headquartered in Holland and has more than 500 stores in four countries. The nature of Action's business exposes it to the risk of poor environmental or labor standards in its supply chain. The majority of its stock is procured indirectly from over 400 suppliers, around 60% of its stock is sourced from countries in Asia with high supply chain risks, and over

200 new products are introduced each week. Recognizing these risks, Partners Group's responsible investment team initiated a project with Action in 2013 to ensure responsible practices in its supply chain. Although Action had never faced negative reputational incidents from its supply chain, an initial benchmarking against other discount retailers identified opportunities to further improve its supply chain management. The project resulted in Action introducing a responsible procurement policy, hiring a responsible procurement manager, and implementing enhanced monitoring of supply chain standards for all its suppliers. Action was voted by consumers as the "Retailer of the Year Europe" for 2014-15. Partners Group is helping Action to maintain this excellent reputation amongst consumers through the supply chain management project.



2. Mitigate investment risk

In 2013, Partners Group completed a direct infrastructure platform investment on behalf of its clients in **Fermaca**, a Mexican gas pipeline business, with plans to expand the business in the US and Mexico. This asset contributes positively to Mexican economic development by supplying around 20% of Mexico's gas: a low-cost, low-carbon form of energy. However, Partners Group recognized that ESG factors such as corruption, operational safety and community relations posed potential risks to investment returns. We undertook a thorough assessment of the character and standards of the management team. This concluded that Fermaca has a clean track record and robust measures in place to mitigate the risk of corruption. Secondly, Fermaca has a zero accident rate during its nine years of operations. Thirdly, we were impressed by Fermaca's collaborative approach to working with local communities and land-owners along the pipeline route. It manages the negotiation and procurement of rights of way in-house, which reduces the risk of bribery or mismanagement. Partners Group therefore gained sufficient comfort that the potential investment risks were sufficiently well-managed to warrant proceeding with the investment.



3. Create positive environmental or social benefits

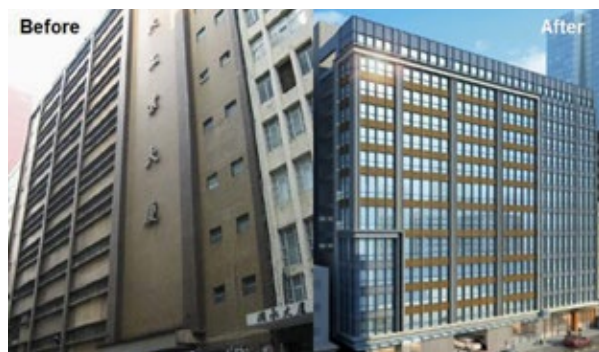
The North West Rail Link (NWRL) is Australia's largest public transport infrastructure PPP and will deliver a 36km rapid transit service connecting Chatswood on Sydney's North Shore to Sydney's north-western suburbs. In 2014, Partners Group announced a direct infrastructure investment on behalf of its clients in the NWRL as part of a consortium of investors. It includes the building of 15km of twin tunnels, eight new railway stations and 4'000 commuter car-parking spaces, as well as the upgrading and converting of an existing railway line. NWRL is expected to be operational in 2019 and will be the first fully-automated rapid transit service in Australia. It will reduce constraints on existing transport networks; in fact, during the morning peak rush hour it is expected to take 12'000 cars off the road. The improved transportation infrastructure will also encourage businesses and employees to locate in the area. More than 26'200 additional jobs are expected to be created in Norwest Business Park following the arrival of the NWRL.



4. Create additional value from investments

The work that Partners Group undertook to enhance the sustainability of **Kowloon East**, a real estate investment made on behalf of its clients in 2013 in Hong Kong, is a good example of how a company or asset can be reconfigured in a way that delivers environmen-

tal or social benefits and increased investment returns. Kowloon East, previously a largely industrial zone, is emerging as an important office area after the Hong Kong Government launched an initiative to transform it into an affordable, alternative central business district (CBD) to Hong Kong Island. Aligned with the government's strategy, Partners Group and its operating partner set out to convert a former industrial warehouse building into a class A office building with a modern design. An integral part of the redevelopment plan is for the building to meet high environmental sustainability standards, in fact the aim is for it to be one of the first industrial conversions in Hong Kong to receive a BEAM Plus sustainability rating, a green building standard recognized by the Hong Kong Green Building Council. Once completed, the building is expected to have energy usage over 20% lower than comparable properties. After the conversion, the office building would be suitable for large occupiers from a range of sectors seeking premium office space at more affordable rents than those offered in Hong Kong Island's CBD, but higher than the original industrial building, allowing for favorable investment returns to our clients.



5. Identifying investment opportunities

Long-term environmental and social trends can create strong demand for products and services that drive companies' growth. The need to manage growing social services expenditure in aging developed countries is a good example. For example, the number of people in the US aged 50 and over is expected to be 70% higher in 2030 than it was in 2000. This puts pressure on healthcare costs as elderly people tend to have greater medical needs. It is forecast that expenditures on healthcare in the US are likely to reach about 29% of GDP in 2040, compared to about 15% in 2008. In 2014, Partners Group made a direct equity investment in **MultiPlan**, a leading provider of healthcare cost management solutions in the US, on behalf of its clients. With a network of over 900'000 healthcare providers and extensive proprietary analytics, MultiPlan

CORPORATE RESPONSIBILITY

generates over USD 11 billion in medical cost savings on about 40 million claims annually. It therefore benefits individual consumers while also reducing pressure on healthcare expenditure in the US. Partners Group's conviction in making the investment in Multiplan was deepened by the fact the company addresses a long-term societal need.



Responsible investing in practice

Partners Group's commitment to responsible investment is formally recognized in our responsible investment policy. To ensure that our responsible investment policy is applied consistently, we take a structured approach to integrating responsible investment considerations throughout the investment cycle in all types of investments (direct, primary, and secondary) and asset classes (equity, debt, real estate, and infrastructure).

Integration during due diligence

Investment teams are required during due diligence to identify the relevant ESG considerations for each investment. Partners Group's responsible investment ex-

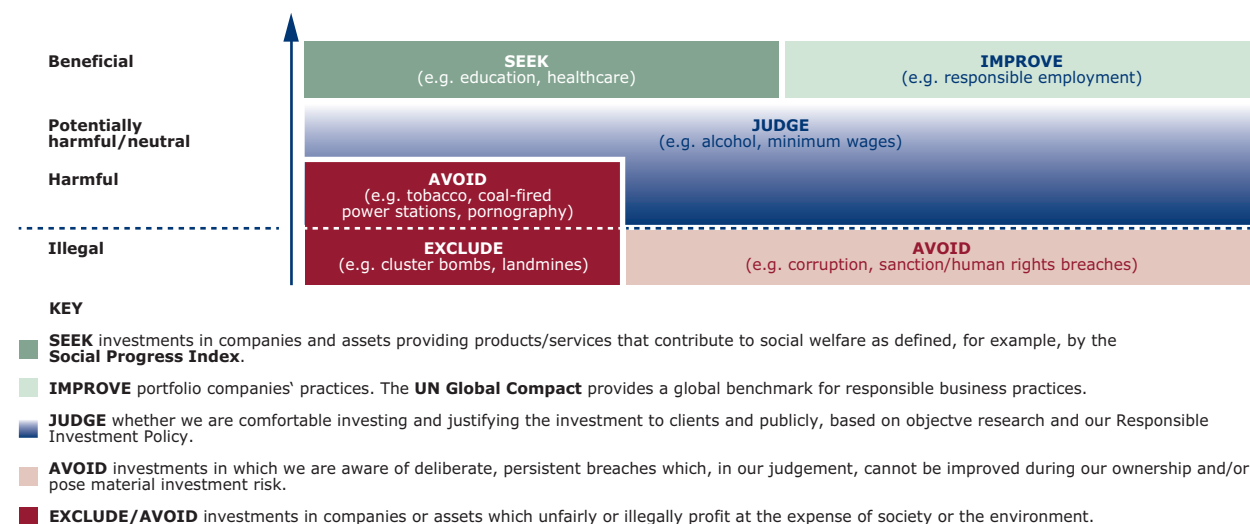
perts then support the investment teams in assessing the weight that should be given to these considerations and possible courses of action. Mitigating ethical or reputational risk is an important consideration in this process, although there are additional ways in which ESG factors can be relevant as shown in the ESG integration methodology earlier.

Our responsible investment policy provides a clear principle against which to judge which investments are not suitable, as the chart below shows.

Integration during ownership

Partners Group's Industry Value Creation (IVC) and Asset Management teams are dedicated to working with companies and assets during our ownership period to enhance their performance. Our due diligence and ongoing monitoring of investments identifies opportunities for value creation projects. These projects are implemented as appropriate to the specific investment and topic: some are entirely managed by the management teams of the portfolio companies or assets, some draw on the expertise of specialist consultants, and in some projects Partners Group takes an active role. Our Operations Committee meets every quarter to review the progress of all value creation and responsible investment projects in the direct equity portfolio. The Real Estate Asset Management Team fulfills a similar role for our real estate investments. Similar asset management capabilities and governance are being established for our direct infrastructure investments. To keep our clients updated on these initiatives, we then integrate relevant updates on responsible investment developments at portfolio companies into our quarterly reports.

Responsible investment framework





Cyrus Driver Head Private Equity Asia, **Kelvin Yu** Head Shanghai, **Junichiro Kawamura** Head Tokyo, **Andreas Baumann** Head Integrated Investments

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS

1. Report of the Auditors on the Consolidated Financial Statements	34
---	-----------

2. Consolidated Financial Statements:

– Consolidated income statement for the years ended 31 December 2014 and 2013	37
– Consolidated statement of comprehensive income for the years ended 31 December 2014 and 2013	38
– Consolidated balance sheet as of 31 December 2014 and 2013	39
– Consolidated statement of changes in equity for the years ended 31 December 2014 and 2013	40
– Consolidated cash flow statement for the years ended 31 December 2014 and 2013	42
– Notes to the consolidated financial statements for the years ended 31 December 2014 and 2013	44

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



KPMG AG
Audit Financial Services
 Badenerstrasse 172
 CH-8004 Zurich

P.O. Box 18 72
 CH-8026 Zurich

Telephone +41 58 249 31 31
 Fax +41 58 249 23 19
 Internet www.kpmg.ch

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 37 to 119) for the year ended 31 December 2014.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS



Report on Other Legal Requirements

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

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

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

KPMG AG

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

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'T. Dorst'.

Thomas Dorst
Licensed Audit Expert

Zurich, 11 March 2015

This page has been left blank intentionally.

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	Note	2014	2013
Revenues from management and advisory services, net	7	554'459	471'130
Other operating income	8	19'792	16'840
Share of results of associates	20	193	3'872
Third party services	9	(6'917)	(5'320)
Personnel expenses	10	(183'940)	(152'205)
General and administrative expenses		(24'373)	(23'829)
Travel and representation expenses		(12'059)	(10'226)
Depreciation and amortization	18&19	(16'473)	(18'881)
EBIT		330'682	281'381
Change in fair value of derivatives arising from insurance contract and settlement expenses, net	28	45'640	33'500
Net finance income and expense	11	36'734	31'223
Profit before tax		413'056	346'104
Income tax expense	12	(37'835)	(29'132)
Profit for the period		375'221	316'972
Profit for the period attributable to:			
Shareholders of Partners Group Holding AG (net profit)		375'221	316'998
Non-controlling interest		-	(26)
Basic earnings per share (Swiss francs)	31	14.48	12.34
Diluted earnings per share (Swiss francs)	31	14.24	12.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	2014	2013
Profit for the period	375'221	316'972
Other comprehensive income:		
Exchange differences on translating foreign operations	19'686	(3'457)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods	19'686	(3'457)
Net actuarial gains/(losses) from defined benefit plans	(1'541)	4'114
Tax impact on net actuarial gains/losses from defined benefit plans	277	(741)
Net actuarial gains/(losses) from defined benefit plans, net of tax	(1'264)	3'373
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax	(1'264)	3'373
Total other comprehensive income for the period, net of tax	18'422	(84)
Total comprehensive income for the period, net of tax	393'643	316'888
Total comprehensive income attributable to:		
Shareholders of Partners Group Holding AG	393'643	316'914
Non-controlling interest	-	(26)

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	13	199'260	58'174
Marketable securities	14	11'250	14'787
Trade receivables	15	50'631	59'834
Other receivables	15	1'438	1'591
Prepayments, derivative assets and other current assets	15	113'663	24'302
Short-term loans	16	421'760	494'296
Assets held for sale	17	78'863	-
Total current assets		876'865	652'984
Property and equipment	18	18'735	21'284
Intangible assets	19	48'472	52'682
Investments in associates	20	449	4'323
Other investments	21	285'615	235'112
Other financial assets	22	4'675	89'542
Employee benefits	27	1'856	3'726
Deferred tax assets	23	10'141	6'189
Total non-current assets		369'943	412'858
Total assets		1'246'808	1'065'842
Equity and liabilities			
Liabilities			
Trade payables		14'709	26'956
Income tax liabilities		20'668	1'344
Accrued expenses	24	81'807	51'548
Other current liabilities	25	5'175	4'685
Borrowings	26	-	60'000
Liabilities held for sale	17	1'535	-
Total current liabilities		123'894	144'533
Derivatives arising from insurance contract	28	-	50'493
Provisions	29	12'246	6'100
Deferred tax liabilities	23	6'601	7'439
Other long-term liabilities		676	455
Total non-current liabilities		19'523	64'487
Total liabilities		143'417	209'020
Equity			
Share capital	30	267	267
Treasury shares		(119'783)	(202'870)
Legal reserves	30	218	218
Other components of equity		1'222'689	1'059'207
Equity attributable to shareholders of Partners Group Holding AG		1'103'391	856'822
Total equity		1'103'391	856'822
Total equity and liabilities		1'246'808	1'065'842

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs				Other components of equity					2014
	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 2014	267	(202'870)	218	(58'240)	1'117'447	1'059'207	856'822	-	856'822
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners:									
Purchase of treasury shares		(158'504)					(158'504)		(158'504)
Disposal of treasury shares		241'591			(76'454)	(76'454)	165'137		165'137
Share-based payment expenses					28'328	28'328	28'328		28'328
Tax effect resulting from equity-settled transactions					5'861	5'861	5'861		5'861
Non-controlling interest changes									
Dividends paid to shareholders					(187'896)	(187'896)	(187'896)		(187'896)
Total contributions by and distributions to owners	-	83'087	-	-	(230'161)	(230'161)	(147'074)	-	(147'074)
Total comprehensive income for the period, net of tax									
Profit for the period					375'221	375'221	375'221		375'221
Other comprehensive income:									
Exchange differences on translating foreign operations				19'686		19'686	19'686		19'686
Net actuarial gains/(losses) from defined benefit plans					(1'541)	(1'541)	(1'541)		(1'541)
Tax impact on net actuarial gains/losses from defined benefit plans					277	277	277		277
Total other comprehensive income for the period, net of tax	-	-	-	19'686	(1'264)	18'422	18'422	-	18'422
Total comprehensive income for the period, net of tax	-	-	-	19'686	373'957	393'643	393'643	-	393'643
Balance as of 31 December 2014	267	(119'783)	218	(38'554)	1'261'243	1'222'689	1'103'391	-	1'103'391

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013 - CONTINUED

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	267	(206'704)	218	(54'783)	957'938	903'155	696'936	876
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners:</i>								
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)
Dividends paid to shareholders					(160'707)	(160'707)	(160'707)	(545)
Total contributions by and distributions to owners	-	3'834	-	-	(160'862)	(160'862)	(157'028)	(850)
Total comprehensive income for the period, net of tax								
Profit for the period					316'998	316'998	316'998	(26)
<i>Other comprehensive income:</i>								
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)	-
Total comprehensive income for the period, net of tax	-	-	-	(3'457)	320'371	316'914	316'914	(26)
Balance as of 31 December 2013	267	(202'870)	218	(58'240)	1'117'447	1'059'207	856'822	-

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	Note	2014	2013
Operating activities			
Profit for the period		375'221	316'972
Adjustments:			
Share of results of associates	20	(193)	(3'872)
Net finance (income) and expense	11	(36'734)	(31'223)
Income tax expense	12	37'835	29'132
Depreciation of property and equipment	18	5'313	6'078
Amortization of intangible assets	19	11'160	12'803
Share-based payment expenses	10&27	28'328	19'099
Change in fair value of derivatives arising from insurance contract and settlement expenses, net	28	(45'640)	(33'500)
Change in fair value of assets held in experience account		(216)	(139)
Change in provisions	29	6'171	3'006
Change in employee benefit assets/liabilities		329	2'034
Other non-cash items		(638)	-
Operating cash flow before changes in working capital		380'936	320'390
(Increase)/decrease in trade and other receivables, prepayments, derivative assets and short-term loans		77'328	(332'885)
Increase/(decrease) in trade payables, accrued expenses and other current liabilities		10'968	10'135
Financial expenses (other than interest) paid		(523)	(626)
Dividends received from associates	20	4'066	5'663
Cash generated from/(used in) operations		472'775	2'677
Income tax paid		(15'947)	(24'063)
Net cash from/(used in) operating activities		456'828	(21'386)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013 – CONTINUED

In thousands of Swiss francs	Note	2014	2013
Investing activities			
Change in marketable securities		6'443	(7'984)
Proceeds on disposal of property and equipment		36	-
Purchase of property and equipment	18	(2'462)	(8'162)
Purchase of intangible assets	19	(5'332)	(2'316)
Proceeds on disposal of other investments	21	46'950	53'870
Purchase of other investments ¹⁾		(120'953)	(40'407)
Acquisition of subsidiary, net of cash acquired		-	(20'353)
Disposal of subsidiary, net of cash received		-	1'615
Change in other financial assets		223	2'304
Interest received		392	356
Dividends received		17	16
Net cash from/(used in) investing activities		(74'686)	(21'061)
Financing activities			
Proceeds from borrowings, net	26	(60'000)	60'000
Interest paid	11	(1'289)	(1'008)
Dividends paid to non-controlling interest		-	(533)
Dividends paid to shareholders	30	(187'896)	(160'707)
Purchase of treasury shares		(158'504)	(371'306)
Disposal of treasury shares		165'137	339'857
Net cash from/(used in) financing activities		(242'552)	(133'697)
Net increase/(decrease) in cash and cash equivalents		139'590	(176'144)
Cash and cash equivalents as of 1 January	13	58'174	234'653
Foreign exchange gains/(losses) on cash and cash equivalents		1'496	(335)
Cash and cash equivalents as of 31 December	13	199'260	58'174

¹⁾ Purchase of instruments held for sale is included in this line item

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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 2014 and 2013 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 11 March 2015 and are subject to approval at the annual general meeting of shareholders on 13 May 2015.

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 for the following assets and liabilities which are stated at fair value or at fair value less costs to sell: derivative financial instruments, instruments held for sale, 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, as well as 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 21 November 2014. 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 2014 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 2014 AND 2013

2.2.1 Standards, amendments and interpretations effective in 2014

The following new and revised standards have been adopted for the financial year beginning 1 January 2014:

“Investment Entities” (amendments to IFRS 10, IFRS 12 and IAS 27): These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10, “Consolidated Financial Statements”. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no significant impact on the Group’s consolidated financial statements since none of the entities in the Group qualify to be investment entities under IFRS 10.

“Offsetting Financial Assets and Financial Liabilities” (amendments to IAS 32)

These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet and have no significant impact on the Group’s consolidated financial statements.

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

These amendments remove the unintended consequences of IFRS 13, “Fair Value Measurement”, on the disclosures required under IAS 36, “Impairment of Assets”. In addition, these amendments require entities to disclose the recoverable amount of an asset or cash-generating unit (“CGU”) and to disclose how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. These amendments have no significant impact on the Group’s consolidated financial statements.

“Novation of Derivatives and Continuation of Hedge Accounting” (amendments to IAS 39)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no significant impact on the Group’s consolidated financial statements since the Group does not apply hedge accounting.

“Levies” (IFRIC 21)

This interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. This interpretation has no significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and might be relevant to 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.

Standard / Interpretation		Effective date	Planned application by the Group
New standards or interpretations			
IFRS 15, "Revenue from Contracts with Customers"	**	1 January 2017	Reporting year 2017
IFRS 9, "Financial Instruments"	**	1 January 2018	Reporting year 2018
Revisions and amendments of standards and interpretations			
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 2011-2013 Cycle	*	1 July 2014	Reporting year 2015
Annual Improvements to IFRSs 2012-2014 Cycle	*	1 January 2016	Reporting year 2016
Disclosure Initiative (Amendments to IAS 1)	*	1 January 2016	Reporting year 2016
Accounting for Acquisition of Interests in Joint Operations (amendments to IFRS 11)	*	1 January 2016	Reporting year 2016

* 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

2.3 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.

When the Company holds 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over 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.

(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 2.15).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at foreign exchange rates applicable at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average rates.

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

When the partial disposal of an interest in a subsidiary that includes a foreign operation does not result in a change in control, the relevant portion of the cumulative amount (in the translation reserve) is re-attributed to non-controlling interest. When the partial disposal of an interest in an associate that includes a foreign operation results in retaining significant influence, the relevant portion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(d) Applied foreign currency rates

The Group applied the following currency rates against Swiss francs:

Year	Currency	Balance sheet rate	Average rate
2014	EUR	1.2024	1.2145
	USD	0.9936	0.9155
	GBP	1.5492	1.5070
	SGD	0.7498	0.7224
2013	EUR	1.2253	1.2307
	USD	0.8892	0.9268
	GBP	1.4726	1.4494
	SGD	0.7044	0.7408

2.6 Accounting for derivative financial instruments

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.

2.8 Other operating income

Other operating income comprises income resulting from the ordinary course of business but is not revenue from management and advisory services. Other operating income includes interest income on short-term loans, true-up interest income on management and organizational fees or gain from disposal of subsidiaries.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(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.

2.13 Non-current assets and liabilities held for sale

The Group may seed capital into investment programs that the Group typically administers and advises with the objective to provide initial scale and facilitate marketing of the investment programs to third-party investors. For these instruments held for sale, the Group is actively seeking to reduce its share in seed financed investment programs by recycling capital back into cash or by diluting.

Those investment programs deemed to be controlled under IFRS 10 are classified as held for sale and are presented in separate balance sheet line items "assets held for sale" and "liabilities held for sale". Non-current financial assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Investments that are subsequently disposed of or diluted, such that the Group is no longer deemed to have control under IFRS 10, will subsequently be re-classified to investments at fair value through profit or loss and presented as "other investments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

2.14 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expense 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, minus 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 2.17).

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

2.15 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 CGUs 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 2014 AND 2013

(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 15 and 22). The additional committed amount of EUR 28.5 million has been fully amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014 (see note 19 and note 28).

(e) Client contracts

Client contracts, which the Group acquired and are recognized as assets, have definite useful lives. 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 indefinite useful lives are tested at least annually for impairment as of the balance sheet date. Intangible assets with determinable useful lives 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

2.16 Investments

The Group classifies its investments into 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", see note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(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.

2.17 Impairment of assets

(a) Financial assets (including receivables)

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flows of these assets 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 of its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables both at the level of a specific asset, as well as at 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 may have 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 financial assets measured at amortized cost is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the assets’ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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 (CGU). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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.

2.18 Trade payables

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

Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

2.19 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.

2.20 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 benefits to all employees relating to employee services 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 expenses when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans specify 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.

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 the consolidated statement of comprehensive income. 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.

2.21 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 2014 AND 2013

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, except for seed financed investment programs (see note 2.13). For detailed information on the investment programs and their carrying amounts please refer to note 21.

(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 assets or liabilities (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 2014 AND 2013

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	31 December 2014	31 December 2013
Financial assets		
Financial assets at fair value through profit or loss		
<i>Designated upon initial recognition:</i>		
Other investments	285'615	235'112
Other current assets (restricted cash and cash equivalents)	83'509	-
Other financial assets (restricted cash and cash equivalents)	-	84'884
	369'124	319'996
<i>Held for trading:</i>		
Marketable securities	11'250	14'787
Derivative assets held for risk management	399	4'690
	11'649	19'477
Financial assets at fair value less cost to sell		
Assets held for sale	78'863	-
	78'863	-
Loans and receivables		
Trade receivables	50'631	59'834
Other receivables	1'438	1'591
Short-term loans	421'760	494'296
Other financial assets	4'675	4'658
	478'504	560'379
Cash and cash equivalents		
Cash and cash equivalents	199'260	58'174
	199'260	58'174
Total financial assets	1'137'400	958'026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	31 December 2014	31 December 2013
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative liabilities held for risk management (accrued expenses)	8'478	676
Derivatives arising from insurance contract	-	50'493
	8'478	51'169
Financial liabilities at fair value less cost to sell		
Liabilities held for sale	1'535	-
	1'535	-
Financial liabilities measured at amortized cost		
Trade payables	14'709	26'956
Borrowings	-	60'000
	14'709	86'956
Total financial liabilities	24'722	138'125

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 to 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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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				31 December 2014
	Level 1	Level 2	Level 3	Total
Marketable securities	11'250			11'250
Other current assets (restricted cash and cash equivalents)	83'509			83'509
Assets held for sale			78'863	78'863
Other investments			285'615	285'615
Derivative assets held for risk management		399		399
Financial assets	94'759	399	364'478	459'636
Liabilities held for sale			1'535	1'535
Derivative liabilities held for risk management (accrued expenses)		8'478		8'478
Financial liabilities	-	8'478	1'535	10'013

In thousands of Swiss francs				31 December 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
Other financial assets (restricted cash and cash equivalents) ¹⁾	84'884			84'884
Financial assets	99'671	4'690	235'112	339'473
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

¹⁾ Presentation amended to be consistent with 2014 disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

The following tables show the reconciliation of all level 3 financial instruments in 2014 and 2013:

In thousands of Swiss francs	2014	
	Financial assets	Financial liabilities
Balance as of 1 January 2014	235'112	50'493
Additions	122'488	1'535
Disposals	(46'950)	-
Change in fair value	42'131	(50'047)
Effect of movements in exchange rates	11'697	(446)
Balance as of 31 December 2014	364'478	1'535

In thousands of Swiss francs	2013	
	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 levels in 2014. In 2013, there were no transfers between the levels 1 and 2. The transfer from level 2 to level 3 resulted 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 typically 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. The investment selections and approvals are made by the Specialized Investment Committees and the Global Investment Committee, supported by the Global Portfolio Strategies Committee. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Valuation techniques

Other investments held by the Group consist of investments into investment programs. These 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
- adjusted net asset value method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Adjusted net asset value method

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 typically 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.

Unobservable input factors

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.

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 typically 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 and instruments held for sale are typically 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	31 December 2014	31 December 2013
Adjusted net asset value (1% increase)	3'629	2'351

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Derivatives arising from insurance contract

The Group used the Black-Scholes model to fair value the derivatives arising from insurance contract (which expired on 30 September 2014). 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 used 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 was deemed to be a reasonably possible change, would have had 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	31 December 2014	31 December 2013
Net asset value (5% increase)	n/a	23'822

For further information on inputs used in the valuation of derivatives arising from insurance contract please refer to note 28.

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 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 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 RAC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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 typically 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 typically 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) Short-term loans

In order to control the credit risk resulting from short term loans to investment programs, the Group has established a system-based loan approval process. This is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process rigorous qualitative and quantitative checks are being applied to ensure a high quality of the Group's loan portfolio.

(c) Other

The Group's other credit risk arises from "cash and cash equivalents" (note 13), "derivative financial instruments" (note 15), "other current assets" (represents mainly restricted cash investments, note 15) and deposits with banks. The surplus cash (see note 4.3.2) is typically 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 2014 AND 2013

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	
	31 December 2014	31 December 2013
Other financial assets	4'675	89'542
Short-term loans	421'760	494'296
Trade receivables	50'631	59'834
Other receivables	375	283
Other current assets	83'509	-
Marketable securities	1'974	8'514
Cash and cash equivalents	199'250	58'165
Derivative assets held for risk management	399	4'690
	762'573	715'324
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Other receivables (VAT etc.)	1'063	1'308
Marketable securities (equity securities)	9'276	6'273
Cash and cash equivalents (petty cash)	10	9
Prepayments	29'755	19'612
<i>Split of trade receivables into counterparty risk categories:</i>		
Invoiced to clients	13'425	13'425
To be collected by the Group through management contracts	37'206	46'409
	50'631	59'834

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 to the extent permitted by regulatory and legal provisions. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide 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 2014 AND 2013

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 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 2014, the overall facility is not being used (31 December 2013: CHF 60 million drawn).

The following table discloses the financial liabilities with their expected maturities:

In thousands of Swiss francs						31 December 2014
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables	14'709	14'709				
Accrued expenses (derivative liabilities)	8'478	8'478				
Unfunded commitments	139'200	139'200				
	162'387	162'387	-	-	-	-
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	5'175	5'175				
Accrued expenses (bonus accruals, etc.)	73'329	73'329				
In thousands of Swiss francs						31 December 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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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 may buy and sell 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 ("ROO"), 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 in 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	31 December 2014				
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	3'856	15'557	3'204	607	41
Marketable securities	-	9'189	-	-	-
Trade receivables	5'284	25'762	5'061	5	-
Other receivables	294	18'165	(23'446)	(5'659)	(18'859)
Prepayments	14'962	994	6'464	47	-
Short-term loans	-	110'069	266'584	7'071	-
Other financial assets	-	-	1'714	-	-
Trade payables	(2'668)	(1'569)	(449)	(182)	-
Accrued expenses	(1)	(2'418)	(259)	(4)	(5)
Forward exchange contracts	-	280	(8'182)	(118)	-
Total	21'727	176'029	250'691	1'767	(18'823)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs					31 Decem- ber 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

Sensitivity analysis

In order to analyze the impact of the currency fluctuations on the profit or loss, 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 1.76% (2013: 4.20%), calculating the corresponding effect).

Volatilities	2014	2013
CHF/EUR	1.76%	4.20%
CHF/USD	6.30%	8.47%
CHF/GBP	6.18%	6.98%
CHF/SGD	5.80%	7.46%
EUR/USD	5.67%	7.15%
EUR/GBP	5.53%	6.73%
USD/GBP	5.20%	7.17%
Profit or loss		
Effect in thousands of CHF	2014	2013
CHF/EUR	161	1'517
CHF/USD	(1'037)	(4'093)
CHF/GBP	815	554
CHF/SGD	(1'064)	(942)
EUR/USD	11	23
EUR/GBP	1'008	536
USD/GBP	262	132
USD/SGD	3	-
Total	159	(2'273)

The above sensitivity analysis is based on the local balance sheet positions of the group entities, but taking into account the forward exchange contracts.

Forward exchange contracts

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

The net fair value of forward exchange contracts at the balance sheet date amounts to CHF -8.1 million (liabilities) with an outstanding volume of CHF 436.9 million (2013: CHF 4.0 million; volume CHF 549 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(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 "prepayments, derivative assets and other current assets" (see note 15)), "short-term loans" (see note 16) as well as "other financial assets" (see note 22). Such cash flows are dependent on changes in short-term market interest rates. Due to 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 no borrowings with banks (2013: CHF 60 million), but maintains 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	2014	2013
Variable rate instruments		
Financial assets	282'769	143'058
Financial liabilities	-	(60'000)
	282'769	83'058
Fixed rate instruments		
Financial assets	426'435	505'479
Financial liabilities	-	-
	426'435	505'479

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	2014	2013
Profit or loss		
50 bp increase	1'414	415
50 bp decrease	(1'414)	(415)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(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.

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. 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			
	2014	Volatility	2013 (reclassified)	Volatility
Marketable securities	9'276	23%	14'787	16%
Other investments:				
Private equity	197'969	12%	160'787	13%
Private debt	35'429	6%	30'026	6%
Private real estate	38'105	13%	28'422	14%
Private infrastructure	14'112	8%	15'877	11%
Instruments held for sale	77'328	7%	-	n/a
Total	372'219		249'899	

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	
	2014	2013 (reclassified)
Marketable securities	2'133	2'366
Other investments:		
Private equity	23'756	21'157
Private debt	2'126	1'802
Private real estate	4'954	3'979
Private infrastructure	1'129	1'746
Instruments held for sale	5'146	-
Total	39'244	31'050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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 dividend distributions to ordinary shareholders.

The Group may purchase its own shares on the market within the limits defined by the BoD. The timing of these purchases depends on the market price and restrictions imposed by applicable laws. Primarily, these purchases are used to cover the Group's share and option programs.

Furthermore, Partners Group Holding AG has authorized conditional capital of CHF 40'050. The BoD is authorized to increase the share capital by up to 15% at its discretion in consequence of exercising options and granting of shares.

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 maintains GBP 2.4 million minimum capital as of 31 December 2014 (2013: GBP 2.2 million).
- The Guernsey Financial Services Commission requires that Partners Group (Guernsey) Limited maintains net assets of 25% of annual audited expenditure subject to a minimum of GBP 100'000 (2013: GBP 100'000), and that the other relevant Guernsey-based Group entities maintain net assets of 25% of annual audited expenditure subject to a minimum of GBP 10'000 as of 31 December 2014 (2013: GBP 10'000).
- Article 182 of the Law of 10 August 1915 on commercial companies requires that Partners Group (Luxembourg) S.A., 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. each have a minimum corporate capital of EUR 12'395 as of 31 December 2014 (2013: 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%.
- The Bank of Italy requires PG Italy to hold minimum regulatory capital calculated as the higher of (i) 25% of fixed costs or (ii) 0,02% of the total assets under management which exceed 250 million. As of 31 December 2014, regulatory capital amounts to EUR 2.1 million.
- Partners Group (USA) Inc. is required to meet the minimum shareholders' equity requirements applicable to Qualified Professional Asset Managers in the USA pursuant to its status as manager of ERISA plan asset vehicles.
- Partners Group AG is required by the Swiss Financial Market Supervisory Authority ("FINMA") to hold regulatory capital of 25% of its fix costs, but maximum CHF 20 million.
- Since September 2014, the Group is no longer subject to the consolidated supervision by FINMA, and therefore does no longer have regulatory capital requirements on a Group level. For 2013, the Group reported CHF 174 million consolidated fixed costs. FINMA regulation required that for 25% of the consolidated fixed costs (i.e. CHF 44 million) capital resources needed to be maintained. The Group's available capital resources as defined by FINMA equaled CHF 619 million as of 31 December 2013.

All these capital requirements have been met during 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

5. CHANGES IN SCOPE OF CONSOLIDATION

(a) Incorporation of new Group entities

On 4 December 2014, the Group incorporated Partners Group Management (Guernsey) LLP, Guernsey. The entity's main purpose is to serve as general partner for Scottish based investment vehicles.

On 13 August 2014, the Group incorporated Partners Group (UK) Management Limited, United Kingdom. The main purpose of the entity is to act as the sponsor and manager of a new collateralized loan obligation investment vehicle.

On 14 March 2014, the Group incorporated Partners Group (India) Private Limited, India. The entity's main purpose is to support Partners Group's investment activities in the region whilst additionally increasing proximity to clients in the region.

On 12 February 2014, the Group incorporated Partners Group Corporate Finance AG, Switzerland. The entity's main purpose is providing services in the field of corporate finance.

On 13 January 2014, the Group incorporated Partners Group (Shanghai) Co., Ltd., China. The entity's main purpose is to support Partners Group's investment activities in the region whilst additionally increasing proximity to clients in the region.

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 and Guernsey based investment vehicles.

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

(b) Restructurings

No restructurings took place in 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

5. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

(c) Acquisition of subsidiaries

During 2014, the Group did not acquire any subsidiaries.

As of 1 July 2013, the Group acquired an additional stake of 85% in the asset manager PG (Italy) SGR S.p.A. (formerly known as: Perennius Capital Partners SGR S.p.A), Milan, Italy ("PG Italy"). As a result, the Group's equity interest in PG Italy increased from 15% to 100%, which resulted in the Group obtaining control of PG Italy. The company provides management and advisory services to their clients to invest in private market programs. Net assets and goodwill acquired were 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)
Other current liabilities	(1'506)
Deferred tax liabilities	(2'553)
Non-current liabilities	(118)
Net assets acquired at fair value	5'650
Goodwill	20'067
Fair value of initial investment in PG Italy	(3'858)
Total purchase consideration	21'859
Cash acquired	(1'506)
Net cash outflow on acquisition	20'353

The trade receivables comprised 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 PG Italy 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, PG Italy 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, PG Italy 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

5. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

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

(d) Divestments of subsidiaries

On 5 September 2014, Partners Private Markets Management Limited, Guernsey, was liquidated.

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.

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

6. SEGMENT INFORMATION

The BoD has been identified as the chief operating decision-maker (CODM). 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 the identification of the following operating segments:

- Private equity
- Private debt
- Private real estate
- Private infrastructure

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 take-overs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

6. SEGMENT INFORMATION (CONTINUED)

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.

Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. Private infrastructure comprises of investments in assets within different infrastructure sectors, namely: transportation, communication, power conventional, power renewable, energy infrastructure, water, social infrastructure and waste management. Private infrastructure investments are generally characterized by long-term visibility and stability of cash flows underpinned by assets with either regulated revenues or long-term contracts with creditworthy counterparties. Partners Group covers the full range of equity and junior debt investment opportunities offered by the private infrastructure asset class.

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, the gross 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

6. SEGMENT INFORMATION (CONTINUED)

In thousands of Swiss francs						2014
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Revenues from management and advisory services, net	359'582	57'726	95'071	40'044	2'036	554'459
Other operating income	13'314	1'416	3'651	753	658	19'792
Share of results of associates	193	-	-	-	-	193
Total	373'089	59'142	98'722	40'797	2'694	574'444
					-	
Third party services	(782)	(131)	(278)	(62)	(5'664)	(6'917)
Personnel expenses	(38'646)	(8'431)	(14'014)	(8'278)	(114'571)	(183'940)
General and administrative expenses	(8)	(8)	(49)	(6)	(24'302)	(24'373)
Travel and representation expenses	(1'509)	(363)	(745)	(491)	(8'951)	(12'059)
Depreciation and amortization	-	-	-	-	(16'473)	(16'473)
Gross segment result	332'144	50'209	83'636	31'960	(167'267)	330'682
<i>Reconciliation to profit for the period:</i>						
Change in fair value of derivatives arising from insurance contract and settlement expenses, net						45'640
Net finance income and expense						36'734
Income tax expense						(37'835)
Profit for the period						375'221

Change in presentation of operating segments

Due to the sale of two affiliated companies as of 1 October 2013, due to the increased relevance of the private infrastructure segment and to better reflect internal reporting, the BoD determined to disclose the private infrastructure business line as a separate operating segment in 2014. Until 31 December 2013, the private infrastructure business line had been disclosed as part of the operating segment "all other segments". The operating segment "all other segments" combined private infrastructure revenues from management and advisory services, net" (2014: CHF 40.0 million, 2013: CHF 32.2 million) with revenues of affiliated companies and some other income which is newly disclosed as "unallocated". Comparatives for 2013 are disclosed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

6. SEGMENT INFORMATION (CONTINUED)

In thousands of Swiss francs						2013 (reclassified)
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Revenues from management and advisory services, net	329'281	42'935	61'104	32'157	5'653	471'130
Other operating income	11'489	242	1'301	394	3'414	16'840
Share of results of associates	3'872	-	-	-	-	3'872
Total	344'642	43'177	62'405	32'551	9'067	491'842
Third party services	(395)	(169)	(155)	(15)	(4'586)	(5'320)
Personnel expenses	(30'664)	(6'268)	(11'379)	(5'497)	(98'397)	(152'205)
General and administrative expenses	(26)	(6)	(28)	(2)	(23'767)	(23'829)
Travel and representation expenses	(937)	(355)	(545)	(357)	(8'032)	(10'226)
Depreciation and amortization	-	-	-	-	(18'881)	(18'881)
Gross segment result	312'620	36'379	50'298	26'680	(144'596)	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

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 expenses 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The segments are managed on a worldwide basis with Guernsey as a general management hub. However, advisory services are primarily provided from Switzerland, whereas local offices ensure access to worldwide markets and investment opportunities. 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 the location in which the revenues are shown in the Group entities' financial statements.

In thousands of Swiss francs	Net revenues	
	2014	2013
Switzerland	274'663	211'173
Guernsey	133'328	148'104
North America	54'893	46'014
Other European countries	53'300	36'970
Rest of world	38'275	28'869
Total revenues from management and advisory services, net	554'459	471'130

In 2014 and 2013, no client of the Group contributed more than 10% to the Group's revenues.

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 private market transactions. These fees are typically one-time occurring.

Insurance premiums

The private equity insurance premiums exclusively relate to the investment structure of Pearl, where the Group has acted only as policyholder, since European International Reinsurance Company Limited (a subsidiary of Swiss Re) has been the insurer and thus the Group forwarded the entire amount to the insurer (see note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

Revenue deductions

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

In thousands of Swiss francs	2014	2013
Private equity		
Private equity investment management	413'629	380'285
./. Revenue deductions	(54'047)	(51'004)
<i>Net private equity investment management</i>	359'582	329'281
Private equity insurance premiums	12'950	16'116
./. Insurance fees, where the Group acts as policyholder only	(12'950)	(16'116)
<i>Net private equity insurance premiums</i>	-	-
Total revenues from private equity, net	359'582	329'281
Private debt		
Private debt investment management	67'163	50'602
./. Revenue deductions	(9'437)	(7'667)
Total revenues from private debt, net	57'726	42'935
Private real estate		
Private real estate investment management	114'196	75'028
./. Revenue deductions	(19'125)	(13'924)
Total revenues from private real estate, net	95'071	61'104
Private infrastructure		
Private infrastructure investment management	44'337	36'801
./. Revenue deductions	(4'293)	(4'644)
Total revenues from private infrastructure, net	40'044	32'157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

In thousands of Swiss francs	2014	2013
Unallocated revenues		
Revenues from affiliated companies	-	4'065
./. Revenue deductions	-	(363)
<i>Net revenues from affiliated companies</i>	-	3'702
Other revenues	2'036	1'951
Total unallocated revenues, net	2'036	5'653
Revenues from management and advisory services, net	554'459	471'130

In thousands of Swiss francs	2014	2013
Summary		
Total gross revenues	654'311	564'848
./. Revenue deductions	(86'902)	(77'602)
./. Insurance fees, where the Group acts as policyholder only	(12'950)	(16'116)
Revenues from management and advisory services, net	554'459	471'130

8. OTHER OPERATING INCOME

In thousands of Swiss francs	2014	2013
Interest income on short-term loans	16'661	11'927
True-up interest income	2'473	1'498
Other income	658	3'415
Total other operating income	19'792	16'840

Interest income comprises the interest earned on short-term loans granted to investment programs advised by the Group and true-up interest income on management and organizational fees due from investors that commit into investment structures after the first closing of the investment structure.

Other income in 2014 results from earn-out payments from the disposal of Partners Group Fund Services Limited, Guernsey in 2010 and Asset Management Partners AG, Baar, Switzerland in 2013. Other income in 2013 resulted from the disposal of Asset Management Partners AG, Baar, Switzerland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

9. THIRD PARTY SERVICES

In thousands of Swiss francs	2014	2013
Consulting and legal fees	(3'998)	(4'356)
Board of Directors compensation (non-executive)	(750)	(320)
Sundry third party service expenses	(2'169)	(644)
Total third party services	(6'917)	(5'320)

10. PERSONNEL EXPENSES

In thousands of Swiss francs	2014	2013
Wages and salaries	(126'070)	(107'518)
Share-based payment expenses	(28'078)	(19'099)
Other long-term benefits	(5'750)	(3'413)
Retirement schemes - defined contribution plans	(7'296)	(6'937)
Retirement schemes - defined benefit plans	(2'177)	(3'490)
Other social security expenses	(7'822)	(5'897)
Sundry personnel expenses	(6'747)	(5'851)
Total personnel expenses	(183'940)	(152'205)

Share-based payment expenses

Though the general philosophy behind the Group's remuneration policy has remained unchanged over the years (see note 27), the Group nonetheless undertakes periodic reviews of the compensation structure and makes adjustments as necessary to ensure the interests of employees, clients, shareholders and other stakeholders remain best aligned. One such review was undertaken in 2014, with the result of adjusting the vesting condition of the grants in 2014. The Group moves from cliff vesting at two- or five-year periods to a linear vesting model with proportionate annual vesting every year over a three- or five-year period following the awards (depending on the rank of the employee) and contingent on the employees remaining with the Group during the service period.

With the linear vesting model, the distribution of the share-based payment expenses over the service periods changes, and typically results in higher expenses in the first years (front-end-loading) and lower expenses in later years, but the overall expenses remain unchanged. The move to the linear vesting model for the grants in 2014 results in expenses that are CHF 4.2 million higher in 2014 than if the previous cliff vesting model had been applied.

Also in 2014, the Group decided to modify the share-based payment awards granted in 2012 and 2013 to move from the previous cliff vesting (at two- or five year periods) to a linear vesting model with proportionate annual vesting every year over a five-year period following the awards and contingent on the employee remaining with the Group during the service period. The program modifications of the grants in 2012 and 2013 result in a different distribution of the share-based payment expenses (front-end-loading), including one-off catch-up expenses in 2014. The impact of the modifications of the vesting conditions of the grants in 2012 and 2013 of CHF 6.9 million is recognized as "personnel expenses" (share-based payment expenses) in the financial statements as of 31 December 2014 and is calculated in accordance with IFRS 2. As a result of the front-end-loading of the linear vesting model and the one-off catch-up expenses in 2014, the expenses resulting from the grants in 2012 and 2013 will be lower in future years compared to the cliff vesting model and compared to the expenses recognized in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

10. PERSONNEL EXPENSES (CONTINUED)

The Group recognizes the following expenses for grants in the current year as well as in previous periods and expenses for shares granted to employees at the start of their employment:

In thousands of Swiss francs	2014	2013
Grants 2008 (options and non-vested shares)	-	(1'692)
Grants 2009 (options and non-vested shares)	(1'618)	(2'162)
Grants 2010 (options and non-vested shares)	(1'697)	(2'908)
Grants 2011 (options and non-vested shares)	(1'181)	(2'264)
Grants 2012 (options and non-vested shares)	(6'020)	(4'212)
Grants 2013 (options and non-vested shares)	(7'801)	(4'653)
Grants 2014 (options and non-vested shares)	(8'846)	-
Share grants at start of employment	(915)	(1'208)
Total share-based payments	(28'078)	(19'099)

The average number of employees in 2014 was 723 (2013: 663), which is equivalent to 711 full-time employees (2013: 652).

11. NET FINANCE INCOME AND EXPENSE

In thousands of Swiss francs	2014	2013
Interest income	677	356
Net gains/(losses) on:		
Held for trading instruments	2'960	730
Fair value through profit or loss instruments, designated	39'779	28'672
Fair value of instruments held for sale	2'352	-
Other finance income	-	3'632
Total other finance income	45'768	33'390
Interest expense	(1'289)	(1'008)
Net foreign exchange loss	(6'959)	(533)
Other finance expense	(786)	(626)
Total finance expense	(9'034)	(2'167)
Net finance income and (expense)	36'734	31'223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

12. INCOME TAX EXPENSE

Recognized in income statement

In thousands of Swiss francs	2014	2013
Current tax expense:		
Current year	39'165	32'294
Under/(over) provided in prior years	2'216	1'292
Total current tax expense	41'381	33'586
Deferred tax expense/(income):		
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	(3'546)	(4'454)
Total income tax expense	37'835	29'132

Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2014	2013
Profit before tax	413'056	346'104
Weighted average expected Group tax rate	8.44%	8.09%
Expected tax expense	34'849	28'008
Non-tax-deductible expense	306	65
Applicable tax rates differing from expected rate	-	(90)
Utilization of unrecognized tax loss carry-forwards	(19)	(152)
Under/(over) provided in prior years	2'216	1'292
Other impacts	483	9
Total income tax expense	37'835	29'132

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 23.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

13. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	31 December 2014	31 December 2013
Bank balances	199'250	58'165
Petty cash	10	9
Total	199'260	58'174

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	31 December 2014	31 December 2013
Equity securities held for trading	9'276	6'273
Debt securities	1'974	8'514
Total	11'250	14'787

15. TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DERIVATIVE ASSETS AND OTHER CURRENT ASSETS

In thousands of Swiss francs	31 December 2014	31 December 2013
Trade receivables	50'631	59'834
Other receivables	1'438	1'591
Prepayments	29'755	19'612
Derivative assets	399	4'690
Other current assets:		
Assets held in experience account:		
Restricted cash and cash equivalents (held in EUR)	83'509	-
Total	165'732	85'727

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 4.3.1, as of the balance sheet date, the Group can collect 73% (2013: 78%) of the trade receivables based on discretionary management agreements; the remaining 27% (2013: 22%) are invoiced to clients who are primarily major institutional clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

15. TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DERIVATIVE ASSETS AND OTHER CURRENT ASSETS (CONITNUED)

Other current assets: Pearl Holding Limited

In 2000, the Group entered into an agreement with the non-consolidated investment program of 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 has only acted as policyholder and paid certain amounts into an experience account, which served as first-level-coverage in the case of a default of Pearl (see note 28).

Bondholders of Pearl had the option, as of 30 September 2014, to redeem their bonds at 108% of nominal value or convert them into shares in Pearl. 34.6% of bonds (nominal value of EUR 228 million) were converted into Pearl shares. The remaining bonds (nominal value of EUR 432 million) were redeemed at 108% on 30 September 2014. In connection with the conversion of Pearl bonds into shares, Swiss Re provided a loan (EUR 70 million) to Pearl Access Limited ("PAL"), a Guernsey company whose shares were held by an orphan-trust (i.e. a trust without any beneficiary) under Guernsey law ("Trust"), in order to finance the purchase of Pearl bonds. The loan to PAL was restricted to buy Pearl bonds, and to convert them into Pearl shares and contains various restrictions and conditions in favor of Swiss Re.

Until and as of 31 December 2014, the Group does not have control over PAL or the Guernsey based Trust. PML, however, is still entitled to the assets held in the experience account that are classified as short term.

Events subsequent to year-end

In the first quarter of 2015, and after satisfaction of relevant conditions under the insurance contract with a subsidiary of Swiss Re, the assets held in the experience account are released to PML. At the same time, the experience account is assigned to PAL. As a result, PAL is able to repay the outstanding loan provided by Swiss Re and subsequently, after fulfilling all conditions towards Swiss Re, any related securities are released. On 4 March 2015, PML is appointed as beneficiary of the Trust. As a consequence, and through its beneficiary rights, PML holds 28% of Pearl's shares and therefore the Group has a significant influence over Pearl.

In order to obtain and control Pearl shares, various conditions have to be fulfilled. These conditions, being the release of the experience account by a subsidiary of Swiss Re, the repayment of the loan by PAL to Swiss Re, the release of the securities by Swiss Re and PML's appointment as the beneficiary of the Trust, are fulfilled as of 4 March 2015. Therefore, the date when PML has become the legal owner of the Trust and therewith PAL and PAL's shares in Pearl Holding Ltd., is considered as the acquisition date in accordance with IAS 28 and IFRS 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

16. SHORT-TERM LOANS

The short-term loans of CHF 421.8 million (2013: CHF 494.3 million) relate to loans to various investment programs which typically have an expected repayment date within the next twelve months. Interest on these loans is calculated at a spread above the applicable LIBOR interest rate.

17. ASSETS AND LIABILITIES HELD FOR SALE

The Group supports certain investment programs operated and controlled in accordance with IFRS 10 in their early stage. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's ROO. Assets and liabilities of three investment programs are classified and presented as assets and liabilities held for sale.

The assets and liabilities held for sale as of 31 December 2014 comprise private infrastructure as well as private debt investments and are as follows:

In thousands of Swiss francs	31 December 2014	31 December 2013
Assets held for sale	78'863	-
Liabilities held for sale	(1'535)	-
Instruments held for sale, net	77'328	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

18. PROPERTY AND EQUIPMENT

In thousands of Swiss francs					2014
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost					
Balance as of 1 January 2014	5'897	11'154	18'095	16'671	51'817
Additions	-	613	642	1'207	2'462
Removals	-	(2'135)	(247)	(2'995)	(5'377)
Effect of movements in exchange rates	-	399	332	421	1'152
Balance as of 31 December 2014	5'897	10'031	18'822	15'304	50'054
Accumulated depreciation					
Balance as of 1 January 2014	180	7'475	9'587	13'291	30'533
Additions	197	1'357	1'618	2'141	5'313
Removals	-	(2'135)	(247)	(2'955)	(5'337)
Effect of movements in exchange rates	-	255	216	339	810
Balance as of 31 December 2014	377	6'952	11'174	12'816	31'319
Carrying amount					
As of 1 January 2014	5'717	3'679	8'508	3'380	21'284
As of 31 December 2014	5'520	3'079	7'648	2'488	18'735
Impairment losses incurred in 2014					nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

18. PROPERTY AND EQUIPMENT (CONTINUED)

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

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 2014 AND 2013

19. INTANGIBLE ASSETS

In thousands of Swiss francs							2014
	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost							
Balance as of 1 January 2014	34'865	6'784	37'397	11'290	12'499	4'750	107'585
Additions	-	-	-	948	4'384	-	5'332
Removals	(34'557)	(908)	(1'523)	(3'793)	(9'050)	-	(49'831)
Effect of movements in exchange rates	(308)	(14)	1'474	55	362	-	1'569
Balance as of 31 December 2014	-	5'862	37'348	8'500	8'195	4'750	64'655
Accumulated amortization and impairment losses							
Balance as of 1 January 2014	28'328	2'188	1'537	9'316	11'221	2'313	54'903
Additions	6'479	1'012	-	1'287	1'432	950	11'160
Removals	(34'557)	(908)	(1'523)	(3'793)	(9'050)	-	(49'831)
Effect of movements in exchange rates	(250)	62	(14)	43	110	-	(49)
Balance as of 31 December 2014	-	2'354	-	6'853	3'713	3'263	16'183
Carrying amount							
As of 1 January 2014	6'537	4'596	35'860	1'974	1'278	2'437	52'682
As of 31 December 2014	-	3'508	37'348	1'647	4'482	1'487	48'472
Impairment losses incurred in 2014							nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

19. INTANGIBLE ASSETS (CONTINUED)

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
Impairment losses incurred in 2013							nil

Cost of initial put option

The cost of the initial put option represented the incremental cost directly attributable to securing the extension of the investment management contract for Pearl Holding Limited (see note 15 and 28). The cost of the initial put option has been 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 PG Italy in 2013, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

19. INTANGIBLE ASSETS (CONTINUED)

Goodwill

No goodwill was added in 2014.

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

Of the carrying amount as of 31 December 2014 (CHF 37.3 million; 2013: CHF 35.9 million), CHF 19.6 million (2013: CHF 20 million) is allocated to the private equity segment and CHF 17.7 million (2013: CHF 15.9 million) to the private real estate segment.

Impairment testing for CGU's containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU, 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 CGU's:

- Goodwill relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007, which was merged into Partners Group (USA) Inc. as of 1 January 2012, has been allocated to the private real estate segment.
- Goodwill relating to the acquisition of PG Italy 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 CGU and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a five-year estimate (2015–2019). 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 2015 to 2019.
- General expense growth, as well as third party expense growth, was considered at a constant rate of 10% p.a. (2013: 10% p.a.).
- Personnel expense growth was considered at a constant rate of 5% p.a. (2013: 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 (2013: 35%)).
- Pre-tax discount rates of 7.78% [PG RE] (2013: 9.55%) respectively 8.51% [PG Italy] (2013: 10.74%) were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.23% [PG RE] (2013: 2.84%) and 2.02% [PG Italy] (2013: 4.05%), 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 CGU to exceed the recoverable amounts.

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 amount 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 2.15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

20. 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	449	40%

In thousands of Swiss francs	2014	2013
Balance as of 1 January	4'323	6'126
Dividends received from investment in associates	(4'066)	(5'663)
Other movements	(1)	(12)
Share of results	193	3'872
Balance as of 31 December	449	4'323

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

In thousands of Swiss francs	2014	2013
Total assets	14'612	10'815
Total liabilities	13'489	8
Equity	1'123	10'807
Revenues	17'791	11'117
Profit/(loss)	483	9'680

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 2014 AND 2013

21. 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 typically 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. Typically, the Group acts as the investment manager and with regard to the investment programs, the Group acts as a principal (see note 17) or 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 2.16).

In thousands of Swiss francs	2014	2013
Balance as of 1 January	235'112	221'085
Additions	49'697	40'407
Disposals	(46'950)	(53'870)
Change in scope of consolidation - additions	-	521
Change in fair value of investments held at period end	39'736	25'012
Change in fair value of investments disposed/liquidated during the period	43	253
Remeasurement to fair value of initial investment in PG Italy	-	3'407
Effect of movements in exchange rates	7'977	(1'703)
Balance as of 31 December	285'615	235'112

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	31 December 2014	31 December 2013 (reclassified)
Private equity	197'969	160'787
Private debt	35'429	30'026
Private real estate	38'105	28'422
Private infrastructure	14'112	15'877
Total other investments	285'615	235'112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

22. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	31 December 2014	31 December 2013
Assets held in experience account:		
Restricted cash and cash equivalents (held in EUR)	-	84'884
Loans to related parties	2'852	2'763
Other financial assets	1'823	1'895
Total	4'675	89'542

Assets held in the experience account are disclosed as "other current assets" as of 31 December 2014 (see note 15). The effective interest earned on the assets held in the experience account was as follows:

	2014	2013
Effective interest rate of restricted cash and cash equivalents	0.26%	0.16%

The loans to related parties of the Group of CHF 2.9 million (2013: CHF 2.8 million) bear interest at market related interest rates.

23. 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.

In thousands of Swiss francs	31 December 2014	31 December 2013
Deferred tax asset	10'141	6'189
Deferred tax liabilities	(6'601)	(7'439)
Deferred tax assets / (liabilities), net	3'540	(1'250)

In thousands of Swiss francs	2014	2013
Balance as of 1 January	(1'250)	(2'219)
Changes recognized in income statement	3'546	4'454
Changes recognized in other comprehensive income	277	(741)
Change in scope of consolidation - additions	-	(2'553)
Effect of movements in exchange rates	967	(191)
Balance of deferred tax assets / (liabilities) as of 31 December	3'540	(1'250)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

23. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Analysis of deferred tax balances

The following table shows the tax effects on the temporary differences that exist 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						2014
	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
Balance as of 1 January 2014, net	(4'707)	375	(671)	3'204	549	(1'250)
Changes recognized in income statement	427	3'590	60	(574)	43	3'546
Changes recognized in other comprehensive income	-	-	277	-	-	277
Effect of movement in exchange rates	(354)	540	-	725	56	967
Balance as of 31 December 2014, net	(4'634)	4'505	(334)	3'355	648	3'540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

23. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

In thousands of Swiss francs						2013
	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
Balance as of 1 January 2013, net	(2'095)	(3'525)	(297)	3'212	486	(2'219)
Changes recognized in income statement	(183)	4'036	367	177	57	4'454
Changes recognized in other comprehensive income	-	-	(741)	-	-	(741)
Change in scope of consolidation - additions	(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)

Other 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 27(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 27(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, typically with the measurement of the tax deduction based on the share price at the date of exercise or vesting.

Tax loss carry-forwards

In previous years, some Group companies generated net losses during the years under review, resulting in potential future deductions, once the companies generate a net profit. In 2014, the remaining balance of tax loss carry-forwards of CHF 0.1 million has been utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

24. ACCRUED EXPENSES

In thousands of Swiss francs	31 December 2014	31 December 2013
Bonus accruals	48'757	32'004
Third party fees	1'422	1'594
Outstanding invoices	840	2'633
Derivative liabilities	8'478	676
Other accrued expenses	22'310	14'641
Total accrued expenses	81'807	51'548

25. OTHER CURRENT LIABILITIES

In thousands of Swiss francs	31 December 2014	31 December 2013
Social securities and other taxes	5'107	4'497
Other current liabilities	68	188
Total other current liabilities	5'175	4'685

26. BORROWINGS

As of the balance sheet date, the Group has no borrowings outstanding (2013: CHF 60 million) but maintains credit lines with banks (see note 4.3.2). For information regarding the Group's exposure to interest rate risk refer to note 4.3.3 (b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS

(a) Pension obligations

Asset for defined benefit obligations

The Group's defined benefit plan is the pension plan for its Swiss employees ("the pension fund"). The pension fund provides benefits for retirement, invalidity and surviving dependents that meet or exceed the minimum benefits required under Federal Law on Occupational Retirement, Survivors' and Disability Insurance ("BVG"), including the legal coordination charge, which is also insured. The monthly premium to fund the pension fund's benefits is split equally between employer and employees. Contributions, which vary by the age of the employees from 6-13% of the covered salary, are credited to the individual retirement savings accounts. The pension fund is responsible for capital investments and pursues an investment strategy with prescribed benchmark margins. The Group assumes an average retirement age of 62 (female) respective 63 (male). Upon retiring (including early and partial retirement) insured persons are entitled to a lifelong retirement pension, if employees do not choose to take their entire pension or part thereof in the form of a capital payment.

The pension fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, ("Gemini") which is legally separated from the Group and is governed by a foundation board ("the foundation board"). The pension fund commission comprises two employee and two employer representatives. The duties of the foundation board as well as the pension fund commission are laid down in the BVG and the specific pension fund rules. They 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) for the pension fund. At least four times a year, the foundation board as well as the pension fund commission 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 2014	1 January 2013
Cash	0%	0%
Public debt	25%	25%
Public equity	25%	25%
Private markets	35%	35%
Alternatives/other	15%	15%
Total	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

Pursuant to the BVG, additional employer and employee contributions may be imposed whenever a significant funding deficit in accordance with BVG arises. In 2014 and 2013 the Group's pension fund recognizes a defined benefit asset. Consequently, the Group feels comfortable with its investment strategy and does not expect a negative impact on funding arrangements or future contributions due to its investments and investment strategy. In addition to the investment risk, the pension fund is exposed to actuarial risk as well as longevity risk, currency risk and interest rate risk.

Management pension plan

In addition to the pension plan for its Swiss employees, a defined benefit plan for Swiss management also provides retirement benefits and risk insurance for death and disability for components of remuneration in excess of the maximum insurable amount of salary under the plan described in previous paragraphs.

Development of obligations and assets

In thousands of Swiss francs	2014	2013
Present value of benefit obligation as of 1 January	(33'599)	(38'382)
Change in scope of consolidation	-	7'477
Included in profit or loss:		
Current service cost (employer)	(2'108)	(2'471)
Interest expense on benefit obligation	(640)	(662)
Past service cost, curtailments, settlements, plan amendments	-	651
Included in other comprehensive income:		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in demographic assumptions	-	(731)
- change in financial assumptions	(4'537)	972
- experience gains/(losses)	(1'401)	704
Other:		
Employees' contributions	(1'779)	(1'509)
Benefits paid	1'555	352
Present value of benefit obligation as of 31 December	(42'509)	(33'599)
Fair value of plan assets as of 1 January	37'325	40'028
Change in scope of consolidation	-	(9'094)
Included in profit or loss:		
Interest income on plan assets	709	684
Administration cost	(69)	(75)
Included in other comprehensive income:		
Return on plan assets (excl. interest income)	4'397	3'169
Other:		
Employer's contributions	1'779	1'456
Employees' contributions	1'779	1'509
Benefits paid	(1'555)	(352)
Fair value of plan assets as of 31 December	44'365	37'325
Net defined benefit asset/(obligation) as of 31 December	1'856	3'726

The weighted average duration of the net defined benefit asset / obligation is 12.9 years (2013: 11.3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

Asset allocation as of 31 December

	2014	2013
Cash	4.7%	9.2%
Public debt	19.8%	18.8%
Swiss franc bonds	0.0%	1.9%
Foreign currency bonds	12.9%	14.4%
Inflation linked bonds	3.0%	0.0%
Convertible bonds	3.9%	2.5%
Public equity	24.2%	26.0%
Swiss franc equity securities	11.1%	12.8%
Foreign currency equity securities	13.1%	13.2%
Property	0.0%	0.0%
Private markets	27.7%	24.2%
Alternatives/other	23.6%	21.8%
Commodities	0.7%	0.8%
Absolute return	13.9%	11.7%
Insurance linked	9.0%	9.3%
Total	100.00%	100.00%

Typically, equity securities and bonds have quoted prices in active markets.

Principal actuarial assumptions

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

Principal actuarial assumptions as of 31 December	2014	2013
Discount rate	0.85%	1.85%
Expected net return on plan assets	0.85%	1.85%
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 31 December	2014	2013
Average retirement age		
Male	63	63
Female	62	62
Mortality tables used	BVG 2010 (GT)	BVG 2010 (GT)
Turn over	BVG 2010	BVG 2010
Capital option	50.00%	50.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis

Reasonable possible changes as of 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%)	(2'820)	(351)
Increase of discount rate (+0.5%)	2'430	299
Decrease of salary increase (-0.5%)	367	54
Increase of salary increase (0.5%)	(392)	(58)

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 contributions in 2015 are estimated at CHF 1.8 million.

(b) Share-based payments

Option 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.

In 2014, the Group introduced a linear vesting model, with proportionate annual vesting every year over a three- or five-year period following the awards, depending on the rank of the employee and contingent on the employee remaining with the Group during the respective service period (see note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

Option and non-vested share grants	Grant date	Number of instruments	Vesting conditions	Expiry date
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	1 to 5 years ¹⁾	30.11.2022
Non-vested shares	30.11.2012	112'088	1 to 5 years ¹⁾	indefinite
Options	29.11.2013	208'780	1 to 5 years ¹⁾	29.11.2023
Non-vested shares	29.11.2013	104'408	1 to 5 years ¹⁾	indefinite
Options	8.1.2014	2'177	none	29.11.2023
Options	8.1.2014	4'000	1 to 4 years ¹⁾	29.11.2023
Non-vested shares	8.1.2014	2'000	1 to 4 years ¹⁾	indefinite
Options	21.11.2014	8'344	none	21.11.2024
Non-vested shares	21.11.2014	36'905	1 to 3 years ¹⁾	indefinite
Non-vested shares	21.11.2014	62'584	1 to 5 years ¹⁾	indefinite
Total options/non-vested shares granted since November 2006		4'492'401		
Options/non-vested shares expired/ forfeited since grant date		(792'477)		
Exercises up to 2013		(1'112'845)		
Exercises during 2014		(928'934)		
Forfeitures during 2014		(151'864)		
Net options/non-vested shares outstanding as of 31 December 2014		1'506'281		

¹⁾ linear vesting model, with proportionate annual vesting every year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

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
	2014	2014	2013	2013
Outstanding as of 1 January	128.34	2'471'069	124.41	3'100'736
Forfeited during the period	154.30	(151'864)	142.49	(79'903)
Exercised during the period	80.82	(928'934)	131.66	(862'952)
Granted during the period - options	301.03	14'521	270.00	208'780
Granted during the period - shares	-	101'489	-	104'408
Outstanding as of 31 December	148.04	1'506'281	128.34	2'471'069
Exercisable as of 31 December		615'296		1'076'233

Of the outstanding 1'506'281 options and non-vested shares under the diverse programs of the Group, 615'296 options and non-vested shares are exercisable immediately. All other options and non-vested shares are subject to a restriction period of at least until 17 November 2015.

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

Numbers of instruments outstanding			
Grant year	Strike price in CHF	2014	2013
Options granted in 2005	29.96	-	74
Options granted in 2006	138.00	43'436	145'796
Options granted in 2007	159.00	159'134	245'622
Options granted in 2008	100.00	143'741	540'277
Options granted in 2009	150.00	165'384	209'570
Options granted in 2010 and 1.1.2011	209.00	175'475	195'590
Options granted in 2011	195.00	103'696	125'996
Options granted in 2012	236.00	175'329	214'695
Options granted in 2013 and 8.1.2014	270.00	190'869	208'780
Options granted in 2014	324.00	8'344	-
Non-vested shares granted from 2008 to 2014	-	340'873	584'669
Total instruments outstanding		1'506'281	2'471'069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. EMPLOYEE BENEFITS (CONTINUED)

The estimated fair value of options granted, and the underlying fair value of services, is based on the Black-Scholes model, whereas the fair value of the non-vested shares granted is based on the share price at the date of grant.

Fair value of share options and non-vested shares granted in 2014, and related assumptions:

	Vested options	Options	Non-vested shares	Vested Options	Non-vested shares	Non-vested shares
Date of grant	8.1.2014	8.1.2014	8.1.2014	21.11.2014	21.11.2014	21.11.2014
Fair value per option/non-vested share at measurement date (in CHF)	22.97	22.97	242.40	23.97	270.00	270.00
Share price (in CHF)	242.40	242.40	242.40	270.00	270.00	270.00
Exercise price (in CHF)	270.00	270.00	-	324.00	-	-
Vesting conditions	none	4 years ¹⁾	4 years ¹⁾	none	3 years ¹⁾	5 years ¹⁾
Expected volatility	22.32%	22.32%		24.48%		
Expected term of execution	5 years	5 years		5 years		
Expected dividend ratio	3.14%	3.14%		3.13%		
Risk-free interest rate (based on Swap rates)	0.36%	0.36%		0.00%		
Total options/non-vested shares granted	2'177	4'000	2'000	8'344	36'905	62'584
Total value granted in 2014 (in thousands of CHF)	50	92	485	200	9'964	16'898
Amount recognized in income statement (in thousands of CHF)	50	66	346	200	3'598	4'900
Total amount recognized in income state- ment (in thousands of CHF)						9'160
- recognized in "personnel expenses" in cur- rent year (in thousands of CHF)						8'910
- recognized in "third party services" in cur- rent year (in thousands of CHF)						200
- accrued in "third party services" in previous year (in thousands of CHF)						50

¹⁾ linear vesting model, with proportionate annual vesting every year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

27. 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 21 November 2014 this average calculation resulted in an expected five-year volatility of 24.48% (29 November 2013: 22.92%).

The Group typically grants non-vested shares together with options on an annual basis at the absolute discretion of the BoD. On 21 November 2014, only non-vested shares and no options were granted to employees; but options were granted to members of the BoD.

Management carry program

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 the broader management teams, including members of the BoD and the executive committee. The Nomination & Compensation Committee and the BoD plan an allocation of around 40% of the total carry pool to the MCP scheme annually. Until 2013, the MCP grants include a vesting period of up to five years in line with the Group's overall long-term incentive schemes. Following a review of the compensation structure in 2014, the parameters for 2014 MCP grants have been adjusted and moved from the previous up to five-year cliff vesting to a five-year linear vesting model with proportionate annual vesting every year.

The MCP benefits will be paid in cash to the eligible employees after the vesting period and when the potential future performance fees are generated. Actual values and future payments based on the MCP grants depend on the eventual future performance attributable to investments made and cannot reliably be estimated at the point of grant because they depend on numerous variable parameters and future events. As a consequence, MCP costs (associated with these MCP-related performance fees) cannot be reliably estimated, so that the Group does not recognize potential future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, potential future MCP payments to employees are recognized when the respective contingent rights materialize and actual performance fee is generated. In other words, payments to employees, resulting from former MCP grants, are backed by actual cash-flows from performance fees generated by underlying investment programs' performance. When MCP-related performance fees are received, the Group recognizes the resulting MCP costs as "personnel expenses" (see note 10; other long-term benefits). Until the cash amount is paid to eligible employees, the liabilities are recognized as "provisions" (see note 29).

Entry shares

The Group further grants shares to employees of the Group that commenced employment with the Group in the same year. 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.

	Grant year	Number of instruments	Vesting conditions
Entry share grants			
Shares	2010	5'330	1 year's service
Shares	2011	7'660	1 year's service
Shares	2012	5'481	1 year's service
Shares	2013	5'432	1 year's service
Shares	2014	4'470	1 year's service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

28. DERIVATIVES ARISING FROM INSURANCE CONTRACT

(a) Introduction

Pearl Holding Limited

In 2000, the Group entered into an agreement with the investment program of Pearl through its fully consolidated subsidiary 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 has only acted as policyholder and paid certain amounts into an experience account (see note 15 and note 22), which served as first-level-coverage in the case of a default of Pearl. The Group's exposure depended on the development of the value of the portfolio of Pearl, and thus was 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.

Due to the maturity of the insurance contract on 30 September 2014, the carrying value of the derivatives arising from insurance contract was reduced to CHF 0 as of that date.

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 had 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 was still limited to the value of the experience account; but the additional payment was recognized as an additional intangible asset (see note 19) and an additional derivative liability.

(b) Basic assumptions

The derivative financial instrument was valued applying the Black-Scholes model. The following assumptions were applied for the input parameters of the model:

	31 December 2014	31 December 2013
Adjusted net asset value (in relation to bond notional)	n/a	107.0%
Strike price (in millions)	n/a	EUR 712.8
Dividend yield	n/a	3.40%
Risk free interest rate	n/a	0.46%
Implicit volatility	n/a	12%
Term of option	n/a	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 corresponded to the discount on the net asset value to the market price of Pearl of 7.4%.

Strike price

The strike price reflected the redemption amount of the bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

28. DERIVATIVES ARISING FROM INSURANCE CONTRACT (CONTINUED)

Dividend yield

The dividend yield reflected 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, took into account a potential over-commitment of Pearl, as these fees were 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 have been higher than the net assets of Pearl, the dividend yield had to be adjusted accordingly to reflect it.

Implicit volatility

The implicit volatility was 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, resulted in an option liability that was below the respective amount shown as assets held in experience account in 2013 (see note 15 and note 22). Therefore, the balance of the derivative liabilities arising from insurance contract relating to Pearl represented a lower amount than the assets contained in the experience account.

(c) Derivative liabilities arising from insurance contract

In thousands of Swiss francs	31 December 2014	31 December 2013
Balance as of 1 January	50'493	82'611
Change in fair value	(50'047)	(33'500)
Effect of movements in exchange rates	(446)	1'382
Balance as of end of period	-	50'493

(d) Settlement expenses

In addition to the transactions described in 28(a) and in order to settle the insurance contract, PML is obligated to pay EUR 3.7 million to a retrocessionaire when the experience account is released.

As a summary, Pearl's insurance contract has the following total effect on the Group's income statement:

In thousands of Swiss francs	2014	2013
Change in fair value of derivatives arising from insurance contract	50'047	33'500
Settlement expenses	(4'407)	-
Change in fair value of derivatives arising from insurance contract and settlement expenses, net	45'640	33'500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

29. PROVISIONS

In thousands of Swiss francs			2014
	MCP	Others	Total
Balance as of 1 January 2014	5'931	169	6'100
Additions	6'164	55	6'219
Amounts used	(319)	-	(319)
Reversed amounts (unused)	(5)	(43)	(48)
Effect of movements in exchange rates	297	(3)	294
Balance as of 31 December 2014	12'068	178	12'246

In thousands of Swiss francs			2013
	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

The majority of provisions relates to the MCP, which was introduced in 2011 (see note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

30. SHARE CAPITAL AND RESERVES

In effective number of shares	2014	2013
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 (2013: 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 amount to CHF 218'100 as of 31 December 2014 (2013: CHF 218'100) consisting of CHF 217'100 (2013: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (2013: 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 517,457 (2013: 925'893) 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 proposes a dividend distribution of CHF 227.0 million (CHF 8.5 per share) for 2014. During the reporting period, the Company paid a dividend of CHF 187.9 million (CHF 7.25 per share) (2013: CHF 160.7 million, CHF 6.25 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2013 of CHF 193.6 million was not fully distributed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

30. 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		31 December 2014	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2014	26'700'000	925'893	25'774'107
Purchase of treasury shares		666'633	(666'633)
Disposal of treasury shares		(1'074'979)	1'074'979
Balance as of 31 December 2014	26'700'000	517'547	26'182'453
Weighted average number of shares outstanding during the period (360 days)			25'920'194
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		1'406'033	5.27%

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 expired on 1 January 2014.

In effective number of shares		31 December 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		1'364'504	5.11%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

31. EARNINGS PER SHARE

In Swiss francs	2014	2013
Average fair value of one ordinary share during the period	245.83	232.08
Weighted average exercise price for shares under option during the period	179.25	153.88

	2014
Earnings per share	Net profit
Net profit for the period (in thousands of Swiss francs)	375'221
Weighted average number of ordinary shares outstanding	25'920'194
Basic earnings per share (in Swiss francs)	14.48
Weighted average number of shares under option during the period	1'504'757
Number of shares that would have been issued at fair value ¹⁾	(1'077'019)
Diluted earnings per share (in Swiss francs)	14.24

	2013
Earnings per share	Net profit
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

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

As of 31 December 2014 the Group had 1'506'281 options and non-vested shares outstanding (2013: 2'471'069). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts. Thus, the number of treasury shares (see note 30) is already net of non-vested shares outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

32. OPERATING LEASES

Leases as a lessee

Non-cancelable operating lease rentals are payable as follows:

In thousands of Swiss francs	31 December 2014	31 December 2013
Less than one year	9'544	8'270
Between one and five years	21'126	26'226
More than five years	7'813	6'469
Total	38'483	40'965

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 8.9 million was recognized as an expense in the income statement in respect of operating leases (2013: CHF 9.1 million). The Group received payments of CHF 0.5 million (2013: CHF 0.6 million) from sublease agreements.

33. CAPITAL COMMITMENTS

As of 31 December 2014, the Group had capital commitment contracts for CHF 377.6 million (2013: CHF 314.2 million), whereof CHF 139.2 million (2013: CHF 121.9 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, as well as enter into capital commitments for seed capital investments into investment programs advised by the Group (see notes 16, 17 and 21).

34. CONTINGENCIES

The Group has contingent assets resulting from the disposal of Asset Management Partners AG, Baar, Switzerland in 2013, where the transaction price included potential earn-out payments. Currently, the future financial impact cannot be assessed reliably.

Contingent liabilities result from the acquisition of PG Italy in 2013. 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 PG Italy within a defined time and under defined conditions. Currently, the future financial impact cannot be assessed reliably.

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 2014 AND 2013

35. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its group entities/subsidiaries (see note 36), associates (see note 20), investment programs (see note 21), pension funds (see note 27), as well as with its management and significant shareholders and their related parties.

In 2014, associates purchased services from the Group in the amount of CHF 6.7 million (2013: CHF 0.3 million). In 2014 the Group received dividends of CHF 4.1 million (2013: CHF 5.7 million) from associates (see note 20).

Loans to related parties of the Group amount to CHF 2.9 million (2013: CHF 2.8 million) and are included in "other financial assets" (see note 22).

The Group purchased at arm's-length treasury shares from its shareholders employed by the Group as follows:

In effective number of shares	2014	2013
Purchase of treasury shares from shareholders employed by the Group	311'420	888'747
	311'420	888'747
Average purchase price per share (in Swiss francs)	237.82	233.87

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 are included in "third party services" (see note 9) and "personnel expenses" (see note 10) and amount to:

In thousands of Swiss francs	2014	2013
Board of Directors:		
Short-term employment benefits	2'803	2'752
Other compensation	361	333
Share-based payment expenses	600	239
Total Board of Directors	3'764	3'324
Executive Board:		
Short-term employment benefits	8'825	7'238
Other compensation	1'037	818
Share-based payment expenses	1'651	1'388
Total Executive Board	11'513	9'444
Total Board of Directors and Executive Board	15'277	12'768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

35. 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-based payment programs (see note 27). At the relevant balance sheet date, they were holding the following number of options, non-vested shares and shares:

Options and non-vested shares:

In effective number of options and non-vested shares	31 December 2014	31 December 2013
Board members (vested options)	32'964	20'443
Board members (non-vested options and shares)	13'737	35'125
Members of the Executive Board (options and non-vested shares)	241'929	365'367
Total	288'630	420'935

Share ownership (unrestricted):

In effective number of shares	31 December 2014	31 December 2013
Board members	8'383'916	8'386'046
Members of the Executive Board	1'866'453	1'804'937
Total	10'250'369	10'190'983

For further information in accordance with Art. 663c of the Swiss Code of Obligations refer to note 10 of the entity accounts of Partners Group Holding AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

36. 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	
			2014	2013
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	-
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (Luxembourg) S.A. ¹⁾	Investment manager	Luxembourg	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Partners Group (Shanghai) Co., Ltd.	Investment manager	China	100%	-
Partners Group (India) Private Limited	Investment manager	India	100%	-
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
PG (Italy) SGR S.p.A. ²⁾	Investment manager	Italy	100%	100%

¹⁾ Formerly known as: Partners Group (Luxembourg) S.à r.l.

²⁾ Formerly known as: Perennius Capital Partners SGR S.p.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

36. SUBSIDIARIES (CONTINUED)

At the end of the reporting period, the Group has other subsidiaries that perform advisory services and hold the investments in the investment programs (see note 21). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		2014	2013
General partner to investment programs	Guernsey	16	16
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 vehicles	UK	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 2014 AND 2013****37. INVOLVEMENT WITH STRUCTURED ENTITIES**

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities often have restricted activities and a narrow and well-defined objective.

Consolidated structured entities

Partners Group supports certain investment programs in their early stage. The decision to seed finance an investment program is taken by responsible bodies defined in Partners Group's ROOs. For further details see note 17.

Unconsolidated structured entities

The fair value of other investments, as presented in note 21, represents the Group's participation in unconsolidated investment program structures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

38. SUBSEQUENT EVENTS

Discontinuation of the minimum exchange rate

On 15 January 2015, the Swiss National Bank ceased to enforce its temporary commitment to maintain the EUR/CHF exchange rate above CHF 1.20 to the euro. As a result, the Swiss franc has strengthened against most relevant currencies. Since the Group's presentation currency is Swiss franc, a weakening of other currencies against Swiss franc will have a negative translation impact on the Group's consolidated results and in equity for Group companies using a different functional currency in 2015. The currency risk sensitivity analysis is included in note 4.3.3. The discontinuation of the minimum exchange rate for the Swiss franc against euro had no impact on the consolidated financial statements for the reporting year.

Pearl

In connection with the appointment of Pearl Management Limited, Guernsey, as beneficiary of the Trust (see note 15), the excess of the net asset value of the shares in Pearl held by PAL over the cost of the investment will be included in "net finance income and expense" at the date when the investment is effectively acquired. The effective gain estimated by the Group is based on Pearl's net asset value per share as of 31 December 2014 and amounts to EUR 36.2 million.

No further events took place between 31 December 2014 and 11 March 2015 that would require material adjustments to the amounts recognized in these consolidated financial statements.



Erik Gunnervall Co-Head Investment Solutions Europe & Middle East, **Michael Studer** Chief Risk Officer, **Jochen Weirich** Investment Solutions Europe

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

1. Report of the Auditors on the Financial Statements of Partners Group Holding AG	122
---	------------

2. Financial Statements of Partners Group Holding AG

– Income statement for the years ended 31 December 2014 and 2013	124
– Balance sheet as of 31 December 2014 and 2013	125
– Notes to the financial statements for the years ended 31 December 2014 and 2013	126

3. Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2014	133
--	------------

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



KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box 18 72
CH-8026 Zurich

Telephone +41 58 249 31 31
Fax +41 58 249 23 19
Internet www.kpmg.ch

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 124 to 133) for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

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



Report on Other Legal Requirements

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

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

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

KPMG AG

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

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'T. Dorst'.

Thomas Dorst
Licensed Audit Expert

Zurich, 11 March 2015

INCOME STATEMENT OF PARTNERS GROUP HOLDING AG FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

In thousands of Swiss francs	2014	2013
Income from financial investments	257'909	316'264
Revaluation gains on financial investments	3'098	1'035
Gains on disposal of participations	653	8'123
Other financial income	7'122	7'355
Total income	268'782	332'777
General and administrative expenses	(2'068)	(1'429)
Other financial expenses	(77'645)	(53'183)
Profit before tax	189'069	278'165
Income tax expense	(57)	(3'146)
Profit for the period	189'012	275'019

BALANCE SHEET OF PARTNERS GROUP HOLDING AG **AS OF 31 DECEMBER 2014 AND 2013**

In thousands of Swiss francs	2014	2013
Assets		
Current assets		
Cash and cash equivalents	139'190	27'445
Marketable securities	9'189	12'798
Treasury shares	119'534	202'267
Trade receivables	-	8
Other receivables:		
Third parties	1'518	93
Group companies	130'665	129'015
Deferred expenses and accrued income	450	532
Total current assets	400'546	372'158
Non-current assets		
Financial investments:		
Participations	741'516	668'562
Loans to group companies	9'619	9'802
Loans to employees	451	801
Other financial assets	1'465	1'256
Total non-current assets	753'051	680'421
Total assets	1'153'597	1'052'579
Equity and liabilities		
Liabilities		
Other current liabilities:		
Third parties	355	2'174
Group companies	272'888	171'159
Accrued expenses	119	387
Provisions	657	398
Total liabilities	274'019	174'118
Equity		
Share capital	267	267
General legal reserves:		
Legal reserves	1	1
Legal reserves from capital contributions	217	217
Reserves for treasury shares	119'534	202'730
Available earnings:		
Retained earnings	570'547	400'227
Profit for the period	189'012	275'019
Total equity	879'578	878'461
Total equity and liabilities	1'153'597	1'052'579

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	2014	2013
Guarantees		
Guarantees for subsidiaries	425'000	425'000

Partners Group Holding AG maintains the following lines of credit as of 31 December 2014 (see note 4.3.2 of the consolidated financial statements):

- CHF 50 million
- CHF 375 million

The amounts drawn by its subsidiaries are guaranteed by Partners Group Holding AG.

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	
		2014	2013	2014	2013
Partners Group AG	Switzerland	CHF 200	CHF 200	100%	100%
Partners Group Corporate Finance AG	Switzerland	CHF 100	-	100%	-
Partners Group (Deutschland) GmbH	Germany	EUR 25	EUR 25	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	EUR 25	EUR 25	100%	100%
Partners Group (Luxembourg) S.A. ¹⁾	Luxembourg	EUR 6'635	EUR 6'635	100%	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%
Partners Group (France) SAS	France	EUR 250	EUR 250	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	BRL 795	BRL 795	100%	100%
Partners Group (USA) Inc.	USA	USD 75	USD 75	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	SGD 250	SGD -	100%	100%
Partners Group (Shanghai) Co., Limited	China	CNY 7'376	-	100%	-
Partners Group (India) Private Limited	India	INR 29'615	-	100%	-
Partners Group (UK) Limited	UK	GBP 450	GBP 450	100%	100%
Partners Group (UK) Management Limited	UK	EUR 125	-	100%	-
Partners Group (Guernsey) Limited	Guernsey	GBP 5'000	GBP 5'000	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	Guernsey	-	EUR -	-	100%
Princess Management Limited	Guernsey	EUR 3'000	EUR 3'000	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 11'520	EUR 13'520	100%	100%
Partners Group Management IV Limited	Guernsey	GBP 20	GBP 20	100%	100%
Partners Group Management V Limited	Guernsey	USD 13'820	USD 11'820	100%	100%
Partners Group Management VI Limited	Guernsey	EUR 20'820	EUR 23'820	100%	100%
Partners Group Management VII Limited	Guernsey	USD 11'120	USD 7'120	100%	100%
Partners Group Management VIII Limited	Guernsey	EUR 5'500	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 18'420	USD 6'420	100%	100%
Partners Group Management XI Limited	Guernsey	USD 6'000	USD 4'000	100%	100%
Partners Group Management XII Limited	Guernsey	EUR 4'020	EUR 2'020	100%	100%
Partners Group Management XIII Limited	Guernsey	AUD 13'020	AUD 10'020	100%	100%
Partners Group Management XIV Limited	Guernsey	USD 16'020	USD 5'020	100%	100%

¹⁾ Formerly known as: Partners Group (Luxembourg) S.à r.l.

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

3. PARTICIPATIONS (CONTINUED)

In thousands of currency units		Share capital		Ownership interest	
		2014	2013	2014	2013
Partners Group Client Access Management I Limited	Guernsey	EUR 20	EUR 20	100%	100%
Partners Group Access Finance Limited	Guernsey	USD 20	USD 20	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%
Partners Group Private Equity Performance Holding Limited	Guernsey	EUR 10	EUR 10	100%	100%
Pearl Holding Limited	Guernsey	EUR 172'217	EUR 10	0%	100%
LGT Private Equity Advisers AG	Liechtenstein	CHF 1'000	CHF 1'000	40%	40%

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 2013	1'218'791	166.59	203'036
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	
Purchase of treasury shares	666'633	237.77	158'503
Sale of treasury shares	(1'074'979)	173.00	(185'969)
Balance as of 31 December 2014	517'547	230.96	

The shares are valued at the lower of transaction or market price. The average value per share amounts to CHF 230.96 (31 December 2013: CHF 218.46).

The company has 1'506'281 (31 December 2013: 2'471'069) outstanding employee options (including non-vested shares) which will vest over the next 10 years (see also note 27 of the consolidated financial statements).

5. RETAINED EARNINGS

In thousands of Swiss francs	2014	2013
Balance as of 1 January	400'227	374'627
Allocation of previous year's result	275'019	183'213
Dividends paid to shareholders	(187'896)	(160'708)
Net changes in reserves for treasury shares	83'197	3'095
Balance as of 31 December	570'547	400'227

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:

	2014	2013
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)

	2014	2013
Gantner Alfred	10.01%	10.01%
Erni Marcel	10.01%	10.01%
Wietlisbach Urs	10.01%	10.01%
BlackRock	5.27%	5.11%

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 0.4 million (net of tax) in 2014. 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 21 November 2014. 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 SHARE OWNERSHIP IN ACCORDANCE WITH ART. 663C SWISS CODE OF OBLIGATIONS

Number of shares/options held as of 31 December 2014			2014
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Wuffli Peter, Chairman	10'000	-	13'407
Dr. Dallara Charles, Executive Vice Chairman	1'169	3'482	6'000
Dr. Erni Marcel	2'673'659	-	-
Gantner Alfred	2'673'659	-	-
Meister Steffen	350'270	1'905	4'350
Dr. Strutz Eric	-	-	5'686
Ward Patrick	-	-	-
Wietlisbach Urs	2'673'659	-	-
Dr. Zürcher Wolfgang	1'500	-	11'871
Executive Board			
Frei André, Co-Chief Executive Officer	61'740	1'466	21'100
Rubeli Christoph, Co-Chief Executive Officer	693'540	1'466	6'100
Wenger Jürg, Chief Operating Officer ¹⁾	142'113	270	900
Dr. Wipfli Cyrill, Chief Financial Officer	38'110	1'986	24'833
Angéloz Claude	259'555	2'986	48'400
Biner René	65'894	1'146	5'300
Haldner Felix	362'802	2'486	17'100
Knecht Andreas	3'316	3'826	12'900
Morin Marlis ²⁾	14'730	2'146	3'700
Näf Stefan	95'436	3'146	65'200
Dr. Schäli Stephan	99'894	1'146	5'300
Dr. Studer Michael	29'323	3'126	5'900
Total	10'250'369	30'583	258'047

¹⁾ member of the Executive Board until 31 December 2014

²⁾ member of the Executive Board since 1 July 2014

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

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

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

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 2014

In thousands of Swiss francs	2014
Profit for the year	189'012
Retained earnings	570'547
Available earnings	759'559
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(226'950)
To be carried forward	532'609



Robert Lustenberger Head Investment Solutions Switzerland, **Stephan Schäli** Head Private Equity, **Stefan Näf** Head Investment Solutions

COMPENSATION REPORT

DEAR CLIENTS, BUSINESS PARTNERS AND FELLOW SHAREHOLDERS,

We are pleased to present you with our Compensation Report for the year ended 31 December 2014. In this report, our Nomination & Compensation Committee outlines the compensation philosophy and principles for Partners Group, as well as providing details of the compensation received by our Executive Committee and Board of Directors for the year ended 31 December 2014.

2014 was another successful year for Partners Group in all regards. Backed by strong client demand, a growing investment platform and continued business expansion, the firm disclosed new record AuM of EUR 37.6 billion at the end of the year while its team size grew further to almost 750 professionals. New client commitments of EUR 6.1 billion were received, while a total of USD 7.9 billion was invested across private markets throughout the year.

As a global private markets investment management firm, we take a long-term approach to our investments in order to optimize value creation for all stakeholders. We take a similarly long-term approach to employee compensation in order to support our business strategy and encourage a corporate culture of commitment, accountability and entrepreneurial behavior over the medium to long term. This approach follows our belief that employees' interests should be closely aligned with those of our clients and shareholders.

For the same reason, Partners Group has always placed a strong emphasis on linking compensation to performance. As such, the firm's compensation framework is structured around four principal components that are weighted differently depending, amongst other things, on the function, level of experience and contribution of the individual employee. The four components consist of (i) a base salary and additional employee benefits, (ii) variable regular and/or special bonus payments, (iii) variable Employee Participation Plan (EPP) awards and (iv) variable Management Carry Plan (MCP) entitlements. These compensation components will be explained in further detail below (section 1.3).

Generally, the rule is that the more senior the employee, the greater the proportion of their annual compensation that is variable and structured to be rewarded

over the medium to long term, thereby underlining the links between reward, commitment and performance.

Our compensation framework has been structured to help attract and retain the competent and entrepreneurial people that are at the heart of Partners Group's success in managing investments, serving clients, operating the firm, and growing the business. It reflects Partners Group's consistent approach across business lines, functions and geographies and supports collaborative behavior and team work. It also aims to reward high-performing Partners Group staff with wealth creation opportunities.

Changes to the compensation structure in 2014

Though the general philosophy behind our compensation policy has remained unchanged over the years, we nonetheless undertake periodic reviews of our compensation structure and make adjustments as necessary in order to ensure the interests of employees, clients, shareholders and other stakeholders remain best aligned.

One such review was undertaken in 2014, with the result that we adjusted the vesting timeframes of the stock-based compensation component (EPP) awarded to employees from 2012 onwards. We moved from cliff vesting at two- or five-year periods to a linear vesting model with proportionate annual vesting every year for a three- to five-year period following the award.

A new Swiss regulatory landscape

On 20 November 2013, the Swiss Federal Council issued the ordinance against excessive compensation in listed joint stock companies ("OaEC"). The OaEC obliges listed joint stock companies to annually submit the Board of Directors' and Executive Committee's compensation to shareholders for a binding vote ("Say on Pay").

The OaEC also contains new rules on corporate governance with a direct impact on management, shareholders and independent proxies. Some of the provisions had to be complied with as of 1 January 2014, when the OaEC came into force; others were applicable as of the 2014 and 2015 Annual General Meetings of shareholders ("AGM").

In preparation for a seamless transition to the new Say on Pay regime, Partners Group asked shareholders at its 2014 AGM last May to approve the budgets for the

COMPENSATION REPORT

Board of Directors' and Executive Committee's compensation for the financial years 2014 and 2015 in a consultative vote. The compensation budgets approved by shareholders for the Board of Directors and the Executive Committee included a contingency budget ("Zusatzbeitrag") to cover compensation for any additional members of the Executive Committee appointed after the approval of the compensation budget at the 2014 AGM. It also included full annual compensation for any members leaving the Board or the Committee during the year.

We are pleased to report that the actual compensation of the Board of Directors for 2014 was well below the approved compensation budget 2014. The actual cash and EPP compensation of the Board of Directors amounted to CHF 3.8 million (2013: CHF 3.9 million) and was therefore below the maximum budgeted threshold of CHF 5.0 million as approved at the 2014 AGM. The actual MCP grant was a proportion of the total 2014 carry pool and amounted to 2.0% (2013: 2.8%) and was also below the maximum budgeted threshold of 4.2% as approved at the 2014 AGM. This translates into a payout assumption of CHF 6.4 million (2013: CHF 6.5 million) to all members of the Board of Directors.

Similarly, the actual compensation of the Executive Committee for 2014 was well below the approved compensation budget 2014. The actual cash and EPP compensation amounted to CHF 11.5 million (2013: CHF 9.4 million) and was therefore below the maximum budgeted threshold of CHF 14.2 million as approved at the 2014 AGM. The actual MCP grant was a proportion of the total carry pool 2014 and amounted to 6.2% (2013: 5.7%) and was also below the maximum budgeted threshold of 8.6% as approved at the 2014 AGM. This translates into a payout assumption of CHF 20.3 million (2013: CHF 13.3 million) to all Executive Committee members.

Pursuant to Art. 663c of the Swiss Code of Obligations, the shares and/or options held or vested by the members of the Board of Directors and the Executive Committee must be disclosed in note 10 to the financial statements of Partners Group Holding AG. Pursuant to Art. 14 and 15 of the OaEC, all compensation paid in 2014 to the members of the Board of Directors and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board of Directors and the Executive Committee, will be disclosed in this compensation report 2014.

Over the following pages you will find details of Partners Group's compensation framework and, in line with the OaEC, all compensation rewarded to its Board of Directors and Executive Committee in 2014.

By strictly following our compensation guidelines, we are convinced that our compensation system is well balanced between clients', shareholders' and employees' interests and sets the basis for continued success.

Yours sincerely,



Dr. Wolfgang Zürcher
Chairman of the Nomination
& Compensation Committee



Dr. Peter Wuffli
Chairman of the
Board of Directors

COMPENSATION REPORT

1. General compensation philosophy, principles and components and governance for the broader management team

1.1 Philosophy

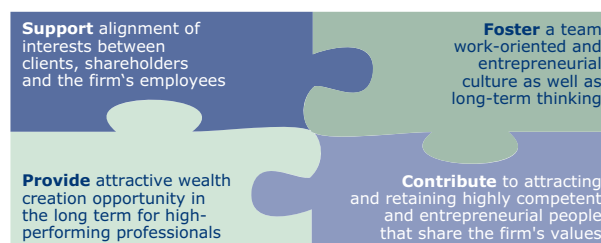
Partners Group's compensation framework is designed to support the firm's business strategy and promote a corporate culture that ensures the company's sustained success, while adhering to its vision and principles. The philosophy behind the compensation framework is based on the firm's objective of providing clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis.

The private markets industry is characterized by long-term commitments to investments and Partners Group's clients typically commit to limited partnership investment vehicles with a contractual life of ten to twelve years. In order to best marry the interests of clients, shareholders and employees, Partners Group's compensation framework is structured as a long-term incentive plan which aligns the awards received by its professionals with clients' investment performance and the firm's financial success, while being competitive at the same time.

The broader management teams in particular are incentivized to participate in delivering superior performance to clients. These teams are eligible for compensation derived from the performance fees (carry) earned from Partners Group's investments, which is drawn from a blend of carry pools across different asset classes or investment strategies. As such, the compensation framework reflects Partners Group's "one firm" character and its endeavors across business lines, functions and geographies to enable and support collaborative behavior and team work.

The firm's compensation structure contributes to attract and retain the highly competent and entrepreneurial people that are at the heart of the firm's success in managing investments, serving clients, operating the firm, and developing its activities over time. It has four over-arching goals, outlined in exhibit 1.

Exhibit 1: Key goals in Partners Group's compensation structure



1.2 Compensation principles

When making compensation decisions, Partners Group's Nomination & Compensation Committee (NCC) follows these four guiding principles:

Exhibit 2: Guiding compensation principles



Differentiated approach: Partners Group has a unique business model and operates as one global firm, albeit with differentiated business lines and functions. Therefore, the main drivers for the variable compensation elements in the firm's compensation framework are relative to individual and team performance and contributions, as well as overall Partners Group achievements. Compensation follows contribution.

Equal opportunity and non-discrimination: Partners Group is an equal employment opportunity employer and does not discriminate in employment on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. The firm is committed to a "same pay for the same contribution policy" and therefore systematically conducts equal pay analysis across departments and regions.

Judgement supersedes formula: while rigorous and fact-based performance assessments contribute to determining overall compensation levels, the final decisions are made on a discretionary basis, also taking into account individual contributions and achievements in support of Partners Group's purpose, strategy and values.

COMPENSATION REPORT

Compensation is no substitute for talent development: as in any investment firm, compensation is an important pillar for governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

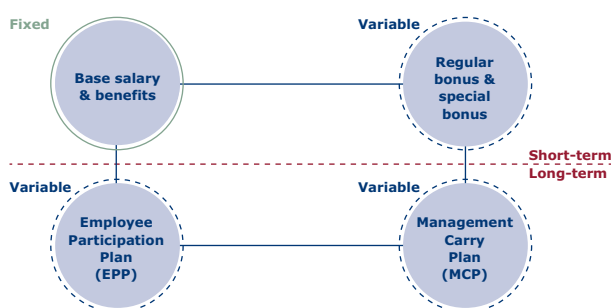
All of the above principles apply to all employees, but may vary in certain locations due to local laws and regulations.

1.3 Four compensation components

Partners Group's compensation framework is structured around four principal components that are weighted differently in the final compensation package depending, amongst others, on the function, level of experience and contribution of the individual employee.

The four components are: (i) base salary & additional employee benefits, (ii) variable regular bonus and/or special bonus payment, (iii) variable Equity Participation Plan (EPP) and (iv) variable Management Carry Plan (MCP). With an increasing level of seniority and to assure strong alignment with clients and shareholders, a significant part of the total compensation package is variable and tied to long vesting periods.

Exhibit 3: Compensation components



Fixed compensation

Base salary: the base salary is paid from management fee-related revenues and is decided based on an individual's role and level of responsibility for the upcoming year. At the very senior level, salaries are typically only adjusted meaningfully with a change of role, level of responsibility, or leadership function. Typically, base salaries are paid on a monthly basis.

Benefits: this additional element of fixed compensation is designed to provide protection against the major economic risks of sickness, accident, disability, death and retirement. The exact structure and amount of benefits paid is based on standard practice in the relevant local market and therefore varies across jurisdictions.

Short-term variable compensation

Regular bonus: the regular bonus is a discretionary and variable short-term cash incentive that is rewarded at year-end based on the financial budget set by the Nomination & Compensation Committee, which primarily considers the overall success of the firm in the respective year, and specifically the development of the company's year-end EBITDA. This cash bonus component is typically paid from management fee revenues and is allocated to departments depending on team and individual achievements. Employees are typically notified of their bonus at year-end and it is paid to them with their salary the following February.

Special bonus (if available): the special bonus is an additional discretionary and variable short-term cash incentive that is rewarded at year-end based on the financial budget set by the Nomination & Compensation Committee. The special bonus pool is derived from realized performance fees that have not been allocated to the MCP and can include non-recurring revenues earned during the reporting year. The Nomination & Compensation Committee budgets the allocation of about 40% of these total proceeds to the special bonus pool, which is then allocated between individual teams and departments based on their contribution to performance. Individual allocations to employees are entirely discretionary. Like the regular bonus, employees are typically notified of any special bonus at year-end and it is paid to them with their salary the following February.

Based on the growing importance of very long-term MCP relative to special bonus compensation for high-performing staff, Partners Group expects the special bonus pool to be largely replaced by MCP allocations over the medium term.

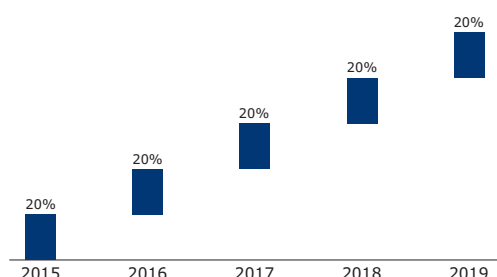
COMPENSATION REPORT

Long-term variable compensation

Employee Participation Plan (EPP): all senior professionals receive a portion of their compensation in Partners Group shares and/or options, which are awarded at year-end through an equity participation program called the Employee Participation Plan (EPP).

In 2014, only shares and no options were granted following the modification of the EPP vesting parameters. The vesting of these 2014 share allocations follows a linear model, with proportionate annual vesting every year for a three- to five-year period following the award, depending on the rank of the employee (three years: assistant vice president and below; five years: vice president and above) and contingent on their continued employment.

Exhibit 4: 2014 vesting parameters of shares for Vice Presidents and above



The vesting parameters of EPP incentives are rather stringent. Any holder of blocked shares and/or options leaving the firm has the obligation to render his or her blocked interest back to the company.

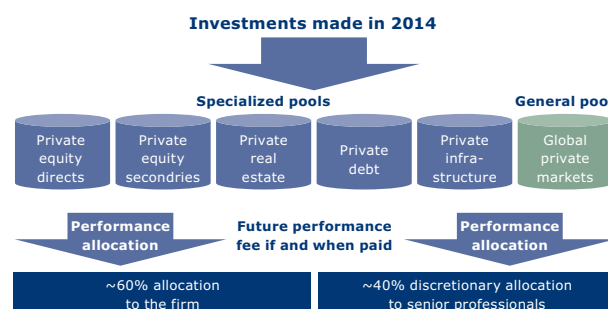
Further information on duration, exercise price etc. of Partners Group's stock option program can be found in note 27 (b) to the consolidated financial statements included in the Annual Report 2014.

Overall, the terms of Partners Group's vesting periods are longer than average in the financial industry, with plan durations of five years for the broader management team. These long vesting periods are designed to foster mid- to long-term thinking and acting by the broader management team.

The firm expenses share-based payments over the vesting period. The distribution of such expenses is uneven and typically results in higher expenses in the earlier years and lower expenses in later years, in line with IFRS accounting standards.

Management Carry Plan (MCP): Partners Group introduced a dedicated management compensation program in 2010 (first investment pool), whereby a portion of the potential future performance fees from investments made during the year under review is allocated on a discretionary basis to the broader management teams, including members of the Board of Directors and the Executive Committee. In other words, the participants in the program are granted the right to receive a portion of future performance fees if and when paid to the firm. The Board of Directors plans an allocation of ~ 40% of potential future performance fees to the MCP scheme and special bonus pool for senior professionals annually.

Exhibit 5: Carry pools and carry allocation 2014



The MCP is currently drawn from five specialized carry pools and one general carry pool. The specialized carry pools include private equity directs, private equity secondaries, private real estate, private debt, and private infrastructure investments and the general pool considers a wide range of private markets investments across asset classes.

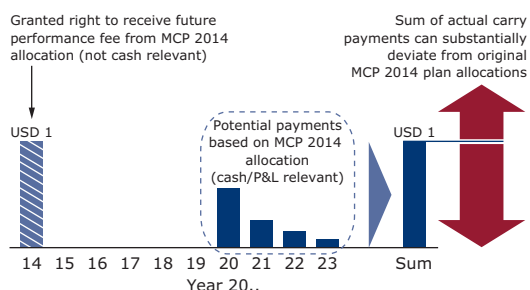
Individual senior professionals may receive an MCP grant from several pools if specific contributions to the investments in such pools were made. This performance fee sharing is designed to promote Partners Group's integrated investment approach, according to which every professional has an incentive to contribute to the investments of every asset class, and not solely of the asset class and/or function they are primarily focusing on. The amount granted to any individual employee under the MCP is decided on a discretionary basis based on factors such as (i) function, level and responsibility, (ii) personal contribution to the business in the respective period and (iii) specific contribution to the investments underlying the carry pool. MCP grants aim to promote continuity and vest linearly over a period of five years (same vesting schedule as for the EPP), subject to a minimum five-year tenure for employees. If an employee leaves Partners Group, all of his/her un-

COMPENSATION REPORT

vested performance fees are returned to the company, thereby encouraging employees to remain with the firm for the long term.

The actual amount received by the individual professional after the vesting period depends on the eventual performance of the investments underlying the carry pool that year; it could be higher than the original amount allocated, however, it could also be lower if the investment performance is lower than anticipated as the illustration below demonstrates.

Exhibit 6: Illustrative example of MCP 2014 grants vs. actual cash flow



MCP allocations in 2014: actual values depend on the future performance attributable to investments made during the year of review and cannot reliably be estimated at the point of grant because they depend on numerous variable parameters. As a consequence, the costs associated with these MCP-related performance fees are also unable to be estimated reliably, so the firm did not recognize any expenses and liabilities for the MCP allocations in 2014 in its consolidated financial statements 2014, in line with the governing accrual principle. Hence, potential future MCP payments to employees will be recognized when the respective contingent rights materialize and actual performance fees are generated. These MCP payments to employees, resulting from former MCP grants, are therefore backed by actual cash flows generated by the performance of the underlying investment programs.

1.4 Governance overview

Compensation allocation is an important and challenging governance and leadership task. As such, Partners Group's Board of Directors tasks a Nomination & Compensation Committee with carrying out a systematic process annually. This committee combines responsibilities for "nomination" and "compensation" proposals, as both are an integral and closely linked part of a typical compensation consideration. The nomination process ensures the promotion of individuals based on their individual contribution to the firm's success, while the

compensation process ensures the respective adjustment to the total compensation reflecting the new rank and/or responsibilities. The combining of the nomination and compensation process into one committee should ensure a seamless transition from a potential nomination to the relevant compensation of a professional.

As of 31 December 2014, the members of the Nomination & Compensation Committee were Dr. Wolfgang Zürcher (chair), Steffen Meister and Dr. Peter Wuffli. All members were elected for a tenure of one year with possible re-election.

The Nomination & Compensation Committee fulfills the duties set out for it in the firm's articles of association. In particular, the committee oversees the compensation structure in order to ensure adherence to Partners Group's strategy, culture and recognized best practices. It reviews compensation proposals to ensure they comply with determined principles and performance criteria and evaluates their consistency with the firm's guiding values, such as 'fair pay' and 'same pay for the same contribution'. It advises and supports the Board of Directors and the Executive Committee with regards to firm-wide promotion nominations and measures leadership development and succession planning. It has the right to submit motions and recommendations related to nominations and compensation to the Board and is ultimately responsible for the preparation of the compensation report.

The committee typically meets in the third quarter of every year to set the framework for the overall compensation strategy for that year. Specifically, it defines the overall budget for the basic and variable compensation components for the current year, as well as the salary increases for the subsequent year based on budgets approved by the Board of Directors. It also sets the overall budgets for the EPP and MCP and defines guidelines for the allocation of these. In doing this, it takes into consideration the overall budget and forecast for the current and following year, along with the progress of Partners Group's investment activities.

For the compensation of the Executive Committee, proposals are made within the bounds of the compensation budget for Executive Committee members proposed at the most recent AGM of shareholders.

Once these over-arching parameters have been defined by the Nomination & Compensation Committee, it also considers budget proposals from each individual de-

COMPENSATION REPORT

partment. Following this review, the Executive Committee then works with the management of the separate business departments to prepare suggestions for individual allocations from the overall budget and define the candidates for promotion. These proposals are then presented to the Nomination & Compensation Committee for further discussion and decision-making in the fourth quarter of every year. At this meeting, the Nomination & Compensation Committee approves the overall compensation and promotion schedule. Partner- and Managing Director-level promotions and compensation are ratified individually and certain decisions are proposed to the full Board of Directors for final consideration and decision.

The Nomination & Compensation Committee’s proposed compensation for the members of the Board of Directors and the Executive Committee is also reviewed separately by the Board of Directors in an additional step before finalization. Compensation authorities are summarized below.

Exhibit 7: Compensation authorities

Level	Proposal	Approval
Chairman of the Board of Directors	Chairman of the NCC	Board of Directors decides
Members of the Board of Directors	NCC	
Co-CEOs		
Executive Committee	Delegate and Co-CEOs	NCC approves, Board of Directors ratifies
Other professionals	Executive Committee	

COMPENSATION REPORT

2. Compensation paid to the Executive Committee in 2014

2.1 Compensation framework

The annual compensation of the members of the Executive Committee, except for the Co-CEOs, is proposed by the Delegate of the Board together with the Co-CEOs and approved by the Nomination & Compensation Committee. The Co-CEOs' compensation is proposed by Nomination & Compensation Committee and ratified by the Board of Directors.

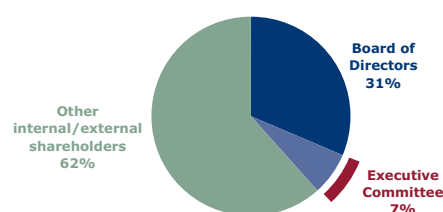
The compensation typically consists of a fixed base salary, which is paid on a monthly basis, additional employee benefits (pension fund, expense allowance etc.), as well as a regular and/or special bonus, shares and/or options allocated under the Equity Participation Plan (EPP) and includes participation in the Management Carry Plan (MCP) for the year under review.

To assure strong alignment with clients and shareholders, a significant part of the total Executive Committee compensation is performance-based and tied to long vesting periods. Over 60% of total compensation is allocated in the form of MCP, the most long-term compensation component.

EPP considerations have been a substantial part of the firm's overall compensation considerations since 2000

and have allowed select individuals who have contributed significantly to the overall success of the firm to build up a substantial ownership in Partners Group Holding AG. This equity participation has resulted in an increasingly strong alignment of interest between clients and shareholders and the senior leadership team of the firm. Today, dividend payments have become an important income source for select members of the Executive Committee.

Exhibit 8: Executive Committee's share ownership (in % of total PGHN shares outstanding)



A detailed overview of the share and option ownership held by individual members of the Executive Committee as of 31 December 2014 can be found in note 10 to the financial statement of Partners Group Holding AG in the Annual Report 2014. Further information on duration, exercise price etc. of Partners Group's stock option program can be found in note 27 (b) to the consolidated financial statements included in the Annual Report 2014.

Exhibit 9: Executive Committee members & functions

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	39	Co-Chief Executive Officer
Christoph Rubeli	1998	Swiss	53	Co-Chief Executive Officer and Co-Head Investments ¹
Dr. Cyrill Wipfli	2002	Swiss	41	Chief Financial Officer
Jürg Wenger ²	1999	Swiss	55	Chief Operating Officer
Claude Angéloz	2000	Swiss	47	Co-Head Private Real Estate
René Biner	1999	Swiss	44	Co-Head Investments ³
Felix Haldner	2001	Swiss	51	Head Investment Structures
Andreas Knecht	2009	Swiss	45	General Counsel
Stefan Näf	2000	Swiss	41	Head Investment Solutions
Marlis Morin ⁴	2003	Italian	44	Head Client Services
Dr. Stephan Schäli	1999	Swiss	46	Head Private Equity
Reto Schwager ⁵	2006	Swiss	44	Co-Head Client Services
Dr. Michael Studer	2001	Swiss	42	Chief Risk Officer and Head Investment Services

¹ Co-Head Investments as of 1 January 2015

² member until 31 December 2014

³ Head Private Finance until 31 December 2014

⁴ member from 1 July 2014

⁵ member until 30 June 2014

COMPENSATION REPORT

2.2 Executive Committee members

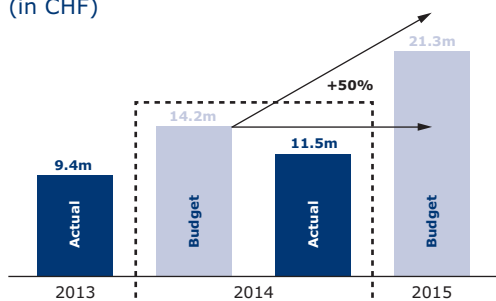
In 2014, the Executive Committee of Partners Group consisted of the members shown on page 142. Further details on the members of the Executive Committee's professional history and education, including other activities and functions can be found in the Corporate Governance Report under note 4.

2.3 Compensation in 2014

Total compensation paid to the Executive Committee in 2014 remained within the approved 2014 compensation budgets for Executive Committee members proposed at the last AGM of shareholders in May 2014. The approved budget for cash and EPP compensation included cash salary and benefits, regular and special bonus payments and granted shares and/or options.

A separate budget was approved for Executive Committee members with regards to MCP grants, relating to future performance fees from investments attributable to the financial year 2014.

Exhibit 10: Approved cash & EPP compensation budgets of the Executive Committee (in CHF)



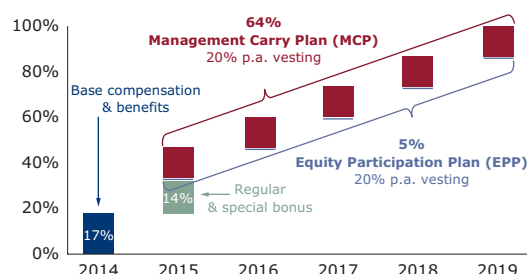
In 2014, the actual MCP grant to the Executive Committee was a proportion of the total carry pool 2014 and amounted to 6.2% (2013: 5.7%) and was therefore below the maximum threshold of 8.6% as approved at the 2014 AGM. This translates into a payout assumption of CHF 20.3 million (2013: CHF 13.3 million) to all Executive Committee members.

2014 MCP grants expressed in CHF for the Executive Committee are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2014. For each 1% of carry pool allocation, Partners Group assumed an expected payout range from CHF 0 to CHF 4.9 million and used CHF 3.3 million as a base case scenario.

Since the MCP was only introduced in 2010, many MCP pools are still young and have therefore not yet generated meaningful performance fees. As a result, the actual payout to Executive Committee members has been significantly less than their received allocation.

The weighting of the different components in the 2014 compensation packages for Executive Committee members and the vesting timelines of those components are outlined in exhibit 11.

Exhibit 11: total 2014 Executive Committee compensation (components & timing of vesting)



Note: each component expressed in % of total Executive Committee compensation

The ratio of the Executive Committee's variable component (regular and special bonus, equity incentives and other compensation, excl. MCP) compared to the base compensation ranged from 50% to 200% in 2014 (2013: 80% to 306%).

The two highest paid members of the Executive Committee in 2014 were the two Co-CEOs, André Frei and Christoph Rubeli. A detailed overview of their individual compensation components and the overall compensation components of the Executive Committee in 2014 is outlined in exhibit 12.

2.4 Loans to the Executive Committee (audited)

Executive Committee members may apply for loans and fixed advances, subject to an internal review and approval process. As of 31 December 2014, no loans were outstanding to either current or former Executive Committee members or a related party of a current or former Executive Committee member.

2.5 Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MCP vesting periods etc. in place in case of departure of a member of the Executive Committee. Partners Group did not make any such payments mentioned above in 2013 and 2014.

COMPENSATION REPORT

Exhibit 12: Executive Committee compensation 2014 (audited)

In thousands of Swiss francs (TCHF)						2014	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/ shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Executive Committee							
Frei André, Co-Chief Executive Officer	450	550	105	150	1'255	0.7%	2'289
Rubeli Christoph, Co-Chief Executive Officer	450	550	103	150	1'253	0.7%	2'289
Total Executive Committee	4'450	4'375	1'037	1'651	11'513	6.2%	20'324

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 2014. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 4'904 and used TCHF 3'269 as a base case scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

Exhibit 13: Executive Committee compensation 2013 (audited)

In thousands of Swiss francs (TCHF)						2013	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/ shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Executive Committee							
Dr. Schäli Stephan, Head Private Equity	370	305	84	96	855	0.8%	1'854
Total Executive Committee	3'990	3'248	818	1'388	9'444	5.7%	13'254

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 TCHF 0 to TCHF 3'498 and used TCHF 2'332 as a base case scenario for illustrative purposes. Amounts disclosed in prior's years financial statement slightly differ due to use of average daily foreign exchange rates (i.e. CHF/USD).

COMPENSATION REPORT

3. 2014 compensation for the Board of Directors

3.1 Compensation framework

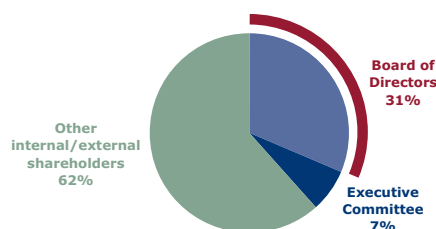
Partners Group's shareholders approved the budget for the Board of Directors' compensation for the financial years 2014 and 2015 with regards to the new "Say on Pay" regime at its 2014 AGM. The individual compensation of the members of the Board of Directors has been set at the full discretion of the Board of Directors, evaluated by the Nomination & Compensation Committee.

The Board of Directors is compensated according to the same principles and with generally the same compensation components as the Executive Committee. The typical base compensation of a member of the Board consists of a fixed base compensation including other benefits. Additional compensation elements such as a regular bonus and special bonus as well as EPP grants may be proposed to reflect individual functions, responsibilities and performance. To ensure strong alignment with clients and shareholders, a significant part of the total compensation of members of the Board is made through MCP grants which are performance-based and tied to long vesting periods. MCP grants to the Board of Directors represent over 60% of the total compensation received.

Furthermore, some members of the Board have a significant share ownership in the firm, aligning their interests with clients and shareholders. Dividend payments stemming from their shareholdings represent an

additional financial consideration under their engagement with the firm.

Exhibit 14: Board of Directors' share ownership
(in % of total PGHN shares outstanding)



A detailed overview of the share and option ownership held by individual members of the Board as of 31 December 2014 can be found in note 10 to the financial statement of Partners Group Holding AG in the Annual Report 2014. Further information on duration, exercise price etc. of Partners Group's stock option program can be found in note 27 (b) to the consolidated financial statements included in the Annual Report 2014.

3.2 Members of the Board of Directors

Partners Group Holding AG's Board of Directors is entrusted with deciding the ultimate strategy and direction of the company and the supervision of the management. As of 31 December 2014, the Board of Directors consisted of nine members, five of whom were independent.

Exhibit 15: Board of Directors members & functions

Name	Director since	Term expires	Nationality	Age	Committee membership ²	Function
Dr. Peter Wuffli ¹	2009	2015	Swiss	57	SC, NCC	Chairman, Chairman of the Strategy Committee
Dr. Marcel Erni	1997	2015	Swiss	49	SC	Chief Investment Officer
Alfred Gantner	1997	2015	Swiss	46	SC, RAC	Chairman of the Global Investment Committee
Urs Wietlisbach	1997	2015	Swiss	53	MC, SC	Chairman of the Markets Committee
Dr. Charles Dallara ¹	2013	2015	American	66	MC	Executive Vice Chairman, Chairman of the Americas
Steffen Meister	2013	2015	Swiss	44	SC, NCC, MC	Delegate of the Board
Dr. Eric Strutz ¹	2011	2015	German	50	RAC, NCC	Chairman of the Risk & Audit Committee
Patrick Ward ¹	2013	2015	British	62	MC	Chairman UK & Middle East
Dr. Wolfgang Zürcher ¹	2005	2015	Swiss	50	NCC, RAC	Chairman of the Nomination & Compensation Committee

¹ independent Partners Group Board member in line with the independency criteria outlined in section 3.1 in the Corporate Governance report.

² SC: Strategy Committee, MC: Markets Committee, NCC: Nomination & Compensation Committee, RAC: Risk & Audit Committee
detailed information on committees is provided in section 3.3 in the Corporate Governance report.

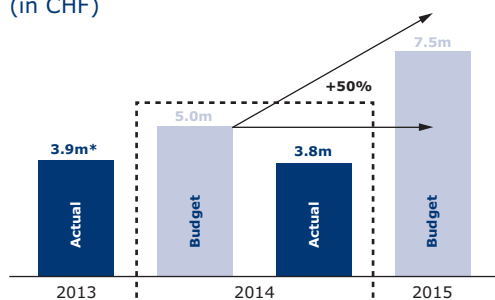
COMPENSATION REPORT

Further information on the criteria for Board member independence and the professional history and education of each Board member, including other activities and functions such as mandates on boards of important corporations, organizations and foundations, or permanent functions for important interest groups, can be found in note 3 in the Corporate Governance report 2014.

3.3 Compensation in 2014

The total compensation paid to the Board of Directors in 2014 remained within the 2014 compensation budget for the Board of Directors approved at the 2014 AGM.

Exhibit 16: Approved cash & EPP compensation budgets of the Board of Directors (in CHF)



*in addition to the amounts disclosed in the 2013 financial statement, TCHF 577 sign-on considerations in form of shares and options to one member of the Board of Directors and a total of TCHF 15 in adjustments accounting for pensions and other benefits for some members of the Board of Directors are included.

Next to the actual cash and EPP compensation in 2014, select members of the Board of Directors were granted MCP. The actual MCP grant was a proportion of the total carry pool 2014 and amounted to 2.0% (2013: 2.8%) and was therefore below the maximum threshold of 4.2% approved at the 2014 AGM. This translates into a payout assumption of CHF 6.4 million (2013: CHF 6.5 million) to all members of the Board.

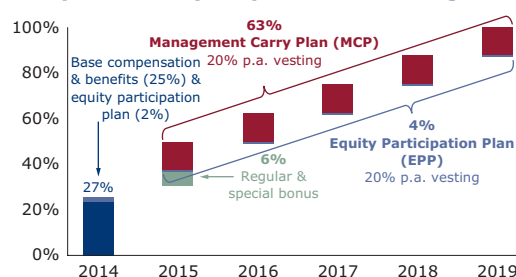
2014 MCP grants expressed in CHF for members of the Board of Directors are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2014. For each 1% of carry pool allocation, Partners Group assumed an expected payout range from CHF 0 to CHF 4.9 million and used CHF 3.3 million as a base case scenario for illustrative purposes.

Since the MCP was only introduced in 2010, many MCP pools are still young and have therefore not yet generated meaningful performance fees. As a result, the ac-

tual payout to members of the Board of Directors has been significantly less than their received allocation.

The weighting of the different components in the 2014 compensation packages for the Board and the vesting timelines of those components are outlined in exhibit 17. A detailed overview of individual compensation components of all members of the Board of Directors in 2014 is outlined in exhibit 18.

Exhibit 17: total 2014 Board of Directors' compensation (components & timing of vesting)



Note: each component expressed in % of total Board of Directors compensation

3.4 Loans to the Board of Directors (audited)

Members of the Board may apply for loans and fixed advances, subject to an internal review and approval process. Such loans are made on substantially the same terms as those granted to other employees, including interest rates and collateral.

As of 31 December 2014, two loans to a Board member were outstanding (exhibit 20). No loans were outstanding to a former member of the Board or a related party of a member of the Board of Directors.

3.5 Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, "golden parachutes", reduced stock and/or option and MCP vesting periods etc. in place in case of departure of a member of the Board of Directors. Partners Group did not make any such payments mentioned above in 2013 and 2014.

COMPENSATION REPORT

Exhibit 18: Board of Directors compensation 2014 (audited)

In thousands of Swiss francs (TCHF)						2014	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/ shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Board of Directors							
Dr. Wuffli Peter, Chairman	150	-	13	100	263	0.1%	458
Dr. Erni Marcel, Member	300	-	64	-	364	0.3%	916
Gantner Alfred, Member	300	-	79	-	379	0.3%	916
Wietlisbach Urs, Member	300	-	68	-	368	0.3%	916
Dr. Dallara Charles, Executive Vice Chairman & Chairman of the Americas	463	590	43	400	1'496	0.3%	916
Meister Steffen, Delegate	300	-	59	-	359	0.4%	1'373
Dr. Strutz Eric, Member	50	-	5	50	105	-	-
Ward Patrick, Member	300	-	25	-	325	0.3%	916
Dr. Zürcher Wolfgang, Member	50	-	5	50	105	-	-
Total Board of Directors	2,213	590	361	600	3'764	2.0%	6'409

¹⁾ amounts include payments by Partners 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 2014. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 4'904 million and used TCHF 3'269 million as a base case scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

COMPENSATION REPORT

Exhibit 19: Board of Directors compensation 2013 (audited)

In thousands of Swiss francs (TCHF)						2013	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation ¹⁾	Options/shares	Subtotal cash and equity ²⁾	MCP in %	MCP ³⁾
Board of Directors							
Gantner Alfred, Executive Chairman	320	-	74	-	394	0.4%	927
Dr. Erni Marcel, Executive member	320	-	57	-	377	0.4%	927
Wietlisbach Urs, Executive member	320	-	61	-	381	0.4%	927
Dr. Dallara Charles ⁴⁾⁵⁾ , Executive Vice Chairman	370	373	52	816	1'611	0.6%	1'390
Meister Steffen ⁴⁾ , Delegate	470	255	89	-	814	0.7%	1'622
Dr. Strutz Eric ⁶⁾ , Member	50	-	4	-	54	-	-
Ward Patrick ⁴⁾⁶⁾ , Member	124	-	4	-	128	0.3%	695
Dr. Wuffli Peter ⁶⁾ , Member	100	-	7	-	107	-	-
Dr. Zürcher Wolfgang ⁶⁾ , Member	50	-	0	-	50	-	-
Total Board of Directors	2'124	628	348	816	3'915	2.8%	6'488

¹⁾ amounts include payments for pensions and other benefits

²⁾ amounts include payments by Partners 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 TCHF 0 to TCHF 3'498 and used TCHF 2'332 as a base case scenario for illustrative purposes. Amounts disclosed in prior's years financial statement slightly differ due to use of average daily foreign exchange rates (i.e. CHF/USD).

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

⁵⁾ in addition of the amounts disclosed in the 2013 financial statement, TCHF 577 sign-on considerations in form of shares and options are included.

⁶⁾ in addition of the amounts disclosed in the 2013 financial statement, a total of TCHF 15 in adjustments accounting for pensions and other benefits are included.

Exhibit 20: Outstanding loans to members of the Board of Directors (audited)

In thousands of Swiss francs (TCHF)			2014
Name	Function	Loans outstanding	
Dr. Charles Dallara	Executive Vice Chairman & Chairman of the Americas	59	
Dr. Charles Dallara	Executive Vice Chairman & Chairman of the Americas	49	
Total loans outstanding		108	

In thousands of Swiss francs (TCHF)			2013
Name	Function	Loans outstanding	
Dr. Charles Dallara	Executive Vice Chairman & Chairman of the Americas	49	
Total loans outstanding		49	

COMPENSATION REPORT



KPMG AG
Audit Financial Services
 Badenerstrasse 172
 CH-8004 Zurich

P.O. Box 18 72
 CH-8026 Zurich

Telephone +41 58 249 31 31
 Fax +41 58 249 23 19
 Internet www.kpmg.ch

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

Partners Group Holding AG, Baar

We have audited the accompanying Compensation Report of Partners Group Holding AG (sections 2.4 to 2.5 and exhibits 12 to 13 on pages 143-144 as well as sections 3.4 to 3.5 and exhibits 18 to 20 on pages 146-148) for the year ended 31 December 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation Report for the year ended 31 December 2014 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Christoph Gröbli
 Licensed Audit Expert
 Auditor in Charge

Thomas Dorst
 Licensed Audit Expert

Zurich, 11 March 2015



Anthony Shontz and **Brad Hanan** Private Equity Secondaries, **Adam Howarth** Co-Head Private Equity Secondaries, **Andreas Mnderlein** Private Equity Secondaries

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 Exchange Regulation. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Securities and Exchange Commission (SEC) and the 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 Committee
5. Global Executive Board
6. Compensation, shareholdings and loans
7. Shareholders' participation rights
8. Changes of control and defense measures
9. Auditors
10. Information policy
11. Non-applicability/negative disclosure

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

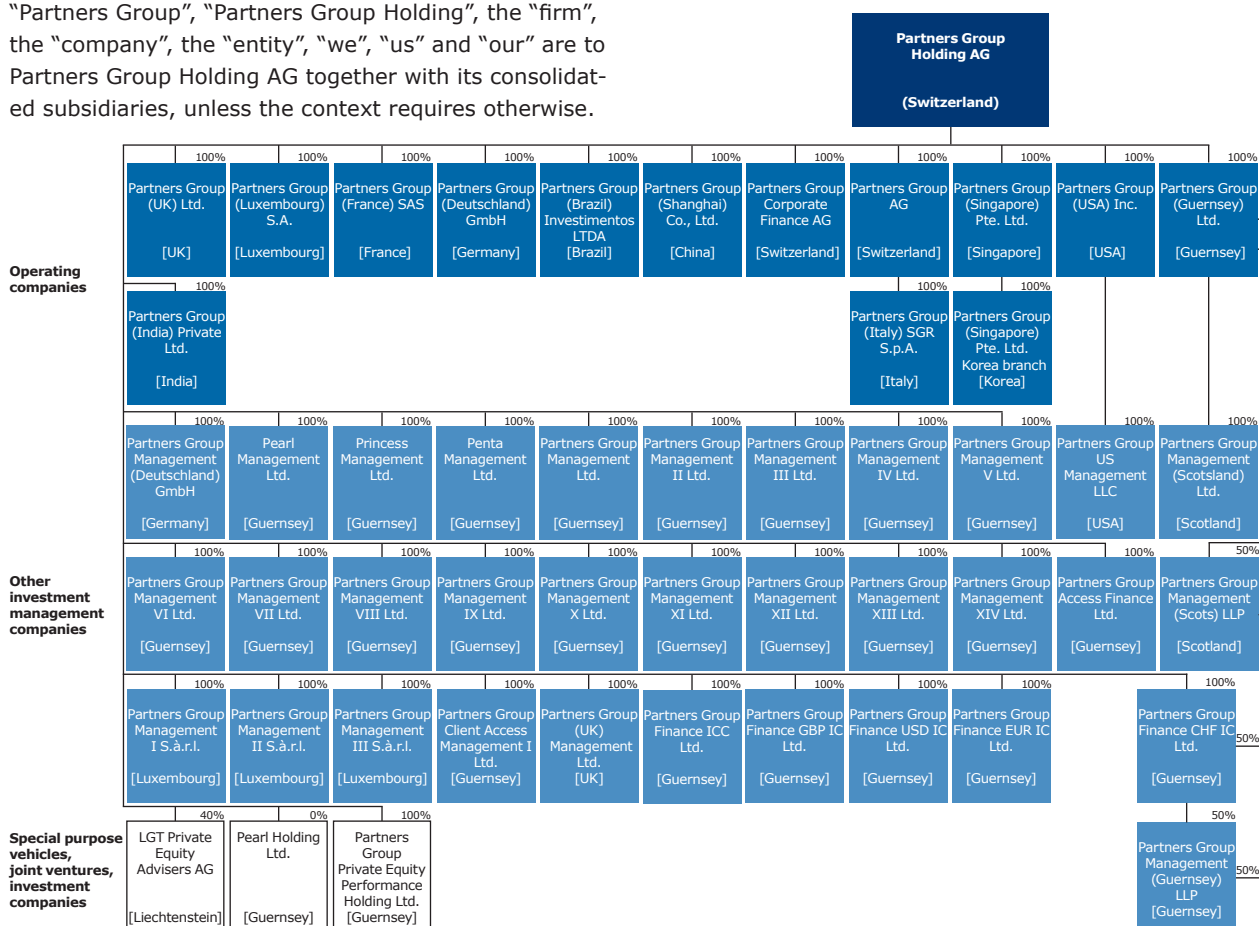
Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United Kingdom, the United States, Singapore, Guernsey and other jurisdictions. The chart below provides an overview of the group structure as of 31 December 2014.

1.1.2 Listed companies belonging to the Group

Partners Group is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. The shares of Partners Group Holding are listed pursuant to the Main Standard on the SIX Swiss Exchange AG under the securities number 002460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2014 was CHF 7.7 billion. All other group companies are privately held.

1.1.3 Non-listed companies belonging to the Group

For more detailed information on the non-listed subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see note 3 to the financial statements of Partners Group Holding in the annual report 2014.



Disclaimer: the purpose of the illustration above is to provide an overview of the group structure of Partners Group Holding AG and its subsidiaries/affiliates; a detailed overview of the ownership interests and share capital can be found in note 3 to the financial statement of Partners Group Holding AG.

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 2014.

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 expired on 1 January 2014.

In addition, on 5 February 2014 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 1'336'743 shares, corresponding to 5.27% of the total share capital.

At year-end Partners Group Holding held 517'547 treasury shares, corresponding to 1.94% of the total share capital.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2014 can be found on the SIX Exchange Regulation homepage: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

1.3 Cross-shareholdings

Partners Group Holding has no cross-shareholdings [of 5% or more] 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 share capital as of 31 December 2014.

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 shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see note 27 (b) to the consolidated financial statements in the annual report 2014 for comprehensive information on the share and option program of the firm. 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 share 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 (AGM) of shareholders held on 27 April 2007 approved the increase of the conditional share 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 share 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 share 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.

CORPORATE GOVERNANCE

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

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 the 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 issues 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 (Partizipationsscheine).

2.5 Dividend-right certificates

Partners Group Holding has not issued any dividend-right certificates (Genussscheine).

2.6 Limitations on transferability and nominee registration

Any transfer of shares will not be recognized for purposes of having voting rights with respect to such shares unless a transfer is approved by the Board of Directors. This limitation also applies to the establishing of a usufruct. If the application of a transferee for recognition is not declined by the Board of Directors within 20 days, this transferee is deemed to have been recognized as a shareholder. According to art. 6 of the articles of association, the Board of Directors may refuse to register a transferee as a shareholder with voting rights to the extent that said transferee's total

shareholding would exceed 10% of the total share capital as registered in the commercial register. The Board of Directors may also refuse to register a transferee as a shareholder with voting rights if the transferee does not expressly declare that it has acquired the shares in its own name and for its own account. If the shares pass by inheritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be cancelled if they are based on false information on the part of the transferee.

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

Any reversal or amendment of the statutory rules governing the transfer limitation require a quorum of at least two-thirds of the represented votes at the shareholders' meeting and the absolute majority of the represented nominal value of shares.

No exceptions to the limitations on transferability and nominee registration were granted during the financial year 2014.

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 shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see note 27 (b) to the consolidated financial statements in the annual report 2014 for comprehensive information on the share and option program of the firm.

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

CORPORATE GOVERNANCE

3. Board of Directors

The table below shows the current composition of the Board of Directors:

Name	Director since	Term expires	Nationality	Age	Committee membership ²	Function
Dr. Peter Wuffli ¹	2009	2015	Swiss	57	SC, NCC	Chairman, Chairman of the Strategy Committee
Dr. Marcel Erni	1997	2015	Swiss	49	SC	Chief Investment Officer
Alfred Gantner	1997	2015	Swiss	46	SC, RAC	Chairman of the Global Investment Committee
Urs Wietlisbach	1997	2015	Swiss	53	MC, SC	Chairman of the Markets Committee
Dr. Charles Dallara ¹	2013	2015	American	66	MC	Executive Vice Chairman, Chairman of the Americas
Steffen Meister	2013	2015	Swiss	44	SC, NCC, MC	Delegate of the Board
Dr. Eric Strutz ¹	2011	2015	German	50	RAC	Chairman of the Risk & Audit Committee
Patrick Ward ¹	2013	2015	British	62	MC	Chairman UK & Middle East
Dr. Wolfgang Zürcher ¹	2005	2015	Swiss	50	NCC, RAC	Chairman of the Nomination & Compensation Committee

¹ independent Partners Group Board member in line with the independency criteria outlined in section 3.1

² SC: Strategy Committee, MC: Markets Committee, NCC: Nomination & Compensation Committee, RAC: Risk & Audit Committee
detailed information on committees is provided in section 3.3

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 2014, 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 independency criteria for the members of the Board of Directors and 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.

Independence statement for members of the Board of Directors

Best practice in corporate governance calls for the independence of selected board members as an important element of its quality and integrity. However, de-

fining independence is challenging as codes of best practice, regulators as well as proxy advisors tend to use different criteria and no globally accepted standard has yet emerged. In addition, many of the criteria suggested follow formal legal or financial concepts that do not necessarily reflect the substantive independence in background, perspective and judgment of board members that is conducive to high levels of quality and integrity in corporate governance. Finally, each company has its specific characteristics in terms of its business model and its governance and ownership structure as a result of which certain criteria take precedence over others.

Having reviewed a series of possible criteria from different sources, ranging from financial market authorities, other stock exchanges, codes of best practice, to foundations and independent asset managers with a focus on a sustainable corporate development, Partners Group recognizes significant differences in their definitions of Board member independence. Some apply more formal criteria while others tend to focus more on substance. For example, more formal criteria for the definition of independency assess direct compensation received from the firm within a certain period of time or focus on the current employment status with the firm, whereby an assessment that focuses more on substance takes into account also the specific circumstances such as other functions performed for the firm

CORPORATE GOVERNANCE

to determine independency. Partners Group follows the general corporate governance principle of “comply or explain” and therefore applies the following criteria to evaluate the independence of its Board members.

First and foremost, when searching for an additional external member of the Board, Partners Group looks for accomplished, distinctive and authentic personalities who are respected based on their achievements, contribute relevant professional skills, commit substantial capacity and add to the diversity of the Board in terms of background, perspectives and views. These selection criteria represent in our view the essence of true independence.

In addition, Partners Group applies several formal criteria for independence of its Board members: (i) no line management function (=positions with substantial decision-making authority) for Partners Group Holding or any of its affiliates currently or in the prior three years; (ii) no employment or affiliation with our external auditor currently or in prior three years; (iii) less than ten years as an existing Partners Group Board member. The materiality of the following additional criteria are evaluated on a case-by-case basis: (iv) limited financial dependence on Partners Group in terms of employment, income and shareholding relative to an individual's overall situation; and (v) no material direct or indirect business relationship with Partners Group or any of its affiliates (except as an investor in Partners Group products).

Whether or not a Board member has an employment contract with Partners Group or any of its affiliates, the extent to which a Board member is active on behalf of Partners Group, and the level of compensation received from Partners Group are in our assessment not valid criteria to challenge independence. On the contrary, Partners Group appreciates active Board members and views high levels of involvement as valuable contributions to the quality and integrity of corporate governance.

As a result of this evaluation process (which will be reviewed annually) we consider the following Board members as independent: Dr. Charles Dallara, Dr. Eric Strutz, Patrick Ward, Dr. Peter Wuffli and Dr. Wolfgang Zürcher.

History and education of each member of the Board of Directors, including other activities and functions

Dr. Peter Wuffli is Chairman of the Board of Directors of Partners Group Holding and holds the following mandates in various other organizations. He chairs the philanthropic elea Foundation for Ethics in Globalization that he established together with his wife in 2006. He is also 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. Apart from his advisory capacity, neither Dr. Wuffli nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor 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 or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



Dr. Marcel Erni co-founded Partners Group in 1996. He is a partner of the firm and a member of its Global Investment Committee. He is a member of Partners Group Holding's Board of Directors and the Chief Investment Officer, based in Zug. He has 23 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.



CORPORATE GOVERNANCE

Alfred Gantner co-founded Partners Group in 1996. He is a partner of the firm and the Chairman of its Global Investment Committee and a member of Partners Group Holding's Board of Directors, based in Zug. He served as Partners Group's Chief Executive Officer from 1996 until 2005, when he became Executive Chairman. In 2014, Alfred Gantner stepped down as Executive Chairman and took up his current role. Prior to founding Partners Group, he worked at Goldman Sachs & Co. He has 23 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management, Utah, USA.



Urs Wietlisbach co-founded Partners Group in 1996. He is a partner of the firm and a member of Partners Group Holding's Board of Directors and Chairman of the Markets Committee, based in Zug. He has 26 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 New York. He has 39 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. Apart from his advisory capacity, neither Dr. Dallara nor any of his close family members



have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Dallara does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Steffen Meister is a partner of the firm and Delegate of the Board of Directors/President of Partners Group Holding, based in Zug. He has been with Partners Group since 2000, was the Chief Executive Officer from 2005 to 2013 and has 19 years of industry experience. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and had assignments at Swiss Reinsurance Co. and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH) in Zurich. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



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 then Partner 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 was a member of the Board of Directors and the Executive Committee of Mediobanca S.p.A., Milan from 2004 to 2014. Apart from his advisory capacity, neither Dr. Strutz nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. He does not exercise any official functions or hold a political post. Dr. Strutz does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.



CORPORATE GOVERNANCE

Patrick Ward is a member of Partners Group Holding's Board of Directors and Chairman of the UK and Middle East, based in London. He has 34 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 Northwestern University, Illinois, USA, and an MBA from the University of the Witwatersrand, Johannesburg, South Africa. Apart from his advisory capacity, neither Patrick Ward nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. He does not exercise any official functions or hold a political post. Mr. Ward does not 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 at 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, capital markets and banking law. Before joining Wenger & Vieli in 1996, Dr. Zürcher worked as an assistant at the Chair of Corporate and Banking Law at the University of Zurich, Switzerland, and with an international law firm in the USA. 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, nor 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 proposed 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, replacing Alfred Gantner who would remain a Board member and chair the firm's Global Investment Committee. The Annual General Meeting of shareholders approved these proposed changes on 15 May 2014. Furthermore, shareholders approved that Steffen Meister was named Delegate of the Board of Directors/President with certain delegated competencies, continuing to focus on leading and coordinating major business development initiatives of the firm while overseeing executive management. Dr. Eric Strutz took over Peter Wuffli's responsibility as Chairman of the Risk & Audit Committee.

On 21 November 2014, the Board of Directors announced their plan to nominate Grace del Rosario-Castaño as an independent board member at its Annual General Meeting of shareholders on 13 May 2015. Ms. Castaño spent 22 years at Johnson & Johnson, lastly as Company Group Chairman Asia-Pacific domiciled in Singapore. As a global company with continued ambitions to grow our international footprint, we believe this leadership structure ideally positions us to further develop our investment and service excellence globally in the years to come. Dr. Wolfgang Zürcher, current Chairman of Partners Group's Nomination & Compensation Committee, will retire from the Board of Directors as of 13 May 2015 after ten years as an independent Board member. Dr. Zürcher, a Partner at the law firm Wenger & Vieli, has provided valuable guidance in support of Partners Group's fast-paced growth since its IPO in 2006.

3.2 Other activities and vested interests

Please see note 3.1.

3.3 Ordinance against excessive compensation in listed joint stock companies – Number of mandates pursuant to the OaEC

On 20 November 2013, the Swiss Federal Council issued the ordinance against excessive compensation in listed joint stock companies ("OaEC"). The OaEC inter alia obliges listed joint stock companies to annually submit the Board of Directors' and executive management's compensation to shareholders for a binding vote. The OaEC also contains new rules on corporate governance with direct effects on the Board of Directors, management, shareholders and independent proxies. Some of the provisions had to be complied with as of the entry into force of the OaEC on 1 January 2014, others were/are applicable as of the 2014 and 2015 Annual General Meetings. Partners Group intends to propose to the Annual General Meeting of shareholders on 13 May 2015 to approve a revised version of its articles of association comprising the changes as required by the OaEC.

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain the maximum number of permitted mandates outside of Partners Group Holding. Subject to shareholders' approval, art. 24 of the articles of association states that each member of the Board of Directors may assume no more than four additional mandates in listed corporations and no more than five additional mandates in other legal entities. Exempt from this limitation are the following mandates: mandates in legal entities controlled by the Company or controlling the Company; mandates that are carried out on behalf of or as directed by the Company or any of its controlled companies in legal entities that are not part of the group, whereby each member of the Board of Directors may assume no more than ten of such mandates; mandates in associations, non-profit organizations, foundations, trusts, and employee pension foundations, whereby each member of the Board of Directors may assume no more than ten of such mandates; and mandates in legal entities serving the sole purpose of managing private assets, whereby each member of the Board of Directors may assume no more than ten of such mandates.

The term "mandate" as used in the articles of association includes activities within other superior governing or administrative bodies of legal entities that are obliged to register themselves in the Swiss commercial registry or a corresponding foreign registry. Mandates in several legal entities that are under joint control or joint beneficial ownership are considered as being one mandate.

3.4 Elections and terms of office

The Board of Directors consists of at least three members. All members as well as the Chairman of the Board of Directors are elected individually by the shareholders' meeting, for a term of one year in accordance with the OaEC. The years each member of the Board of Directors were first appointed are listed in the table on page 154 above. Re-election is possible.

3.5 Internal organizational structure

The Board of Directors has adopted written internal regulations for the management of the company and of its subsidiaries pursuant to art. 716b of the Swiss Code of Obligations, the rules of SIX Exchange Regulation and the company's articles of association and the Swiss Federal Act on Collective Investment Schemes.

The Board of Directors has ultimate responsibility for the management of Partners Group Holding. Please see the table on page 154 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 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"; Organisationsreglement); in 2014, seven meetings were held, which lasted between one and a half and eight 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 further committees to promulgate and monitor related directives and policies: the Risk & Audit Committee, the Nomination & Compensation 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 Committee and others involved in the management of Partners Group Holding. The members and chairmen of these committees are determined by the Board of Directors, other than the members of the Nomination & Compensation Committee who are elected individually at the Annual General Meeting, for a term of one year in accordance

CORPORATE GOVERNANCE

with the OaEC. Please see the table on page 154 above for the composition of these committees.

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

Risk & 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 3.7.2.2). As of 31 December 2014, the members of the Risk & Audit Committee were Dr. Eric Strutz (Chair), Alfred Gantner and Dr. Wolfgang Zürcher. The Risk & Audit Committee held four meetings in 2014, which each lasted approximately four hours. In addition, the external auditors attended all meetings of the Risk & Audit Committee in 2014. The Co-Chief Executive Officers, Chief Financial Officer, Chief Risk Officer, internal audit as well as the General Counsel 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 and supports the Board of Directors in particular with regard to the determination of the compensation principles and the compensation system as well as regarding the nomination of members of the Board of Directors and the promotion of executive officers of the Company or its controlled companies, as applicable. It assesses the compensation proposals for the Company or its controlled companies, respectively, regarding compliance with the determined principles and prepares the compensation report and the motions to be submitted to the shareholders' meeting on compensation to the Board of Directors and the executive management. The Board of Directors may assign further tasks, responsibilities and powers in compensation and nomination

matters to the Nomination & Compensation Committee. As of 31 December 2014, the members of the Nomination & Compensation Committee were Dr. Wolfgang Zürcher (Chair), Peter Wuffli and Steffen Meister. The Nomination & Compensation Committee held two meetings in 2014, which each lasted approximately two hours, to discuss the annual compensation for the Board of Directors and the Executive Committee as well as to confirm the overall compensation policy. The majority of the committee members were present at all meetings.

Strategy Committee

The Strategy Committee directs the firm's major strategic initiatives and advises the Board of Directors in particular on major business, corporate and organizational initiatives within the current set of guidelines and practices. It further oversees fundamental initiatives in terms of the firm's human capital development and its financial planning and use of financial resources. As of 31 December 2014, the members of the Strategy Committee were Peter Wuffli (Chair), Marcel Erni, Alfred Gantner, Urs Wietlisbach and Steffen Meister. The Co-Chief Executive Officers as well as the former Co-Head of the Investment Solutions team also regularly participate in the meetings. The Strategy Committee held six meetings in 2014, which each lasted approximately four hours. The majority of the meetings were attended by all members.

Markets Committee

The 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 key client prospects, the global consultant network, the firm's global public relations strategy as well as its advisory network. As of 31 December 2014, 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 regularly participates in the meetings. The Markets Committee held five meetings in 2014 which lasted approximately two hours each. The majority of the meetings were attended by all members.

3.6 Definition of areas of responsibility

The Board of Directors has delegated the day-to-day management of Partners Group to the Executive Committee unless provided otherwise by law, the articles of association or as described below. The Board of Directors has the right to issue specific rules for this purpose and to form the respective committees to determine the principles of business policy, the risk policy of the various business sectors as well as the authority and responsibilities of each of the company's bodies. The positions of Chairman of the Board of Directors and the Co-Chief Executive Officers are held by separate people, 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 essential features of the group's 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 Committee 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, competencies, 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, competencies, 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 Committee;
14. Proposal for all transactions that have to be submitted to the Board of Directors according to the Rules and the authorities and responsibilities set forth in the Rules;
15. Exercising the company's shareholder rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of management, accepting the annual financial statements and matters related to this.

3.7 Information and control instruments vis-à-vis the senior management

The Board of Directors is kept informed of the activities of the Executive Committee through a number of information and control instruments. The Co-Chief Executive Officers, Chief Financial Officer and respective operating officers with line management functions are in a regular dialogue with the Delegate of the Board of Directors 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 Committee notifies the Chairman of the Board without delay.

The Executive Committee submits decisions beyond the scope of ordinary management or decisions that carry major implications to the relevant Board Committee or Board of Directors, including (but not limited to) decisions specifically reserved for the relevant board committee or Board of Directors.

CORPORATE GOVERNANCE

3.7.1 Group risk categories

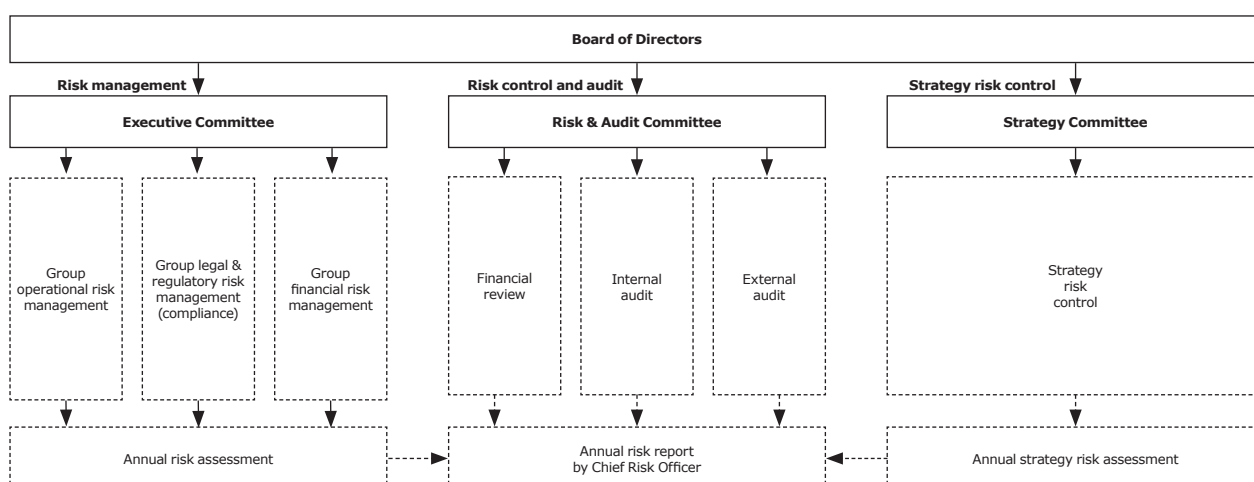
The Board of Directors has identified the following four main risk categories for Partners Group's business activities:

Strategic and business risks: strategic and business risks are the risks that Partners Group's profitability may be eroded by changes in the environment or by failures in its choice of strategy or execution of strategy. They are inherent to Partners Group's business model and dependent on how well this is adapted to the business environment in which Partners Group competes.

Operational risks: operational risks are the risks that Partners Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. They are inherent in all of Partners Group's business and support activities and are dependent on the awareness of applicable processes, rules, manuals and directives as well as their application and enforcement. Operational risks comprise a large number of disparate risks including losses resulting from events such as human error, IT failures, and fraud. Operational risks also comprise legal and regulatory risks, which are the risks of non-compliance with legal and regulatory requirements, rules of professional conduct as well as common law and Partners Group's own standards.

Financial risks: financial risks include credit risks, liquidity risks and market risks: (i) credit risk is the possibility that Partners Group directly (or indirectly through investment programs to the extent that investment programs should be supported by 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; (ii) liquidity risk is the risk that Partners Group does not have sufficient financial resources to meet its financial obligations when they fall due; (iii) market risk is the possibility that Partners Group may suffer a loss resulting from fluctuations in the values of, or income from, proprietary assets and liabilities.

Reputational risks: reputational risk can result from events in any of the above mentioned risk categories (i.e. a consequence of other risks) and one might also see it as a risk in its own right. Reputational risk in particular refers to the possibility that Partners Group might find it more difficult to be accepted as investors in private market investments as a result of events that negatively impact our standing and brand name. Reputational risks are typically non-quantifiable.



CORPORATE GOVERNANCE

3.7.2 Group risk governance

It is the responsibility of the Board of Directors to stipulate risk governance principles with respect to the various business sectors. Partners Group's overall approach to the governance of risk is set out in the Group Risk Governance Directive, which defines the general framework and related processes for risk management and risk control. Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all business activities across the organization. Partners Group's risk governance framework comprises the following elements:

- Risk management;
- Risk control and audit; and
- Strategy risk control.

Responsibilities for each element are separated as illustrated below.

3.7.2.1 Risk management

The ongoing risk management is delegated to the Executive Committee, which provides an annual risk assessment and risk management report to the Board of Directors. The ongoing risk management process aims to consistently and comprehensively identify, measure, monitor and report risks across all of its businesses, locations and risk types. Risks are monitored in a coordinated way and based on clear roles and responsibilities. A distinction is made between operational risk management, legal and regulatory risk management and financial risk management.

Operational risk management: the coordination and implementation of Partners Group's operational risk management is the responsibility of the respective operating officers with line management functions. Adherence to the internal core processes is based on compliance with applicable directives, policies and instructions issued by the Executive Committee.

Partners Group's management has established an operational internal control system (ICS) and maintains an internal control structure that monitors compliance with established policies and procedures. The ICS is established and refreshed based on assessment of the risks facing Partners Group. Partners Group selects and develops control activities that contribute to the mitigation of risks.

The ICS consists of the following three pillars: (i) a risk management culture is embedded in the operational

activities of the business teams, with the core responsibility for the implementation, effectiveness and documentation of the controls lying with the respective Business Department Heads; (ii) oversight and monitoring of Group Processes is ensured by respective operating officers with line management responsibilities, a risk assessment is performed by the Chief Risk Officer and the Executive Committee, and the General Counsel ensures compliance spot checks and (iii) Internal Audit as a (business and operations) independent function periodically verifies and assesses the ICS, thus contributing to its improvement.

Overall responsibility for the ICS lies with the senior management of Partners Group. In addition, the Board of Directors carries out its oversight responsibilities by defining, maintaining, and periodically evaluating the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions. The Board of Directors has sufficient members who are independent from management and objective in evaluations and decision-making. The Board of Directors retains oversight responsibility for management's design, implementation, and the conduct of internal control with respect to the individual components of internal control: control environment, risk assessment, control activities, information and communication and monitoring activities.

In order to provide assurance on controls, Partners Group has engaged PricewaterhouseCoopers (PwC) to report on the description and on the suitability of the design of the ICS as well as the operating effectiveness of the control activities as relates to its investment management services, in accordance with the International Standard on Assurance Engagements 3402 ("ISAE 3402") issued by the International Auditing and Assurance Standards Board. An ISAE 3402 Type I report (reporting on the description and design of internal controls as examined by PwC) was issued by Partners Group in February 2012. PwC has also been engaged to examine the operating effectiveness of controls and a second ISAE 3402 Type II report, which was issued early 2015 by Partners Group covering the calendar year 2014.

Legal and regulatory risk management: the coordination and implementation of Partners Group's legal and regulatory risk management is the responsibility of the General Counsel. Adherence to the firm's core instructions is based on compliance with applicable directives, policies and instructions issued by the Executive Committee. Legal and regulatory risks management

CORPORATE GOVERNANCE

forms part of the aforementioned operational ICS. Legal and regulatory risks are also managed or controlled by the compliance team through the firm's regulatory obligations and procedures (ROPs) control system, the legal obligations and procedures (LOPs) control system and the product obligations and procedures (POPs) control system.

Financial risk management: the coordination and implementation of the financial risk management is the responsibility of the Chief Financial Officer. Financial controls are based on the internal control system for finance and a dedicated management information system. Partners Group's finance department also implemented a periodical reporting regarding limits defined in the company's Rules of Organization and of Operations. The reporting is part of the monthly controlling cockpit. The report includes for all individual categories an overview of the approval limits set out in the ROOs per item compared to current balances drawn or claimed.

3.7.2.2 Risk control and audit

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 is supported by the risk control function, currently consisting of the Chief Risk Officer. The Risk & Audit Committee regularly reports its findings to the Board of Directors.

Group Internal Audit supports the Board of Directors, the Risk & Audit Committee and the Executive Committee 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 and the General Counsel. The scope, responsibilities, tasks and priorities of Internal Audit are regularly discussed with and approved by the Risk & Audit Committee and are reflected in the Internal Audit Charter.

Audits address risk areas with a potential material impact on the company and focus on the adequateness of implemented internal controls. When performing its audit engagements, Internal Audit follows the International Standards for the Professional Practice of Inter-

nal 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.

3.7.2.3 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.

3.7.3 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 Alfred Gantner (chair), the Delegate of the Board of Directors, the Co-Chief Executive Officer André Frei, the Chief Financial Officer and the General Counsel.

CORPORATE GOVERNANCE

4. Executive Committee

The table below shows the current composition of the Executive Committee:

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	39	Co-Chief Executive Officer
Christoph Rubeli	1998	Swiss	53	Co-Chief Executive Officer and Co-Head Investments ¹
Dr. Cyrill Wipfli	2002	Swiss	41	Chief Financial Officer
Jürg Wenger ²	1999	Swiss	55	Chief Operating Officer
Claude Angéloz	2000	Swiss	47	Co-Head Private Real Estate
Andreas Baumann ³	2004	Swiss	42	Head Integrated Investments and Head Americas
René Biner	1999	Swiss	44	Co-Head Investments ⁴
Felix Haldner	2001	Swiss	51	Head Investment Structures
Andreas Knecht	2009	Swiss	45	General Counsel
Stefan Näf	2000	Swiss	41	Head Investment Solutions
Marlis Morin ⁵	2003	Italian	44	Head Client Services
Dr. Stephan Schäli	1999	Swiss	45	Head Private Equity
Reto Schwager ⁶	2006	Swiss	44	Co-Head Client Services
Dr. Michael Studer	2001	Swiss	42	Chief Risk Officer and Head Investment Services

¹ Co-Head Investments as of 1 January 2015

² member until 31 December 2014

³ member as of 1 January 2015

⁴ Head Private Finance until 31 December 2014

⁵ member from 1 July 2014

⁶ member until 30 June 2014

4.1 Members of the Executive Committee, formerly known as the Executive Board

As mentioned in section 3.6 above, the Board of Directors has delegated the operational management of the company to the Executive Committee, unless otherwise required by law, the articles of association or otherwise defined in section 3.6.

The Executive Committee is comprised of the Co-Chief Executive Officers, Chief Financial Officer, the heads of all business departments, including the Chief Risk Officer, and the Head of the Americas. The General Counsel is also a member of the Executive Committee with the aim of ensuring compliance with legal and regulatory requirements in decision-making. Furthermore the Executive Committee also comprises of the Co-Head Investments ensuring alignment of the business lines and the overall investment platform. The Executive Committee considers, next to day-to-day client activities, firm-wide and cross-departmental aspects, such as human resources and salary steering.

History and education of each member of the Executive Committee, including other activities and functions

André Frei is the Co-Chief Executive Officer of Partners Group, based in Zug. Together with Christoph Rubeli, he leads the Executive Committee and the Global Executive Board. He is Head of Clients and Services at Partners Group. He is a member of the Global Investment Committee. He has been with Partners Group since 2000

and has 15 years of industry experience. Previously, he served as the Chief Risk Officer of Partners Group between 2008 and 2013 and he was 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.



CORPORATE GOVERNANCE

Christoph Rubeli is the Co-Chief Executive Officer of Partners Group, based in Zug and Singapore. Together with André Frei, he leads the Executive Committee and Global Executive Board. He is also Co-Head of Investments at Partners Group. He is a member of the Global Investment Committee and the Private Equity Directs Investment Committee. He has been with Partners Group since 1998 and has 29 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.



Dr. Cyrill Wipfli is the Chief Financial Officer of Partners Group and Head of the Finance business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2002 and has 19 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.



Jürg Wenger supports the firm's human capital management initiatives and takes the lead on important office infrastructure projects, based in Zug. 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.



Claude Angéloz is Co-Head of the Private Real Estate business department, based in Zug. He is a member of the Executive Committee and the Global 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 23 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.

Andreas Baumann is Head of the Americas and Head of the Integrated Investments business unit, based in New York. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee. He has been with Partners Group since 2003 and has 17 years of industry experience. Previously, he was Head of Partners Group's Singapore office and was responsible for the firm's Asia-Pacific private equity investment activities between 2010 and 2014. Prior to that he was part of the private equity directs and primaries Americas business unit between 2003 and 2010, based in New York. Before joining Partners Group, he worked at Sinoart (USA) Inc., Sichuan EW Textile Co. Ltd. and ICPC Trading Inc. He holds an MBA from the New York University Stern School of Business.



René Biner is Co-Head of Investments at Partners Group, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee. Previously, he was Head of the Private Finance business department and Co-Head of the Private Debt business unit. He has been with Partners Group since 1999 and has 21 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, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2001 and has 27 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 President 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 (EVCA).



CORPORATE GOVERNANCE

Andreas Knecht is the General Counsel of Partners Group and Head of the General Counsel office comprising corporate legal and compliance, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2009 and has 19 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 LLM from New York University. He is also admitted to the Swiss bar.



Marlis Morin is Head of the Client Services business department, based in Zug. She is a member of the Executive Committee and the Global Executive Board. She has been with Partners Group since 2003 and has 21 years of industry experience. Prior to joining Partners Group, she worked at Credit Suisse Asset Management Funds, Raiffeisen Landesbank Suedtirol and Raiffeisenkasse Eissacktal. She holds a master's degree in international economics and business studies from the University of Innsbruck, Austria and Marquette University, Wisconsin.



Stefan Näf is the Global Head of the Investment Solutions business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2000 and has 19 years of industry experience. Previously, he was Head 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 Committee and the Global Executive Board. He is a member of the Global Investment Committee and Chairman of the Global Portfolio Strategy Committee and the Private Equity Secondaries Investment Committee. He has been with Partners Group since 1999 and has 18 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.



Dr. Michael Studer is the Chief Risk Officer at Partners Group, Head of the Investment Services business department and Co-Head of the Portfolio and Mandate Solutions business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee. He has been with Partners Group since 2001 and has 19 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



CORPORATE GOVERNANCE

Organizational changes in senior management

During 2014, Partners Group announced adjustments to its Chief Executive Office and Executive Committee.

On 14 April 2014, Partners Group announced a rotation in its senior management roles: Marlis Morin, a partner of the firm and formerly responsible for Group Internal Audit, became a member of the Executive Committee of the firm from 1 July 2014 and took over a new role as Head Client Services. Reto Schwager, a partner of the firm and formerly Co-Head Client Services, left the Executive Committee of the firm as of 30 June 2014 and decided later on to leave the firm as of year-end 2014 to pursue other opportunities.

On 21 November, Partners Group announced an adjustment to its extended leadership structure which came into effect as of 1 January 2015: the firm appointed senior managers to a new and diverse global leadership team on group level (the Global Executive Board), charged with driving forward the global business and corporate development of the firm. This team will work closely with the Executive Committee, a smaller group of senior management members to whom the Board of Directors has delegated the operational management of the company. Executive Committee members are also members of the Global Executive Board (see also this section 4.1 above and 5 below).

Under the new management framework, the firm announced two rotations in the Executive Committee as of 1 January 2015: Jürg Wenger, a partner of the firm, decided to step down from an operational role as Chief Operating Officer and will instead actively support the firm's human capital management initiatives and take the lead on important office infrastructure projects. Following his transition, the Human Resources and Technology departments will report directly to the Co-CEOs. Joining the Executive Committee as of 1 January 2015 was Andreas Baumann, a partner of the firm who has relocated to the US to take on a new role as Head Americas, after several years successfully leading Partners Group's Asia private equity business out of Singapore. Andreas Baumann is a member of the Global Investment Committee, the firm's most senior investment body charged with oversight of all investment recommendations, and in his new role focuses on portfolio solutions for large mandate clients in the Americas.

4.2 Other activities and vested interests

Felix Haldner is President 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 (EVCA). Other than that, none of the members of the Executive Committee is a member of a governing or supervisory body of important Swiss or foreign organizations outside of Partners Group. None of the members of the Executive Committee 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 Committee 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 Number of mandates pursuant to the OaEC

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain certain rules on the number of permitted mandates outside of Partners Group Holding. Subject to shareholders' approval, art. 29 of the articles of association states that each member of the executive management may assume no more than one additional mandate in listed corporations and no more than four additional mandates in other legal entities. The other provisions under art. 24 of the articles of association as referred to in section 3.3 above apply *mutatis mutandis*.

4.4 Management contracts

Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group. Furthermore, the firm or its affiliates may enter into employment contracts with members of the executive management with a limited term of up to one year or employment contracts for an indefinite duration with a notice period of no more than twelve months.

CORPORATE GOVERNANCE

5. Global Executive Board

In addition to the Executive Committee members, the Global Executive Board includes the following members:

Name	Joined Partners Group in	Nationality	Age	Position
Pamela Alsterlind	2007	American	51	Co-Head Private Real Estate
Lukas Bucher	2008	Swiss	38	Head Human Resources
Gonzalo Fernandez Castro	2012	Argentine	41	Private Equity Americas and Head São Paulo
Juri Jenkner	2004	German	39	Co-Head Private Debt
Sergio Jovele	2005	Italian	45	Co-Head Investment Solutions Europe & Middle East
David Layton	2005	American	33	Head Private Equity Americas
Kevin Lu	2014	Chinese	41	Head Investment Solutions Asia
Brandon Prater	2011	American	51	Co-Head Private Infrastructure
Raymond Schnydrig	2010	Swiss	46	Chief Technology Officer and Head Technology
Martin Scott	2008	Australian	41	Head Investment Solutions Australia

On 21 November, Partners Group announced an adjustment to its extended leadership structure which came into effect as of 1 January 2015: the firm appointed senior managers to a new and diverse global leadership team on group level (the Global Executive Board), charged with driving forward the global business and corporate development of the firm. Members include Partners and Managing Directors from different business lines across the firm's offices in São Paulo, San Francisco, New York, London, Singapore and Sydney, as well as its headquarters in Zug, Switzerland. This team will work closely with the Executive Committee, a smaller group of senior management members to whom the Board of Directors has delegated the operational management of the company. Executive Committee members are also members of the extended Global Executive Board (see also section 4.1 above).

Members of the Global Executive Board

Pam Alsterlind is Co-Head of the Private Real Estate business department, based in San Francisco. She is a member of the Global Investment Committee, the Chairwoman of the Private Real Estate Directs Investment Committee and the Private Real Estate Primaries Investment Committees, and a member of the Private Real Estate Secondaries Investment Committee. She has been with Partners Group since 2007 and has 27 years of industry experience. Prior to joining Partners Group, she worked at Kenneth Leventhal & Co., Ernst & Young LLP, Prudential Realty Group and Pension Consulting Alliance, Inc. She holds an MBA in finance and marketing from the



University of Michigan Stephen M. Ross School of Business.

Lukas Bucher is Head of the Human Resources business department, based in Zug. He has been with Partners Group since 2008 and has 11 years of industry experience. Prior to joining Partners Group, he worked at The Boston Consulting Group (BCG) and had an assignment at Credit Suisse. He holds an MBA from INSEAD Paris, France, and a master's degree in industrial engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is also a CFA charterholder and a licensed trader at the SIX Swiss Exchange.



Gonzalo Fernandez Castro is Head of the Latin American Private Equity team and is Head of Partners Group's São Paulo office. He is a member of the private equity primaries Asia-Pacific and Emerging Markets Investment Committee and the Private Equity Directs Investment Committee. He has been with Partners Group since 2012 and has 18 years of industry experience. Prior to joining Partners Group, he worked at Lumix Capital, Adeco, Jacobs Holdings, LID Group and McKinsey. He holds an MBA from Harvard Business School, Massachusetts and an industrial engineering degree from the Buenos Aires Institute of Technology, Argentina.



CORPORATE GOVERNANCE

Juri Jenkner is Co-Head of the Private Debt business department and Head of the European Private Debt business unit, based in Zug. 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 2004 and has 15 years of industry experience. Prior to joining Partners Group, he worked at Privatbankiers Merck Finck & Co. He holds a master's degree in finance from the Lorange Institute of Business Zurich, Switzerland. He is also a certified European financial analyst.



Sergio Jovele is Head of Partners Group's London office and Co-Head of the Investment Solutions Europe and Middle East business unit. He has been with Partners Group since 2005 and has 15 years of industry experience. Prior to joining Partners Group, he worked at Initiative Europe on private equity research assignments. He has published academic papers on American literature and holds a master's degree in literature from the Istituto Universitario Orientale di Napoli, Italy.



David Layton is Head of Private Equity in the Americas, based in New York. He is also a member of the Private Equity Directs Investment Committee and the Private Equity Primaries North America Investment Committee. He has been with Partners Group since 2005 and has 12 years of industry experience. He has represented Partners Group on the Board of Directors of several portfolio companies. He holds a bachelor's degree in finance from Brigham Young University's Marriott School of Management, Utah.



Kevin Lu is Head of Partners Group's Singapore office and Head of the Investment Solutions Asia business unit. He has been with Partners Group since 2014 and has 17 years of industry experience. Prior to joining Partners Group, he worked at the World Bank Group as CFO and Asia-Pacific Regional Director of the World Bank Group's Multilateral Investment Guarantee Agency. He holds a PhD in international finance and public policy from New York University.



Brandon Prater is Co-Head of the Private Infrastructure business department and Head of the European Private Infrastructure business unit, based in London. He is a member of the Private Infrastructure Investment Committee. He has been with Partners Group since 2011 and has 23 years of industry experience. Prior to joining Partners Group, he worked at Prudential M&G Investments, European Bank for Reconstruction and Development and the Emerging Markets Partnership. He started his career in project and finance in oil and gas, mining and chemicals. He holds an MBA from the University of Chicago Booth School of Business, Illinois, USA.



Dr. Raymond Schnidrig is the Chief Technology Officer of Partners Group and Head of the Technology business department, based in Zug. He has been with Partners Group since 2010 and has 22 years of industry experience. Prior to joining Partners Group, he worked at Goldman Sachs and Finance Online GmbH. He holds a PhD in computer science from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Martin Scott is Head of Partners Group's Sydney office and Head of the Investment Solutions Australia business unit. He has been with Partners Group since 2008 and has 22 years of industry experience. Prior to joining Partners Group, he worked at Zurich Investments, Tyndall Investment Management and Citigroup. He holds a marketing diploma from the Macquarie Graduate School of Management, Australia and studied business at the University of Technology Sydney, Australia.



6. Compensation, shareholdings and loans

6.1 Principles, content and method of determining the compensation

Pursuant to Art. 14 and 15 of the OaEC, all compensation paid in 2014 to the members of the Board of Directors and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board of Directors and the Executive Committee, are disclosed in section 2 and 3 in the Compensation Report 2014. In the compensation report 2014, the firm outlines its compensation principles, its components and method. The Compensation Report can be found in the Annual Report on pages 135ff.

6.2 Loans

Members of the Board of Directors and the Executive Committee may apply for loans and fixed advances, subject to an internal review and approval process. Such loans are made on substantially the same terms as those granted to other employees, including interest rates and collateral. A detailed overview of loans outstanding as of 31 December 2014 for the Board of Directors and the Executive Committee can be found in the compensation report in sections 2 and 3.

Pursuant to art. 12 para. 2 section 1 of the OaEC, the maximum amount of loans and credits for members of the Board of Directors and the executive management must be fixed in the articles of association in order to allow the company to grant such loans and credits to members of the Board of Directors and the executive management. All loans listed in the compensation report 2014 were granted before the entering into force of the OaEC.

7. Shareholders' participation

7.1 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 a legal representative who needs not be a shareholder, or the independent proxy. The Board of Directors issues further rules in relation to attendance and representation at shareholders' meetings, including the electronic issuance of proxies and instructions to the independent proxy.

7.2 Quorums required by the articles of association

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.

7.3 Convocation of the general meeting of shareholders

The AGM of shareholders 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 2015, the AGM for shareholders is scheduled for 13 May.

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request must be submitted in writing at least 45 days ahead of the meeting

CORPORATE GOVERNANCE

by stating the items on the agenda and the motions to be introduced by the shareholders.

7.4 Inclusion 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.

7.5 Entries in the 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.

8. Changes of control and defense measures

8.1 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.

8.2 Clauses on change of control

The contracts with the members of the Board of Directors and the Executive Committee do not contain any change of control clauses.

In particular, no protection measures such as

- severance payments in the event of a takeover ("golden parachutes");
- special provisions on the cancellation of contractual arrangements;
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months (in line with OaEC);
- the waiver of lock-up periods (e.g. no options that can be exercised with immediate effect);
- shorter vesting periods/accelerated vesting; and/or
- additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

9. Auditors

9.1 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.

9.2 Auditing fees

In the financial year 2014, KPMG AG and other KPMG companies received a total of CHF 0.7 million for audit services.

9.3 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 2014.

9.4 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 2014, 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.

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 (3.5) as well as Internal Audit (3.7.2.2) above.

CORPORATE GOVERNANCE

10. Information policy

As a company with its shares listed on the SIX Swiss Exchange AG, 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 2015 are as follows:

Event	Date
Annual General Meeting of shareholders	13 May 2015
Ex-dividend date	19 May 2015
Dividend record date	20 May 2015
Dividend payment date	22 May 2015
Pre-close announcement	16 July 2015
AuM as of 30 June 2015	
Publication semi-annual report	8 September 2015

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

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

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

For all investor enquiries Alexander von Wolfradt can be reached as follows:

Partners Group
Alexander von Wolfradt
Zugerstrasse 57
6341 Baar-Zug
Switzerland
Phone: +41 41 784 66 45
Fax: +41 41 784 60 01
Email: alexander.wolfradt@partnersgroup.com

11. Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided for in the SIX Exchange Regulation Corporate Governance Directive and the Commentary thereto).



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

CONTACTS

Investor relations contact:

Alexander von Wolffradt
 Phone: +41 41 784 66 45
 Email: alexander.wolffradt@partnersgroup.com

Media relations contact:

Jenny Blinch
 Phone: +41 41 784 65 26
 Email: jenny.blinch@partnersgroup.com

partnersgroup@partnersgroup.com
 www.partnersgroup.com



ClimatePartner[®]
 climate neutral

Print | ID: 11020-1503-1004

Zug:

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

Houston:

San Felipe Plaza Building
 5847 San Felipe St.
 Suite 1730
 Houston, TX 77057
 USA
 Phone: +1 713 821 1622
 Fax: +1 713 821 1620

São Paulo:

Rua Joaquim Floriano
 1120 - 11º andar
 São Paulo - SP 04534-004
 Brazil
 Phone: +55 11 3528 6516
 Fax: +55 11 3528 6501

Guernsey:

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

Luxembourg:

2, rue Jean Monnet
 2180 Luxembourg
 P.O. Box 2178
 1021 Luxembourg
 Grand Duchy of Luxembourg
 Phone: +352 27 48 28 1
 Fax: +352 27 48 28 28

Munich:

Skygarden im Arnulfpark
 Erika-Mann-Str. 7
 80636 Munich
 Germany
 Phone: +49 89 38 38 92 0
 Fax: +49 89 38 38 92 99

Mumbai:

Suite 1106
 114, Dr. E Moses Road, Worli
 Mumbai 400 018
 India
 Phone: +91 22 2481 8750
 Fax: +91 22 2481 8756

Shanghai:

Unit 2003, Tower II, Jing An Kerry Centre
 No. 1539 West Nanjing Road
 Jing An District, Shanghai 200040
 China
 Phone: +8621 2221 8666
 Fax: +8621 2221 8777

Tokyo:

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

San Francisco:

150 Spear Street
 18th Floor
 San Francisco, CA 94105
 USA
 Phone: +1 415 537 8585
 Fax: +1 415 537 8558

New York:

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

London:

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

Paris:

14 rue cambacérès
 75008 Paris
 France
 Phone: +33 1 70 99 30 00
 Fax: +33 1 70 99 30 01

Milan:

Via della Moscova 3
 20121 Milan
 Italy
 Phone: +39 02 888 369 1
 Fax: +39 02 888 369 98

Dubai:

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

Singapore:

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

Seoul:

25th Fl. Gangnam Finance Center
 737 Yeoksam-Dong Gangnam-Gu
 Seoul, 135-984
 South Korea
 Phone: +82 2 6190 7000
 Fax: +82 2 6190 7001

Sydney:

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



Partners Group
Passion for Private Markets