



Interim Report as of 30 June 2018

# Compounding long-term value



**Partners Group**

REALIZING POTENTIAL IN PRIVATE MARKETS

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# Key figures H1 2018

## Business

**1'088**

professionals

EUR  
**67.1**  
billion

assets under  
management

EUR  
**6.2**  
billion

new assets raised

USD  
**7.7**  
billion

invested

## Financials

CHF  
**484**  
million

management  
fees<sup>1</sup>

CHF  
**175**  
million

performance  
fees

CHF  
**437**  
million

EBITDA

CHF  
**394**  
million

profit

<sup>1</sup> Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

# Message from the Chairman and Co-CEOs



Christoph Rubeli, Steffen Meister, André Frei

We expect **longer-term investment** to become a meaningful proportion of total investment for the private markets industry.

Dear clients, business partners, shareholders and colleagues,

**We have had a successful start to the year: clients entrusted us with EUR 6.2 billion in new commitments in H1 2018, with demand well-diversified across regions. Despite a challenging investment environment, we were able to invest a total of USD 7.7 billion on behalf of our clients in geographies and industry sectors that exhibit favorable relative value characteristics and in private markets assets that offered us attractive value creation opportunities.**

In the first half of the year, revenues increased by 17% to CHF 659 million as a result of additional client demand and underlying portfolio realizations. EBITDA increased in line with revenues to CHF 437 million. In addition to these positive financial results, 2018 was also a period during which we reached a number of corporate milestones. On the investment side, we passed USD 100 billion in capital invested on behalf of our clients. Since our foundation 22 years ago, our dedication to long-term value creation at asset-level has generated substantial value for our clients and supported the financial success of the firm. At our IPO twelve years ago, we invited external shareholders to participate in the firm's investment success. In H1 2018, these shareholders for the first time valued our firm at a market capitalization of over CHF 20 billion, another corporate milestone. Our high standards of performance on ESG criteria have also been recognized by the public market and we were recently included in the FTSE4GOOD Developed Index, an index designed to facilitate investment into those top companies globally that meet high ESG standards.

From an investment point of view, we have already voiced our perspective on the substantially challenging environment and decreasing expected average industry returns several times. We have made it clear that we believe the days of private markets investors being able to acquire assets more cheaply than those in public markets are behind us; current comparable valuation levels in private markets versus public markets are indicative of a structural, not cyclical, shift in market dynamics.

To achieve attractive returns for clients in this environment, private markets investment managers have no option but to excel in their value creation capabilities. Here, private markets investment has a structural advantage: it is supported by a corporate governance regime that enables entrepreneurialism in its purest form. In contrast, in public markets, the requirement for companies to adhere to corporate governance codes and industry 'best practice' often seems to overshadow the need to direct and implement a value-enhancing strategy. For this reason, we anticipate that the relative outperformance of private markets against public markets will continue, even as asset prices have reached parity.

As a result, we are seeing private markets become a viable and even preferred long-term alternative to public markets – for investors, but also increasingly for companies themselves: many businesses that historically would have listed on a stock exchange as a natural next step in their corporate trajectory are instead choosing to stay under extended private markets ownership, due to its more entrepreneurial approach to governance. In turn, investment horizons within private markets are expanding to accommodate this new demand; we expect ten- to 15-year holds will not be uncommon in the future.

At Partners Group, we think the trend of private businesses shifting towards longer-term entrepreneurial ownership is here to stay and we expect such opportunities to become a

# Message from the Chairman and Co-CEOs

meaningful proportion of total investment, not just for Partners Group, but for the private markets industry as a whole. Though there is no one-size-fits-all approach, for us, the ideal long-term value assets occupy category-leading positions in sectors with long-term visibility and demonstrate resilient business models with potential for growth. For these longer-term investments, our active value creation strategy becomes more transitional than transformative. Long-term value assets stand in contrast to those acquired in the majority of private markets transactions, which require a transformative investment within a more traditional private markets time horizon of four to eight years.

For a successful firm, it is important to keep evolving and succession is an important part of this. We recently announced an upcoming change in our Co-CEO office, with David Layton, Partner and Head of Private Equity, due to replace Christoph Rubeli as Co-CEO from 1 January 2019. David joined Partners Group early in his career and was instrumental in our private equity business becoming one of the leading practices globally. We are convinced that he, in partnership with André Frei, will fulfil his responsibility towards our clients, employees and shareholders by steering our firm to capture the opportunities available to us. Christoph will remain a Partner of the firm following the transition and will take significant responsibility for supporting the further build-out of the investment platform globally. The Board of Partners Group is very grateful for Christoph's important contributions to the firm as Partner and Co-CEO.

Looking ahead to the rest of the year, and taking into account the benign fundraising environment, we reconfirm our guidance of expected gross client demand of EUR 11-14 billion for the full-year 2018. On the investment side, though the environment is far from benign as noted earlier, we are on track to meet our targets for the full-year with our continued commitment to disciplined underwriting and significant value creation.

Thank you for your continued trust in us.



**Steffen Meister**

Executive Chairman



**André Frei**

Co-Chief Executive Officer



**Christoph Rubeli**

Co-Chief Executive Officer

# H1 2018 at a glance - Investments



## Investments

**USD 7.7 billion** invested on behalf of our clients in corporate and real assets with attractive value creation opportunities.

### Investments in H1 2018

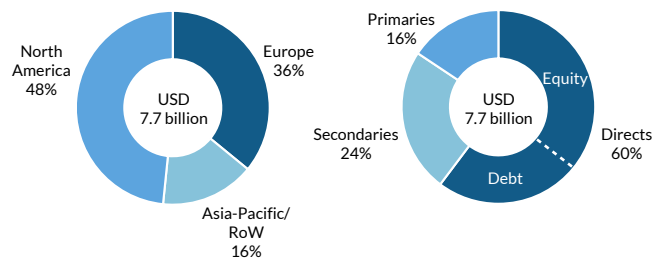
Record levels of dry powder combined with increasing competition persisted in H1 2018, keeping valuations at elevated levels across all private markets asset classes. In this challenging market environment, we continued to take a highly disciplined and prudent approach to investment and were able to lead a significant number of transactions.

In H1 2018, we invested a total of USD 7.7 billion on behalf of our clients across all private markets asset classes in geographies and industry sectors that exhibit favorable relative value characteristics.

Of this total amount, USD 4.7 billion (60% of all investments) was deployed in direct transactions, USD 2.8 billion of which was invested as equity in individual assets and USD 1.8 billion in corporate debt. A total of USD 1.9 billion (24% of all investments) was invested in secondaries in globally diversified private markets portfolios. To complement our direct and secondary investments, we committed USD 1.2 billion (16% of all investments) to select private markets managers.

Investment activity continued to remain geographically diversified in H1 2018, with 36% of capital invested in Europe, 48% in North America and 16% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

### Private markets investments during H1 2018 (based on volumes)



Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

### Highly selective approach to investment

Our global platform of over 1'000 skilled professionals, together with our extensive industry network and proactive sourcing efforts, allowed us to maintain high levels of investment selectivity in H1 2018. These professionals screened over 1'400 direct transactions across all asset classes, investing in only 40 of them and registering a decline rate of 97%. They also generated USD 73 billion in secondary private markets assets deal flow and invested in just under 3% of this.

### Deal flow H1 2018

	Directs	Secondaries	Primaries
Private equity	>1'400 assets	USD 73 billion	250 partnerships
Private debt			
Private real estate			
Private infrastructure			
	3% invested #40 executed*	3% invested n/a	10% invested #24 executed
Executed	USD 2.8 bn in equity USD 1.8 bn in debt	USD 1.9 billion	USD 1.2 billion

\*USD 2.8 billion invested in 19 equity investments and USD 1.8 billion invested in 21 debt investments excluding liquid loans in the syndicated debt market.

Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

# H1 2018 at a glance - Investments

## Global megatrends

### Digital transformation

Technological change and digital innovation are rapidly transforming the world we live in. This trend stretches well beyond tech companies: it is impacting the way we live and work, and disrupting traditional business and operating models. In the corporate world, the early and adequate adoption of technological innovation can transform market pecking orders, turning smaller players into category winners or diminishing the competitive edge of market leaders. Outside of the corporate space, digital innovation is often targeted at improving and facilitating the lives of consumers, such as through smart housing, big data, online education and e-commerce, in turn creating investment opportunities in both the corporate and real asset classes.

### New generation living & consumption

Consumer habits and lifestyle preferences are changing rapidly. The millennial generation is looking for a more service-oriented and instantly accessible consumer experience with technological innovation at its core: restaurants and holidays are booked online, money transfers and FX transactions are completed in dedicated apps, plants are watered and pets are fed remotely. Education, today available to almost anyone with internet access through online channels, will become a lifelong process, from early education to professional training, as technological innovation disrupts traditional career paths and creates the need to adapt to a constantly changing and increasingly automated business environment. At the same time, increased health awareness is raising demand for preventative care, healthier food and even genomics.

### Energy revolution

Global energy markets have seen tremendous change. The shift towards alternative sources of energy as well as the shale gas revolution in the US are disrupting the traditional energy value chain. Renewable energy goals combined with the increasing cost competitiveness of renewable sources are encouraging the build-out of wind and solar platforms on a global scale. Another trend which will have far-reaching implications across the energy value chain is energy storage. However, it is not only energy producers and transmission companies that are affected by this. The production of software and hardware that interact with 'time of use' tariffs from electricity suppliers to select when to use power and which provider to buy it from is just one example of an ancillary business model.

## Private markets investments<sup>1</sup>

### Private equity

Direct private equity is our largest investment practice within our private equity business. We seek to invest in the following types of companies:

- **Platform companies:** we acquire platform companies or assets with a strong management team and infrastructure in a highly fragmented market and then purchase add-on companies to further grow the platform and benefit from synergies.
- **Niche leaders:** we acquire companies in sub-segments of specific industries benefiting from particularly strong products or services and demonstrating an ability to grow disproportionately, often through internationalization. We institutionalize the business and extend the product/service offering.
- **Franchise companies:** we acquire businesses or assets on a stand-alone basis; typically, single assets with value creation potential as well as strong defensive capabilities, high cash flow generation and the ability to quickly de-leverage. We seek to broaden their network and strengthen their positioning.

One fundamental trait of our direct equity investment strategy is the focus on highly entrepreneurial ownership and active value creation. Our aspiration is to develop businesses through a program of transformative entrepreneurial ownership towards category leadership in their markets.

Typically, this is achieved by these businesses successfully building dominance via add-on acquisitions; building on their particular niche expertise to seize market dominance; or substantially benefiting from their ability to scale a unique franchise. We focus on the development of businesses over a time horizon of four to eight years and seek to sell them through our usual exit routes once their transformation has been successful.

Often, following this initial period of transformative ownership or consecutive rounds of private markets governance, businesses demonstrate a proven, resilient business model with further outsized growth potential. In these cases, and in sectors with long-term visibility, we would seek to continue to hold the business with an entrepreneurial governance approach over the longer term (typically ten to 15 years).

For these longer-term investments, our active value creation strategy becomes more transitional than transformative, i.e.

<sup>1</sup> All Partners Group investments and divestments mentioned herein were made on behalf of the firm's clients, not on behalf of Partners Group Holding AG or any of its affiliates.

# H1 2018 at a glance - Investments

focused on achieving incremental gains in market share and platform growth, ongoing cost structure optimization, and furthering the franchise and competitive positioning.

In June 2018, we agreed to acquire **Ammeraal Beltech**, a leading Netherlands-based global supplier and manufacturer of light-weight conveyor belts. Its offering includes a broad range of different belting systems, applications and materials for nearly every major industry, including food processing, airports and baggage handling, logistics and textile production.

**Headquarter:** Alkmaar, NL

**Employees:** > 2'600 (2017)

**Revenues:** EUR 385 million (2017)

Shortly thereafter, in July 2018, we agreed to acquire **Megadyne Group**, a leading Italy-based global manufacturer of power transmission belts. It develops and manufactures polyurethane and rubber belts for use in power transmission and conveying systems, as well as a range of complementary products such as rubber hoses and metal pulleys.

**Headquarter:** Turin, IT

**Employees:** > 2'300 (2017)

**Revenues:** EUR 319 million (2017)

The combined enterprise value of the two companies is EUR 2 billion. Our key value creation focus over the next few years is to facilitate a merger of the companies in order to leverage the clear synergies that exist between them. Both operate in highly attractive markets supported by strong secular growth drivers, including increased global industrial production rates and increasing automation. They are highly complementary businesses in terms of product offering, market coverage and business model. We plan to lead commercial and operational excellence initiatives, including cross-selling and increasing exposure in under-represented markets, and implement strategic procurement processes. The board we put in place will reflect all the diverse capabilities and experience needed to effectively implement bespoke projects and ensure the executive committee is tightly managed. Once the merger of these two niche leaders is completed and our active value creation plan implemented, we anticipate that the combined business will have the potential to qualify as a category leader.

## Private debt

We provide direct financing solutions that fill gaps in traditional debt market coverage and are often more attractive and flexible than those offered by the broader capital or syndicated loan markets, providing excess yields to our investors. We focus on three key strategies in senior and junior debt financing:

- **Offer creative structures:** we offer flexible and tailor-made capital structures that support companies' specific cash flow profiles and working capital needs.
- **Target attractive sub-sectors:** we target sub-sectors within industries where we have depth of experience and confidence in underlying growth fundamentals. We actively seek to invest into loan structures in these spaces in resilient companies growing both organically and via acquisitions.
- **Support buy-and-build strategies:** we support successful sponsors and management teams in their buy-and-build strategies by providing add-on acquisition financing in a timely manner, particularly under strict time constraints.

We also invest in liquid loans. These senior loans broadly syndicated by banks typically offer relatively lower returns but can be used as a cash management tool by fixed income investors because of their high liquidity.

In January 2018, we supported the acquisition of **Prometric** by Baring Private Equity Asia and were the sole provider of the second lien financing, which amounted to a total of USD 205 million. Prometric is a leading educational support solutions provider with services comprising test delivery, analysis and development. The US-based company operates about 8'000 test centers across more than 160 countries and delivers an average of seven million exams annually, including the Certified Public Accountant and United States Medical Licensing Examination. We were attracted to the transaction due to the company's market-leading position in relevant sectors of focus including the healthcare, financial and academic sectors. Moreover, with its recession-resilient business model, it has a highly loyal customer base with stable revenues. We specialize in providing flexible cross-border financing solutions to private equity sponsors in a timely manner. This transaction is a great example of this strategy in practice.

# H1 2018 at a glance - Investments

**Grassroots Renewable Energy Platform** is an exclusive transaction to build a large-scale Australian renewable energy platform with local developer CWP Renewables, which we announced in May 2018.

The platform will be seeded with the 270MW Sapphire Wind Farm project and will in addition construct over 1.3GW of new wind power, solar power and battery storage assets across Australia within the next four years. Upon completion, Grassroots will be one of the largest Australian renewable energy platforms and will generate enough electricity to power roughly 500'000 average Australian homes.

With our entrepreneurial approach to asset ownership, we intend to add value by leveraging best practices from our Ararat Wind Farm and Sapphire Wind Farm investments and our network of trusted individuals with deep expertise in renewable energy.

Our value creation plan involves de-risking the platform by securing attractive project financing and power purchase agreements, and negotiating, structuring and financing a favorable platform for the underlying investments. Our dedicated asset management team will be actively involved in managing construction and the transition towards the assets being operational.



Grassroots Renewable Energy Platform

## Private infrastructure

The institutional appetite for infrastructure investment shows no sign of flagging. We have concentrated on capturing attractive returns by focusing on the following types of infrastructure investment strategy:

- **Capitalize on platform expansion opportunities:** we look for investments that offer us the opportunity to build scale, for example through investing in fragmented markets that have the potential for consolidation and platform-building.
- **Proactively build core:** we seek out opportunities where strong long-term fundamentals in a particular market support the demand for building a select type of infrastructure, for example due to evolving infrastructure needs or changing market fundamentals.
- **Focus on operational value creation:** we focus on investment opportunities that offer us the potential to enhance operational value through growth and efficiency improvements. A key source of these opportunities is the ongoing trend for corporate owners of infrastructure to sell assets as part of a restructuring.

## Private real estate

We focus on offering solutions to complex situations across our real estate business. With this focus, we see increasing correlation between the profiles of our direct and secondary investments. Both strategies are centered on an approach to value creation and active asset management capabilities and both target markets that have a favorable long-term investment outlook supported by social and demographic trends. We continue to prefer asset strategies that fall into one or more of the following sub-strategies:

- **Buy below replacement cost:** we target assets with low valuations located in rebounding markets that can be repositioned and then leased-up by under-cutting market rents.
- **Buy, fix, and sell:** we seek older buildings in great locations that are in need of owner-oriented asset management initiatives.
- **Develop core:** we target markets with strong long-term fundamentals and trends that support additional absorption to selectively develop properties through ground-up construction.

# H1 2018 at a glance - Investments

**Project Cobalt** is a portfolio refinancing which involves the recapitalization of a portfolio of seven value-added office assets situated across several primary and secondary growth markets in the US. Nearly all of the properties are situated in markets characterized by high employment and population growth, such as Minneapolis, Chicago, Houston, Dallas and Atlanta.

The recapitalization will provide necessary additional capital to complete several of the assets' business plans, provide liquidity to some of the existing investors and maximize the value of the remaining assets rather than forcing an asset-by-asset liquidation. The business plan is to carry out value creation initiatives tailored to each asset, including implementing capital improvement works as well as leasing strategies to increase occupancy and tenant diversity.

The discounted entry basis relative to replacement cost and the strategic locations of the assets in markets with favorable supply and demand fundamentals as well as above-average historical rent and occupancy growth make this transaction attractive for our clients.

## Divestments in H1 2018

In H1 2018, we continued to make active use of the supportive exit environment and were able to realize a number of mature private markets assets on behalf of our clients, leading to a total of USD 7.4 billion in underlying portfolio distributions. Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure.

We sold **VAT Group AG**, the leading global developer, manufacturer and supplier of high-end vacuum valves, which we acquired in February 2014, together with our investment partner Capvis. With our support, VAT was able to grow its revenues by a CAGR of 11% between 2013 and 2015, eventually listing on the SIX Swiss Exchange in April 2016 (ticker: VACN) with an offer price of CHF 45. We sold our remaining stake in January 2018. The sale completed our exit from the company, which generated a gross return of 6.0x on the original investment and a gross IRR of 74%.

In March 2018, we successfully listed **Aiyingshi**, a leading retailer of maternity and baby products in China, on the Main Board of the Shanghai Stock Exchange (ticker: 603214). The IPO valued the Company at a total market capitalization of

RMB 2 billion (USD 300 million). Following the listing, we continue to hold 19.2% of Aiyingshi's share capital on behalf of our clients. We have actively worked alongside the company's management team on value creation initiatives including store network expansion, store quality improvement, IT and logistics infrastructure upgrades and collaboration with international maternity, baby & child product brands. With our support, Aiyingshi has delivered 14% revenue CAGR and 26% EBITDA CAGR since our initial investment in 2015 and currently operates 190 stores and an e-commerce platform.

In January 2018, we sold our stake in **Japan Solar**, a platform of Japanese solar power assets, generating a blended gross return of 3.2x on the original investment for Partners Group's programs. At the time of the sale, Japan Solar consisted of 27 secured projects totaling more than 610MW of capacity, of which over 200MW was operational and contracted into long-term power purchase agreements with Japanese electric utility companies. It is estimated that once Japan Solar's secured projects become operational, they will generate enough energy to power around 133'000 households.

In January 2018, we sold our stake in **Silicon Ranch Corporation**, a developer, owner and operator of solar energy facilities in the US. The gross IRR on the original investment stands at 29% as of 30 June 2018. The final return will be dependent on the company achieving predetermined milestones. Since our investment into Silicon Ranch in April 2016, the company has quadrupled its operating portfolio of commercial- and utility-scale solar projects. It now has approximately 880MW of contracted, under construction, or operating solar PV systems across 14 US states, as well as close to 1GW of additional development pipeline. With our support, the company has been able to execute its growth plan faster than expected and we took the opportunity to divest our equity stake to a strategic investor ahead of the original investment plan.

# H1 2018 at a glance - Clients



## Clients

**EUR 6.2 billion gross client demand in H1 2018; AuM stands at EUR 67 billion.**

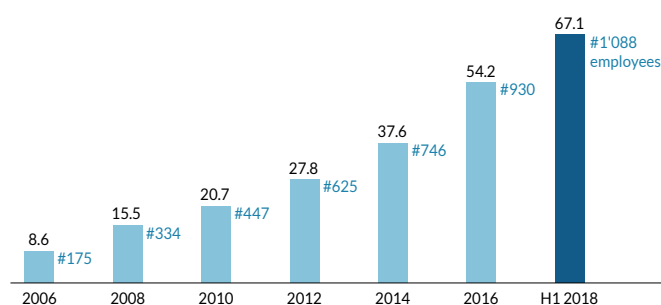
We see a broad cross-section of client types seeking to further build out their exposure to private markets. In H1 2018, our client demand was spread across more than two dozen individual programs and mandates, with many of our more sizable clients requesting the creation of bespoke private markets portfolios, either through single or multi-asset class mandates.

While 2017 was characterized by record demand for our flagship direct programs across private equity, private debt and private infrastructure as well as by strong initial demand for our new flagship secondary real estate program, there were no new flagship programs in the market in H1 2018.

### AuM grew to over EUR 67 billion

In H1 2018, we received EUR 6.2 billion in new commitments from our global client base across all private markets asset classes. This demand for programs and mandates brings total AuM to EUR 67.1 billion as of 30 June 2018 (31 December 2017: EUR 61.9 billion), and represents net growth of 8%.

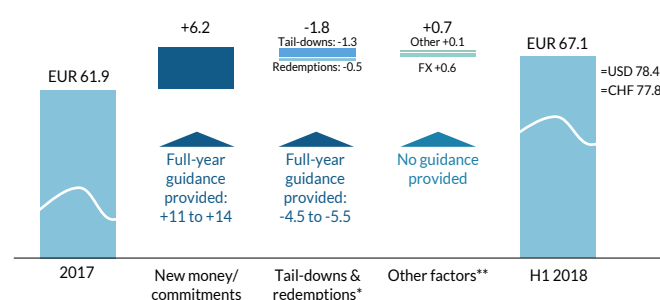
### Total assets under management (in EUR bn)



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

Next to gross client demand of EUR 6.2 billion in H1 2018, there were a total of EUR -1.8 billion in tail-down effects from mature private markets investment programs and redemptions from liquid and semi-liquid vehicles. In addition, foreign exchange effects amounted to EUR +0.6 billion in H1 2018, driven by the appreciation of the USD against the EUR. A positive contribution of EUR +0.1 billion stemmed mainly from performance-related effects from certain investment vehicles. Overall, this resulted in net AuM growth of EUR 5.2 billion during the period.

### Total AuM (in EUR bn)



\*Tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (~20% of AuM).  
 \*\*Other factors consist of currency effects, performance, investment program changes and other effects.

# H1 2018 at a glance - Clients

## Client demand across all asset classes

**Private equity** was a strong contributor to assets raised in H1 2018, representing 38% of all new commitments. Demand was equally split across a dozen different programs and mandates, however, a key focus was our diversified global value strategy. In this strategy, we combine direct transactions – where Partners Group sources and underwrites an opportunity and is solely responsible for value creation – with portfolios of highly diversified pools of assets via secondary and primary investments. The growth rate of private equity AuM amounted to 7% in H1 2018.

**Private debt** saw strong new commitments in H1 2018, which, like private equity, represented 38% of all new commitments. Demand was spread over several different programs and mandates focused on our corporate senior and junior debt lending activities, which contributed about two-thirds of assets raised, and our collateralized loan obligation (CLO) business, which contributed about one-third of new commitments. The growth rate of private debt AuM amounted to 17% in H1 2018. This makes it the fastest-growing segment within the firm and highlights the further scalability of the business.

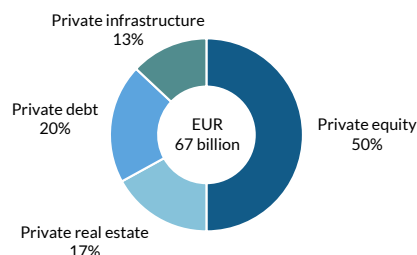
In H1 2018, **private real estate** demand represented 15% of all new commitments. During the period, we neared the end of fundraising for our most recent real estate secondary flagship program, which started fundraising in 2017. This program was the main contributor to H1 2018 real estate fundraising. The growth rate of private real estate AuM amounted to 7% in H1 2018.

**Private infrastructure** total AuM remained largely flat and new commitments represented 9% of overall new client demand. We anticipate the private infrastructure business to be a stronger contributor in the second half of the year and in the quarters to come as we approach the market with our next global value strategy.

The breakdown of total AuM as of 30 June 2018 is as follows: EUR 34 billion private equity (50%), EUR 13 billion private debt (20%), EUR 12 billion private real estate (17%), and EUR 9 billion private infrastructure (13%).

The following chart shows our total AuM by asset class as of 30 June 2018.

## AuM by asset class

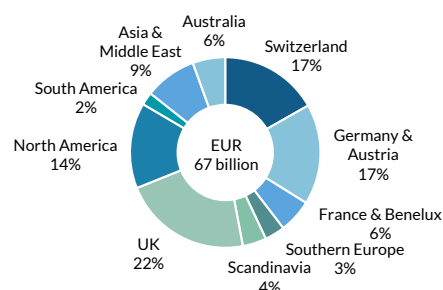


## Client demand by region

We have an international client base of over 850 institutions around the world. In H1 2018, client demand was again well-diversified across regions: almost half of AuM growth came from the UK and US. Notably resilient countries in continental Europe were Germany and Switzerland, which together contributed 20% of total inflows. The remainder stemmed from all other regions, with Asia and Australia making strong contributions.

The chart below shows our AuM by region as of 30 June 2018.

## AuM by region



# H1 2018 at a glance - Clients

## Client demand by type

In H1 2018, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing almost half of total client demand (53% of AuM). These investors typically seek to further enhance the risk/return profile of their portfolios by increasing their private markets exposure.

**Banks and asset managers** supported our fundraising in the first half of the year, with a focus on our CLO offerings. These institutions strengthened our position in the European and US broadly syndicated debt markets and made up about 20% of our total fundraising in H1 (15% of AuM). A further 5% of total client demand stemmed from **family offices** and **other investors**.

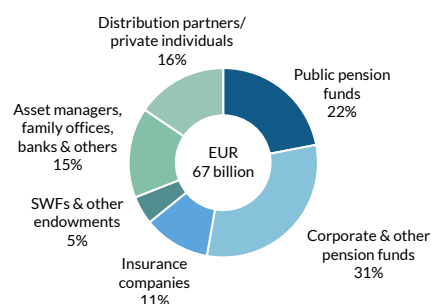
We saw continued demand from **distribution partners/private individuals**, which represented 12% of client demand in H1 2018 (16% of AuM). These types of investors increasingly recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their own investment portfolios. Usually, they seek to access private markets through liquid and semi-liquid structures, which are still unusual in an industry dominated by illiquid, long-duration funds. Semi-liquid structures, which offer quarterly, limited monthly and in some cases limited daily liquidity, were an important driver of asset raising in H1 2018. We have been a notable pioneer in the structuring of **innovative liquid and semi-liquid programs** for investors and to-date manage around 20% of our total AuM in such vehicles.

**Insurance companies** accounted for around 10% of overall inflows in H1 2018 (11% of AuM), displaying particular appetite for yield-generating private debt offerings as well as equity investments.

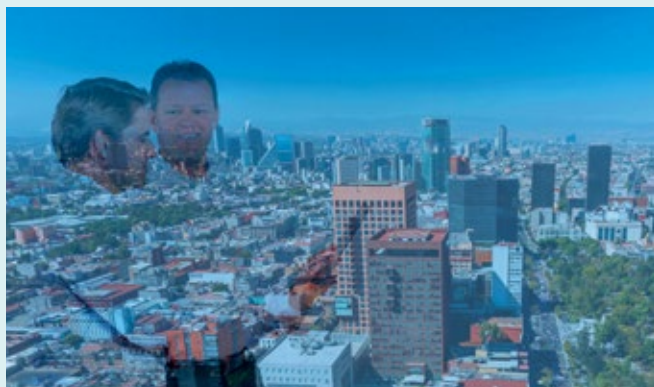
**Sovereign wealth funds** and **endowments** accounted for approximately 5% of total assets raised in H1 2018 (5% of AuM) and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios.

The chart below shows our total AuM by investor type as of 30 June 2018.

## AuM by type



# H1 2018 at a glance - Client outlook



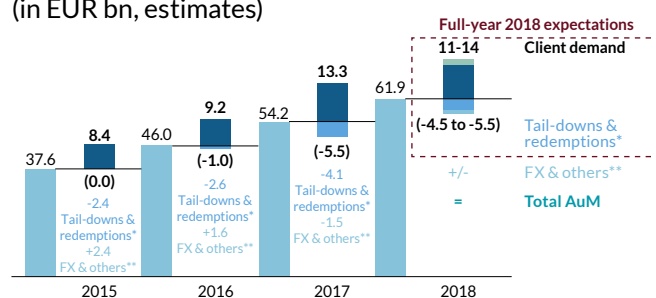
## Client outlook

2018 gross client demand remains solid; **guidance of EUR 11-14 billion confirmed.**

Based on robust client demand for programs and mandates and driven by the steady increase in our investment capacity, we confirm our guidance of EUR 11-14 billion for the anticipated bandwidth of gross client commitments for the full-year 2018. This guidance assumes that the fundraising environment will remain favorable, which is our base case scenario.

Our full-year estimates for tail-down effects from the more mature Partners Group programs and potential redemptions from liquid and semi-liquid programs have not changed and amount to EUR -4.5 to -5.5 billion. We expect these tail-downs and redemptions to be tilted towards H2 2018.

### 2018 gross client demand outlook (in EUR bn, estimates)

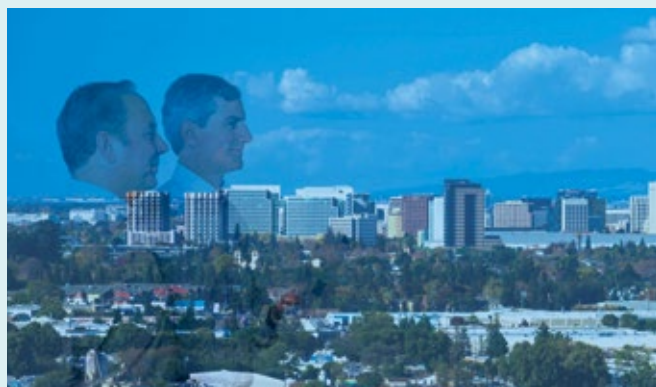


\*Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (~20% of AuM).

\*\*Others: consist of performance from select programs and other effects.

Note: negative effects (2014-2017) consist of both tail-downs & redemptions as well as FX & others.

# H1 2018 at a glance - Financials



## Financials

**Revenues and EBITDA** grew in tandem at the rate of 17% to **CHF 659 million** and **CHF 437 million**, respectively.

### Sustained fundraising and realizations drive H1 financials

Favorable, long-term underlying client trends buoyed by the expectation of continued private markets outperformance over public markets is expected to remain the driving force behind demand for comprehensive private markets offerings now and in the future. These structural industry dynamics, combined with our stable margins and balance sheet-light approach to business, translated into attractive financial returns for our shareholders.

In H1 2018, revenues rose to CHF 659 million, attributable to an increase in revenues from management fees and solid performance fee development. EBITDA increased in line with revenues by 17% year-on-year to CHF 437 million. Profit increased by 10% year-on-year to CHF 394 million.

### AuM growth outpaces revenue growth due to lower late management fees and other income

AuM in CHF grew by 23% year-on-year. Management fees increased by 16%, amounting to CHF 484 million (H1 2017: CHF 418 million). Management fees increased at a lower rate compared to AuM in CHF as late management fees and other income decreased by 23% compared to the previous year, amounting to CHF 43 million (H1 2017: CHF 56 million).<sup>2</sup> This is due to the fact that there were no significant closings of flagship programs in H1 2018. Performance fees continued to remain at

2 Late management fees occur in limited partnership structures, which often 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 retrospectively 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.

### Key financials

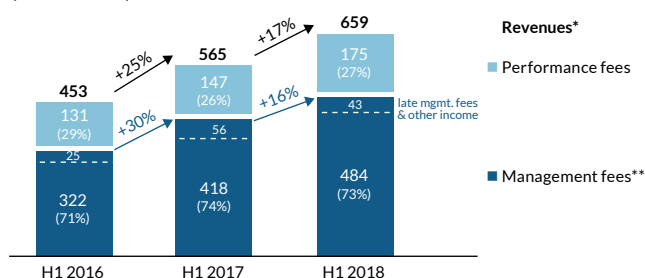
	H1 2017	H1 2018	Growth
AuM as of the end of the period (in EUR bn)	57.8	67.1	+16%
AuM as of the end of the period (in CHF bn)	63.1	77.8	+23%
Revenues (in CHF m) <sup>1</sup>	565	659	+17%
Management fees (in CHF m) <sup>2</sup>	418	484	+16%
Performance fees (in CHF m)	147	175	+19%
Management fees as a proportion of total revenues <sup>2</sup>	74%	73%	
Performance fees as a proportion of total revenues	26%	27%	
EBITDA margin	66%	66%	
EBITDA (in CHF m)	374	437	+17%
Profit (in CHF m)	359	394	+10%

1 Revenues from management services, net, including other operating income and share of results of associates. 2 Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

# H1 2018 at a glance - Financials

a solid level and amounted to CHF 175 million (H1 2017: CHF 147 million). Overall, total revenues rose to CHF 659 million (H1 2017: CHF 565 million) and increased by 17%.

## Revenues (in CHF m)



\* Revenues include management fees and performance fees.

\*\* Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

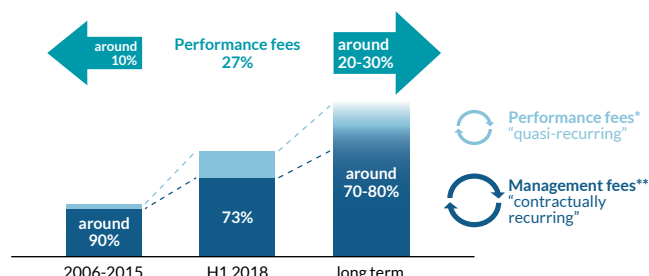
## Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues and will be recurring based on long-term client contracts, often with an initial term of 10-12 years for equity and 5-7 years for debt offerings.

We currently manage over 250 diverse investment programs and mandates at different stages of their lifecycle. Our established approach of launching investment programs and mandates to enable clients to capitalize on specific private markets investment opportunities at different points in the market cycle means that there will typically be several investment vehicles maturing at each stage of the cycle. Most of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles.

Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of investment vehicles going forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

## Management fees are contractually recurring

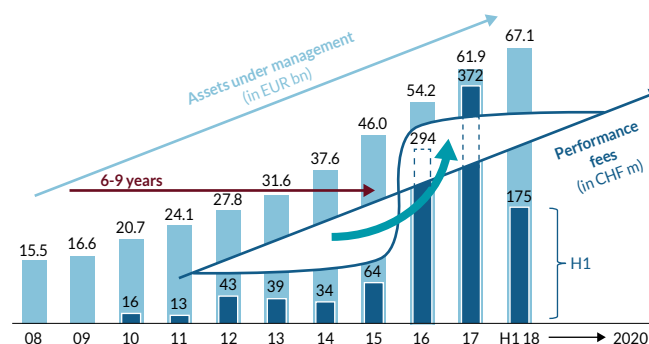


\* Assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the life cycles of its programs.

\*\* Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

In H1 2018, over two dozen investment programs and mandates from a wide range of vintages continued to pay out performance fees. In the years to come, we expect to continue to generate significant performance fees from underlying client portfolios. The expected bandwidth for performance fees as a proportion of total revenues remains at around 20-30%, assuming that the market remains favorable to exits.

## Solid performance fee contribution in H1 2018



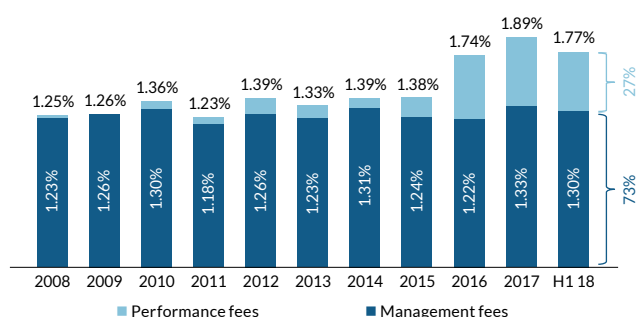
Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the life cycles of its programs.

# H1 2018 at a glance - Financials

## Stable revenue margin on management fees and total revenues

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. In H1 2018, the management fee margin remained largely stable despite lower late management fees and other income, amounting to 1.30% (full-year 2017: 1.33%). Performance fees bring the total revenue margin to 1.77% (full-year 2017: 1.89%) during the same period.

## Stable management fee margin



Note: management fees include recurring management fees and other revenues, net, other operating income and share of results of associates; based on average AuM (in CHF) calculated on a daily basis.

## Performance fee mechanism

In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for managers that outperform an agreed hurdle over the lifetime of an investment program. Performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees often only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

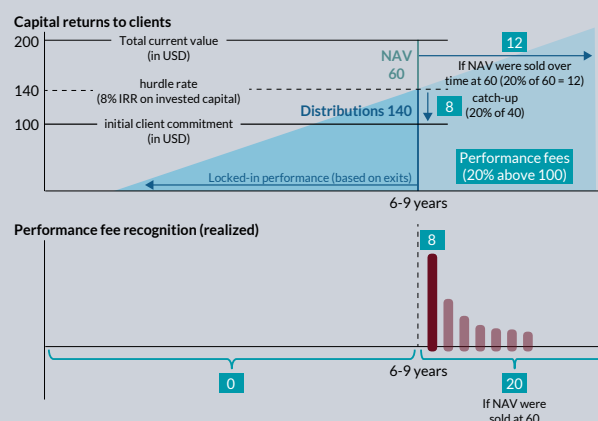
The chart on the right shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

This illustrative example assumes an initial client commitment of 100. After a couple of years the portfolio generates distributions to the client based on ongoing exit activities. After 6-9 years, the cumulated distributions received by the client should exceed 140, i.e. the hurdle rate. At this point in time, the investment manager catches up on past performance in excess of the initial client commitment ("catch-up" on  $140 - 100 = 40$ , and  $40 \times 20\%$  performance fees = 8).

The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). The example assumes that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 ( $60 \times 20\%$ ) should the portfolio be sold at the indicated value of 60.

We further assume that due to the investment manager's value creation activities, the initial client commitment of 100 has translated into a total value of 200, which entitles the investment manager to a total performance fee of 20 ( $200$  total value -  $100$  initial commitment =  $100$  value gain, then  $100$  value gain  $\times 20\%$  performance fees).

## Performance fee recognition model



Note: performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 6-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

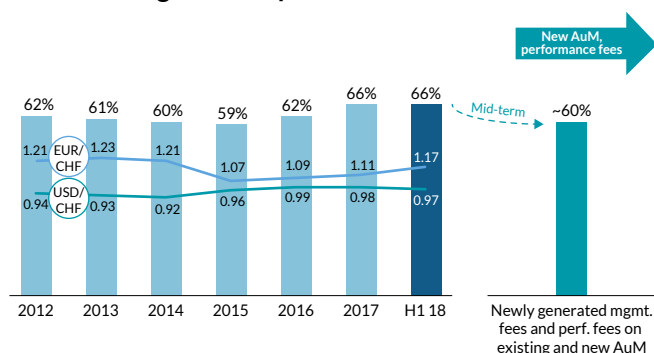
# H1 2018 at a glance - Financials

## EBITDA margin remains above ~60% target

In H1 2018, EBITDA increased by 17% amounting to CHF 437 million (H1 2017: CHF 374 million). The EBITDA margin remained stable at 66% (H1 2017: 66%), above the firm's mid-term target EBITDA margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

The EBITDA margin is expected to temporarily remain above its mid-term target. With the build out of our investment platform, we aim to continuously hire highly skilled professionals in order to systematically increase our investment capacity and expand our client relationships globally. Based on this ambition, we expect the current margin to revert to its target of ~60% over the mid-term.

## EBITDA margin development and outlook



Note: foreign exchange rates in daily averages in respective years.

The number of professionals working at Partners Group grew by 12% to 1'088 employees by the end of H1 2018 (H1 2017: 973). Total personnel expenses – the main driver of our expenses – increased by 16% and were in line with revenues, which grew by 17%.

## Costs grew in line with revenues (in CHF m)

	H1 2017		H1 2018
Revenues	565	+17%	659
Total costs, of which	-191	+16%	-222
Personnel expenses	-163	+16%	-189
Operating expenses	-29	+15%	-33
EBITDA	374	+17%	437
EBITDA margin	66%	+0%-points	66%

Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

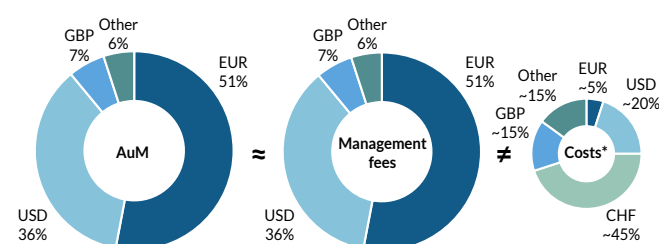
The allocation of revenues stemming from performance fees to our professionals through our long-term compensation programs was in line with our target EBITDA margin of ~60%, i.e. we allocate ~40% of performance fees to our teams and ~60% remain with the firm and its shareholders.

## Continued diversification of AuM, revenues and cost base anticipated

Despite growing our business internationally, our revenues still primarily derive from EUR- and USD-denominated investment programs and mandates. Today, however, nearly half of our cost base is CHF-denominated. In recent years, our team has grown at a higher rate outside Switzerland as we have built our investment presence around the world. This is slowly diversifying our global footprint further and will reduce our CHF cost base in relative terms over time. As a result, the foreign exchange impact on the EBITDA margin deriving from the CHF-denominated cost base contrasted with EUR/USD-denominated revenues is expected to reduce even further in the future.

Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs and cause our EBITDA margin to deviate from its mid-term target. During the period, the CHF depreciated by 9% against the EUR (average rate H1 2018 vs. H1 2017). This positively affected revenues stemming from management fees (51% of the firm's management fees is EUR-denominated). Less affected by the foreign exchange movement in H1 2018 was the firm's cost base (~5% is EUR denominated and 45% is CHF-denominated).

## Currency exposure in H1 2018



\*Includes personnel expenses and other operating expenses.

Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, other operating income and share of results of associates.

# H1 2018 at a glance - Financials

## Financial result driven by value creation in client portfolios; negative foreign exchange result and higher taxes slightly muted profit growth

The financial result amounted to CHF 17 million (H1 2017: CHF 30 million). We invest into our own investment programs alongside our clients (typically around 1% of the program's size). The positive performance of these investments was again the main contributor to the financial result and amounted to CHF 28 million in H1 2018 (H1 2017: CHF 24 million).

Foreign exchange, hedging & others amounted to CHF -11 million in H1 2018 (H1 2017: CHF 6 million). Corporate taxes increased to CHF -51 million in H1 2018 (H1 2017: CHF -38 million). Both were the main drivers behind the slightly muted profit growth in H1 2018.

In summary, the firm's profit increased by 10% year-on-year to stand at CHF 394 million (H1 2017: CHF 359 million).

## Net liquidity of CHF 1 billion

Partners Group's balance sheet remains strong. After a dividend payment of CHF 506 million in May 2018, we hold a current net liquidity position of about CHF 1.0 billion as of 30 June 2018. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.

## Profit development (in CHF m)

	H1 2017		H1 2018
EBITDA	374	+17%	437
Total net financial result, of which	30	-44%	17
<i>Portfolio performance</i>	24	+17%	28
<i>Net exchange differences, interest &amp; others</i>	6	n/a	-11
Taxes	-38		-51
Profit	359	+10%	394

# Condensed interim consolidated income statement

## – unaudited

In millions of Swiss francs	Note	First six months period	
		2018	2017
Management fees and other revenues, net		464.8	403.5
Performance fees, net		174.9	147.0
<b>Revenues from management services, net</b>	<b>2.</b>	<b>639.7</b>	<b>550.5</b>
Other operating income		18.9	14.4
Share of results of associates	5.	0.0	0.0
Personnel expenses	3.1.	(188.7)	(162.7)
Other operating expenses <sup>1)</sup>		(32.9)	(28.7)
<b>EBITDA</b>		<b>437.0</b>	<b>373.5</b>
Depreciation and amortization		(8.2)	(6.2)
<b>EBIT</b>		<b>428.8</b>	<b>367.3</b>
Finance income	4.1.	29.0	31.6
Finance expense	4.1.	(12.0)	(1.5)
<b>Profit before tax</b>		<b>445.8</b>	<b>397.4</b>
Income tax expense		(51.5)	(38.0)
<b>Profit for the period</b>		<b>394.3</b>	<b>359.4</b>
Profit for the period attributable to owners of the Company		394.3	359.4
Basic earnings per share (in Swiss francs)		14.81	13.56
Diluted earnings per share (in Swiss francs)		14.66	13.42

1) Comparative amounts have been re-presented. For further information, see note 9.1.

# Condensed interim consolidated statement of comprehensive income – unaudited

In millions of Swiss francs	First six months period	
	2018	2017
<b>Profit for the period</b>	<b>394.3</b>	<b>359.4</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	(0.7)	(17.5)
<b>Total other comprehensive income that may be reclassified to the income statement in subsequent periods</b>	<b>(0.7)</b>	<b>(17.5)</b>
Net actuarial gains/(losses) from defined benefit plans	(0.1)	1.2
Tax impact on net actuarial gains/losses from defined benefit plans	0.0	(0.2)
<b>Actuarial gains/(losses) from defined benefit plans, net of tax</b>	<b>(0.1)</b>	<b>1.0</b>
<b>Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax</b>	<b>(0.1)</b>	<b>1.0</b>
<b>Total other comprehensive income for the period, net of tax</b>	<b>(0.8)</b>	<b>(16.5)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>393.5</b>	<b>342.9</b>
Total comprehensive income attributable to owners of the Company	393.5	342.9

# Condensed interim consolidated balance sheet

## – unaudited

In millions of Swiss francs	Note	30 June 2018	31 December 2017
<b>Assets</b>			
Cash and cash equivalents		280.1	852.3
Marketable securities		0.0	0.0
Trade and other receivables	4.4.	382.7	384.9
Short-term loans		1'021.1	713.4
Assets held for sale		194.8	260.8
<b>Total current assets</b>		<b>1'878.7</b>	<b>2'211.4</b>
Property and equipment		40.6	28.0
Intangible assets		60.8	61.5
Investments in associates	5.	80.5	90.1
Financial investments	4.2.	512.7	451.8
Other financial assets		57.8	64.0
Employee benefit assets		0.9	1.2
Deferred tax assets		26.2	24.7
<b>Total non-current assets</b>		<b>779.5</b>	<b>721.3</b>
<b>Total assets</b>		<b>2'658.2</b>	<b>2'932.7</b>

# Condensed interim consolidated balance sheet

## – unaudited

In millions of Swiss francs	Note	30 June 2018	31 December 2017
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables <sup>1)</sup>		182.5	215.6
Income tax liabilities		34.4	57.2
Employee benefit liabilities <sup>1)</sup>	3.2.	71.2	127.9
Liabilities held for sale		133.6	155.1
<b>Total current liabilities</b>		<b>421.7</b>	<b>555.8</b>
Employee benefit liabilities <sup>1)</sup>	3.2.	137.0	116.7
Provisions <sup>1)</sup>		0.3	0.2
Deferred tax liabilities		2.2	2.9
Long-term debt	6.	299.3	299.2
Other long-term liabilities		3.8	2.1
<b>Total non-current liabilities</b>		<b>442.6</b>	<b>421.1</b>
<b>Total liabilities</b>		<b>864.3</b>	<b>976.9</b>
<b>Equity</b>			
Share capital	7.	0.3	0.3
Treasury shares		(45.0)	(57.1)
Legal reserves		0.2	0.2
Other components of equity		1'838.4	2'012.4
<b>Equity attributable to owners of the Company</b>		<b>1'793.9</b>	<b>1'955.8</b>
<b>Total liabilities and equity</b>		<b>2'658.2</b>	<b>2'932.7</b>

1) Comparative amounts have been re-presented. For further information, see note 3.2.

# Condensed interim consolidated statement of changes in equity – unaudited

In millions of Swiss francs		Equity attributable to owners of the Company					30 June 2018
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
<b>Balance as of 1 January 2018</b>	<b>0.3</b>	<b>(57.1)</b>	<b>0.2</b>	<b>(53.8)</b>	<b>2'066.2</b>	<b>2'012.4</b>	<b>1'955.8</b>
<b>Transactions with owners of the Company, recorded directly in equity</b>							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(209.1)					(209.1)
Disposal of treasury shares		221.2			(12.7)	(12.7)	208.5
Contractual obligation to purchase treasury shares					(79.3)	(79.3)	(79.3)
Option premium					1.1	1.1	1.1
Share-based payment expenses					23.8	23.8	23.8
Tax effect on share-based payment and treasury share transactions					5.9	5.9	5.9
Dividends paid to owners of the Company					(506.3)	(506.3)	(506.3)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>12.1</b>	<b>-</b>	<b>-</b>	<b>(567.5)</b>	<b>(567.5)</b>	<b>(555.4)</b>
Profit for the period					394.3	394.3	394.3
Total other comprehensive income for the period, net of tax	-	-	-	(0.7)	(0.1)	(0.8)	(0.8)
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>394.2</b>	<b>393.5</b>	<b>393.5</b>
<b>Balance as of 30 June 2018</b>	<b>0.3</b>	<b>(45.0)</b>	<b>0.2</b>	<b>(54.5)</b>	<b>1'892.9</b>	<b>1'838.4</b>	<b>1'793.9</b>

# Condensed interim consolidated statement of changes in equity – unaudited

In millions of Swiss francs		Equity attributable to owners of the Company					30 June 2017
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
<b>Balance as of 1 January 2017</b>	<b>0.3</b>	<b>(73.0)</b>	<b>0.2</b>	<b>(92.0)</b>	<b>1'705.3</b>	<b>1'613.3</b>	<b>1'540.8</b>
<b>Transactions with owners of the Company, recorded directly in equity</b>							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(101.0)					(101.0)
Disposal of treasury shares		78.2			(14.9)	(14.9)	63.3
Share-based payment expenses					13.7	13.7	13.7
Tax effect on share-based payment and treasury share transactions					6.5	6.5	6.5
Dividends paid to owners of the Company					(397.4)	(397.4)	(397.4)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>(22.8)</b>	<b>-</b>	<b>-</b>	<b>(392.1)</b>	<b>(392.1)</b>	<b>(414.9)</b>
Profit for the period					359.4	359.4	359.4
Total other comprehensive income for the period, net of tax	-	-	-	(17.5)	1.0	(16.5)	(16.5)
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17.5)</b>	<b>360.4</b>	<b>342.9</b>	<b>342.9</b>
<b>Balance as of 30 June 2017</b>	<b>0.3</b>	<b>(95.8)</b>	<b>0.2</b>	<b>(109.5)</b>	<b>1'673.6</b>	<b>1'564.1</b>	<b>1'468.8</b>

# Condensed interim consolidated statement of cash flows – unaudited

In millions of Swiss francs	Note	First six months period	
		2018	2017
<b>Operating activities</b>			
Profit for the period		394.3	359.4
<i>Adjustments:</i>			
Share of results of associates	5.	0.0	0.0
Net finance (income) and expense	4.1.	(17.0)	(30.1)
Income tax expense		51.5	38.0
Depreciation and amortization		8.2	6.2
Share-based payment expenses		23.8	13.7
Change in provisions <sup>1)</sup>		0.1	(1.2)
Change in employee benefit assets/liabilities <sup>1)</sup>		(37.2)	(31.9)
Non-cash change in other financial assets		17.8	-
Other non-cash items <sup>1)</sup>		2.2	-
<b>Operating cash flow before changes in working capital</b>		<b>443.7</b>	<b>354.1</b>
(Increase)/decrease in trade and other receivables and short-term loans		(312.2)	149.8
Increase/(decrease) in trade and other payables <sup>1)</sup>		(112.8)	(9.5)
Financial expenses (other than interest) paid		(1.3)	(0.7)
<b>Cash generated from/(used in) operating activities</b>		<b>17.4</b>	<b>493.7</b>
Income tax paid		(70.1)	(35.6)
<b>Net cash from/(used in) operating activities</b>		<b>(52.7)</b>	<b>458.1</b>

1) Comparative amounts have been re-presented. For further information, see note 3.2.

# Condensed interim consolidated statement of cash flows

## – unaudited

In millions of Swiss francs	Note	First six months period	
		2018	2017
<b>Investing activities</b>			
Proceeds on disposal of fixed deposits and marketable securities		-	32.5
Purchase of property and equipment		(14.5)	(2.3)
Purchase of intangible assets		(4.9)	(10.4)
Purchase of financial investments <sup>1) 2)</sup>		(40.9)	(99.9)
Proceeds on disposal of financial investments <sup>3)</sup>		49.8	79.9
Proceeds on disposal of investments in associates	5.	10.4	15.4
Purchase of other financial assets		(16.8)	(7.4)
Proceeds on disposal of other financial assets		4.7	-
Interest received	4.1.	0.5	0.2
<b>Net cash from/(used in) investing activities</b>		<b>(11.7)</b>	<b>8.0</b>
<b>Financing activities</b>			
Repayments of borrowings		-	(160.0)
Proceeds from borrowings		-	160.0
Issuance of long-term debts	6.	-	299.2
Interest paid		(2.4)	(0.4)
Dividends paid to shareholders of the Company	7.	(506.3)	(397.4)
Purchase of treasury shares		(209.1)	(101.0)
Disposal of treasury shares		208.5	63.3
Option premium received		1.1	-
<b>Net cash from/(used in) financing activities</b>		<b>(508.2)</b>	<b>(136.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(572.6)</b>	<b>329.8</b>
Cash and cash equivalents as of 1 January		852.3	186.0
Exchange differences on cash and cash equivalents		0.4	(1.5)
<b>Cash and cash equivalents as of 30 June</b>		<b>280.1</b>	<b>514.3</b>

1) Comparative amounts have been re-presented. For further information, see note 9.1.

2) Purchases of assets and liabilities held for sale are included in this line item.

3) Proceeds on disposal of assets and liabilities held for sale are included in this line item.



# Notes to the condensed interim consolidated financial statements – unaudited

## 1. General information

Partners Group Holding AG ("the Company") is a company domiciled in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. The condensed interim consolidated financial statements for the six months ended 30 June 2018 and 2017 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The condensed interim consolidated financial statements were authorized for issue by the Board of Directors ("BoD") on 29 August 2018.

## 2. Segment information

The BoD has been identified as the chief operating decision-maker. 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 assesses the business from a business line perspective. This results in an identification of the following operating segments:

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

# Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs					First six months period 2018	
	Operating segments					
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	319.1	61.9	84.7	60.5	0.5	526.7
Performance fees	175.2	1.5	1.5	6.2	-	184.4
Revenue deductions	(42.5)	(7.5)	(15.0)	(6.4)	-	(71.4)
<b>Revenues from management services, net</b>	<b>451.8</b>	<b>55.9</b>	<b>71.2</b>	<b>60.3</b>	<b>0.5</b>	<b>639.7</b>
Other operating income	5.4	1.8	8.0	3.3	0.4	18.9
Share of results of associates	0.0	-	-	-	-	0.0
<b>Total</b>	<b>457.2</b>	<b>57.7</b>	<b>79.2</b>	<b>63.6</b>	<b>0.9</b>	<b>658.6</b>
Personnel expenses	(40.8)	(11.5)	(12.5)	(13.0)	(110.9)	(188.7)
Other operating expenses	(2.1)	(0.9)	(0.8)	(0.6)	(28.5)	(32.9)
<b>Gross segment result before depreciation and amortization</b>	<b>414.3</b>	<b>45.3</b>	<b>65.9</b>	<b>50.0</b>	<b>(138.5)</b>	<b>437.0</b>
Depreciation and amortization	-	-	-	-	(8.2)	(8.2)
<b>Gross segment result</b>	<b>414.3</b>	<b>45.3</b>	<b>65.9</b>	<b>50.0</b>	<b>(146.7)</b>	<b>428.8</b>
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						17.0
Income tax expense						(51.5)
<b>Profit for the period</b>						<b>394.3</b>

# Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs					First six months period 2017	
	Operating segments					
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	293.5	48.5	52.3	63.0	0.6	457.9
Performance fees	138.8	3.8	1.8	7.3	-	151.7
Revenue deductions	(37.1)	(5.0)	(6.8)	(10.2)	-	(59.1)
<b>Revenues from management services, net</b>	<b>395.2</b>	<b>47.3</b>	<b>47.3</b>	<b>60.1</b>	<b>0.6</b>	<b>550.5</b>
Other operating income	4.5	5.2	1.6	2.9	0.2	14.4
Share of results of associates	0.0	-	-	-	-	0.0
<b>Total</b>	<b>399.7</b>	<b>52.5</b>	<b>48.9</b>	<b>63.0</b>	<b>0.8</b>	<b>564.9</b>
Personnel expenses	(34.7)	(9.6)	(11.4)	(10.2)	(96.8)	(162.7)
Other operating expenses	(1.2)	(0.4)	(0.8)	(0.4)	(25.9)	(28.7)
<b>Gross segment result before depreciation and amortization</b>	<b>363.8</b>	<b>42.5</b>	<b>36.7</b>	<b>52.4</b>	<b>(121.9)</b>	<b>373.5</b>
Depreciation and amortization	-	-	-	-	(6.2)	(6.2)
<b>Gross segment result</b>	<b>363.8</b>	<b>42.5</b>	<b>36.7</b>	<b>52.4</b>	<b>(128.1)</b>	<b>367.3</b>
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						30.1
Income tax expense						(38.0)
<b>Profit for the period</b>						<b>359.4</b>

## Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are often based on the investment exposure of investors in the investment structures and are often payable on a quarterly basis in advance. The performance obligation of the Group in respect of these fees is to manage the investment structures on an ongoing basis. Ongoing investment management fees including all non-performance related fees are recognized over time, based on the specific contracts.

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received when a new investor commits into the structure. The structuring of the relevant investment programs represents a separate performance obligation of the Group, and therefore revenue is recognized at the point in time when the investor commits. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring. The performance obligation of the Group is satisfied by the execution of the private market transaction, and therefore revenue is recognized at the point in time when the execution of the transaction is completed.

# Notes to the condensed interim consolidated financial statements – unaudited

## Performance fees

Typically, performance fees are recognized so that they do not exceed the portion of performance fees from realized investments and so that there is a sufficiently large cushion for any potential negative development on the remaining portfolio, therefore resulting in a very low probability that these fees are subject to a reversal in a potential claw-back situation.

Accordingly, the recognition of performance fees of investment programs with a claw-back is assessed based on a three-step approach once a pre-defined return hurdle has been exceeded: (1) the total proceeds from realized investments are determined and the corresponding costs of such realized as well as of fully written-off investments are deducted ("Net Proceeds"). (2) the NAV of unrealized investments is determined. The respective NAV will be written down (in a so-called "Write-Down Test") to the extent that the probability of a future claw-back risk becomes minimal. Then, the corresponding costs of such unrealized investments are deducted, resulting in a "Write-Down NAV". This Write-Down NAV is added to the Net Proceeds. In the final third step (3), performance fees to be recognized are calculated by multiplying the lower of (1) and (2) by the applicable performance fee rate, if the value is positive.

On a quarterly basis, the Write-Down Test is applied to all private markets investment programs with a claw-back. The discount applied in the Write-Down Test may vary from investment program to investment program and considers specific risk characteristics, including macroeconomic, (geo-) political and investment program-specific risk factors. The discount applied in the Write-Down Test is regularly assessed by the Group and reviewed by the Board of Directors. As of 30 June 2018, the applied discounts ranged between 50% and 65% (30 June 2017: between 50% and 80%).

## 3. Remuneration

### 3.1. Personnel expenses

In millions of Swiss francs	First six months period	
	2018	2017
Wages and salaries	(101.1)	(104.6)
Share-based payment expenses	(23.8)	(13.7)
Other long-term benefits (management carry program)	(43.2)	(26.7)
Retirement schemes - defined contribution plans	(7.4)	(6.9)
Retirement schemes - defined benefit plans	(1.5)	(1.5)
Other social security expenses	(4.8)	(4.3)
Sundry personnel expenses	(6.9)	(5.0)
<b>Total personnel expenses</b>	<b>(188.7)</b>	<b>(162.7)</b>

The average number of employees during the reporting period was 1'065 (first six months period of 2017: 946), which is equivalent to 1'047 full-time employees (first six months period of 2017: 921).

# Notes to the condensed interim consolidated financial statements – unaudited

## 3.2. Employee benefit liabilities

In millions of Swiss francs	30 June 2018	31 December 2017
Accrued remuneration costs	(50.1)	(72.0)
MCP	(79.4)	(88.8)
Performance-related compensation	(73.9)	(79.0)
Other employee benefit liabilities	(4.8)	(4.8)
<b>Total employee benefit liabilities</b>	<b>(208.2)</b>	<b>(244.6)</b>
Current	(71.2)	(127.9)
Non-current	(137.0)	(116.7)
<b>Balance as of 30 June 2018</b>	<b>(208.2)</b>	<b>(244.6)</b>

The Group reviewed the presentation of its employee benefit liabilities. To improve the disclosures of the financial statements, accrued remuneration costs (previously presented as trade and other payables) as well as management carry plan liabilities ("MCP") and other employee benefit liabilities (both previously presented as provisions) are now presented as employee benefit liabilities in the condensed interim consolidated balance sheet. Prior year numbers in the condensed interim consolidated balance sheet and in the condensed interim consolidated statement of cash flows are re-presented accordingly.

# Notes to the condensed interim consolidated financial statements – unaudited

## 4. Investments held by the Group, finance income and expense and fair value measurement

### 4.1. Finance income and expense

In millions of Swiss francs	Note	First six months period	
		2018	2017
Interest income		0.5	0.2
Net gains on fair value through profit or loss instruments		26.8	19.3
Share of results of associates (Pearl)	5.	1.7	5.3
Net exchange differences		-	6.8
<b>Total finance income</b>		<b>29.0</b>	<b>31.6</b>
Interest expense		(2.5)	(0.3)
Net losses on marketable securities		-	(0.1)
Other finance expense		(1.4)	(1.1)
Net exchange differences		(8.1)	-
<b>Total finance expense</b>		<b>(12.0)</b>	<b>(1.5)</b>
<b>Total net finance income and (expense)</b>		<b>17.0</b>	<b>30.1</b>

# Notes to the condensed interim consolidated financial statements – unaudited

## 4.2. Financial investments

The Group holds investments in various investment programs that it manages. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group typically performs investment management activities for 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, as disclosed in the condensed interim consolidated income statement. 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 an agent on behalf of the investors in the investment programs and therefore does not consolidate these investment program structures.

In millions of Swiss francs	30 June 2018	31 December 2017
Balance as of 1 January	451.8	359.2
Additions	40.9	125.1
Distributions/disposals	(41.1)	(93.4)
Transfers from assets and liabilities held for sale	37.4	6.9
Change in fair value of investments held at period end	24.5	37.6
Exchange differences	(0.8)	16.4
<b>Balance as of end of period</b>	<b>512.7</b>	<b>451.8</b>

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

In millions of Swiss francs	30 June 2018	31 December 2017
Private equity	257.2	214.1
Private debt	165.1	146.5
Private real estate	52.8	51.2
Private infrastructure	37.6	40.0
<b>Total financial investments</b>	<b>512.7</b>	<b>451.8</b>

## 4.3. Capital commitments

As of 30 June 2018, the Group had capital commitment contracts of CHF 621.0 million (31 December 2017: CHF 595.2 million), whereof CHF 224.0 million (31 December 2017: CHF 215.0 million) have not yet been called by the relevant investment manager. The capital commitments are called over time, typically between one to five years following the subscription of the commitment. In addition, the Group may selectively enter into capital commitment contracts to bridge investments for investment programs managed by the Group and enter into capital commitments for seed capital investments into investment programs managed by the Group.

# Notes to the condensed interim consolidated financial statements – unaudited

## 4.4. Trade and other receivables

In millions of Swiss francs	30 June 2018	31 December 2017
Trade receivables	167.6	216.4
Other receivables	12.5	10.1
Cash collateral	4.1	79.8
Prepayments/accrued revenues	196.0	75.3
Derivative assets held for risk management	2.5	3.3
<b>Total trade and other receivables</b>	<b>382.7</b>	<b>384.9</b>

## 4.5. Fair value measurement

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).

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

In millions of Swiss francs	30 June 2018			
	Level 1	Level 2	Level 3	Total
Marketable securities	0.0			0.0
Derivative assets held for risk management <sup>1)</sup>		2.5		2.5
Assets held for sale			194.8	194.8
Financial investments			512.7	512.7
<b>Financial assets</b>	<b>0.0</b>	<b>2.5</b>	<b>707.5</b>	<b>710.0</b>
Derivative liabilities held for risk management <sup>2)</sup>		5.4		5.4
Liabilities held for sale			133.6	133.6
Other long-term liabilities			0.8	0.8
<b>Financial liabilities</b>	<b>0.0</b>	<b>5.4</b>	<b>134.4</b>	<b>139.8</b>

<sup>1)</sup> Presented in the line item trade and other receivables in the condensed interim consolidated balance sheet.

<sup>2)</sup> Presented in the line item trade and other payables in the condensed interim consolidated balance sheet.

# Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs				31 December 2017
	Level 1	Level 2	Level 3	Total
Marketable securities	0.0			0.0
Derivative assets held for risk management <sup>1)</sup>		3.3		3.3
Assets held for sale			260.8	260.8
Financial investments			451.8	451.8
<b>Financial assets</b>	<b>0.0</b>	<b>3.3</b>	<b>712.6</b>	<b>715.9</b>
Derivative liabilities held for risk management <sup>2)</sup>		5.9		5.9
Liabilities held for sale			155.1	155.1
Other long-term liabilities			1.0	1.0
<b>Financial liabilities</b>	<b>0.0</b>	<b>5.9</b>	<b>156.1</b>	<b>162.0</b>

1) Presented in the line item trade and other receivables in the condensed interim consolidated balance sheet.

2) Presented in the line item trade and other payables in the condensed interim consolidated balance sheet.

The carrying amounts for cash and cash equivalents, trade and other receivables, short-term loans as well as trade and other payables are expected to approximate the fair values given the short-term nature of these financial instruments. The carrying amounts for other financial assets are expected to approximate fair values since time values do not materially differ.

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

In millions of Swiss francs			30 June 2018
	Financial assets	Financial liabilities	
Balance as of 1 January 2018	712.6	156.1	
Additions	129.2	88.3	
Disposals	(158.7)	(109.3)	
Change in fair value <sup>1)</sup>	26.8	0.1	
Exchange differences	(2.4)	(0.8)	
<b>Balance as of 30 June 2018</b>	<b>707.5</b>	<b>134.4</b>	

In millions of Swiss francs			30 June 2017
	Financial assets	Financial liabilities	
Balance as of 1 January 2017	546.8	87.1	
Additions <sup>2)</sup>	123.5	23.6	
Disposals	(155.8)	(75.9)	
Change in fair value <sup>1)</sup>	19.3	-	
Exchange differences	(5.8)	(0.1)	
<b>Balance as of 30 June 2017</b>	<b>528.0</b>	<b>34.7</b>	

1) Presented in the line item finance income and expense in the condensed interim consolidated income statement.

2) Comparative amounts have been re-presented. For further information, see note 9.1.

There were no transfers between levels.

# Notes to the condensed interim consolidated financial statements – unaudited

## Sensitivity of fair values

From a Group perspective, financial investments and investments held for sale are typically valued at the adjusted net asset values of the investment programs. A reasonable possible change in the adjusted net asset value would have the following effect on the fair value of these investments held by the Group with changes to be recognized in profit or loss:

In millions of Swiss francs	30 June 2018	31 December 2017
Adjusted net asset value (1% increase)	5.7	5.6

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 values. 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 outcomes.

## 5. Investments in associates

The Group accounted for investments in associates as of 30 June 2018 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	80.0	80.0	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
<b>Total investments in associates</b>			<b>80.5</b>	

In millions of Swiss francs	30 June 2018	31 December 2017
Balance as of 1 January	90.1	116.0
Redemption of shares (Pearl)	(10.4)	(42.9)
Share of results (Pearl)	1.7	7.3
Share of results (LGT)	0.0	0.0
Exchange differences	(0.9)	9.7
<b>Balance as of end of period</b>	<b>80.5</b>	<b>90.1</b>

# Notes to the condensed interim consolidated financial statements – unaudited

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

In millions of Swiss francs	Pearl		LGT	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Total assets	286.1	319.4	2.0	7.1
Total liabilities	2.0	1.2	0.8	5.9
Equity	284.1	318.2	1.2	1.2

In millions of Swiss francs	Pearl		LGT	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenues	9.6	29.4	1.6	2.5
Profit/(loss) for the period	6.0	18.7	0.0	0.0

The table above is based on unaudited financial information as of the balance sheet date as received from Pearl and LGT.

## 6. Long-term debt

In millions of Swiss francs	30 June 2018	31 December 2017
Balance as of 1 January	299.2	-
Issuance of long-term debts	-	299.2
Accreted interest	0.1	0.0
<b>Balance as of end of period</b>	<b>299.3</b>	<b>299.2</b>

The Group issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange (ISIN: CH0361532895):

Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300.0	0.150%	2024	100.052%	100.000%

Corporate bonds issued by the Group are measured at amortized cost using the effective interest method, with interest expense recognized in the condensed interim consolidated income statement on the effective yield basis.

The fair value of the corporate bonds as of 30 June 2018 was CHF 298.2 million (31 December 2017: CHF 298.9 million) and was determined by the quoted market price.

# Notes to the condensed interim consolidated financial statements – unaudited

## 7. Share capital and reserves

In effective number of shares	30 June 2018	30 June 2017
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
<b>Issued as of 30 June - fully paid in</b>	<b>26'700'000</b>	<b>26'700'000</b>

The issued share capital of the Company comprises 26'700'000 registered shares (30 June 2017: 26'700'000) at CHF 0.01 nominal value each. The shareholders 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.

### 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	30 June 2018		
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2018	26'700'000	105'165	26'594'835
Purchase of treasury shares		296'445	(296'445)
Disposal of treasury shares		(339'176)	339'176
<b>Balance as of 30 June 2018</b>	<b>26'700'000</b>	<b>62'434</b>	<b>26'637'566</b>
Weighted average number of shares outstanding during the period (180 days)			26'630'750

In effective number of shares	30 June 2017		
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2017	26'700'000	180'607	26'519'393
Purchase of treasury shares		190'709	(190'709)
Disposal of treasury shares		(174'913)	174'913
<b>Balance as of 30 June 2017</b>	<b>26'700'000</b>	<b>196'403</b>	<b>26'503'597</b>
Weighted average number of shares outstanding during the period (180 days)			26'512'474

As of 30 June 2018, the Group had 1'289'659 options and non-vested shares outstanding (30 June 2017: 1'079'037). The treasury shares necessary to cover the non-vested shares have already been transferred into separate escrow accounts. Thus, the number of treasury shares is already net of non-vested shares outstanding, but not net of shares needed to cover the outstanding options.

# Notes to the condensed interim consolidated financial statements – unaudited

## Contractual obligation to purchase treasury shares

In 2018, the Company entered into agreements with third parties to purchase its registered shares. As of 30 June 2018, the total remaining notional amount of CHF 79.3 million is directly recognized in equity (30 June 2017: nil).

## Dividends

The Company pays a dividend once per financial year following the approval of the appropriation of available earnings by the owners of the Company at the annual general meeting, typically held in May. The Company paid a dividend of CHF 19 per share on 16 May 2018 (17 May 2017: CHF 15). As the Company's treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 507.3 million approved in May 2018 (May 2017: CHF 400.5 million) was not fully distributed, i.e. a total of CHF 506.3 million was paid out (May 2017: 397.4 million).

## 8. Subsequent events

No events took place between 30 June 2018 and 29 August 2018 that would require material adjustments to the amounts recognized in these condensed interim consolidated financial statements.

## 9. Summary of significant accounting policies

### 9.1. Basis of preparation

The unaudited condensed interim consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with IAS 34, "Interim Financial Reporting" and comply with Swiss law. They do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

Some line items in the condensed interim consolidated income statement, condensed interim consolidated balance sheet and condensed interim statement of cash flows have been aggregated and/or re-presented to make the information and disclosures more understandable. Comparative amounts have been re-presented accordingly.

### 9.2. Standards, amendments and interpretations effective for the first time

The accounting policies adopted for the first six months period of 2018 are consistent with those of the previous financial year, except where new or revised standards and interpretations were adopted.

The following standards have been applied for the first time:

#### IFRS 9, "Financial Instruments"

IFRS 9 replaced IAS 39 and has the objective to establish general principles for the financial reporting of financial assets and financial liabilities. The standard rules the requirements for recognition, classification, measurement, derecognition and hedge accounting, and introduces a new impairment model for financial assets.

#### Classification and measurement

From 1 January 2018, the Group has classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss ("FVTPL")), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

# Notes to the condensed interim consolidated financial statements – unaudited

The Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at 1 January 2018:

In millions of Swiss francs	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>				
Cash and cash equivalents	Loans and receivables	Amortized cost	852.3	852.3
Marketable securities	Held-for-trading	FVTPL	0.0	0.0
Trade receivables <sup>1)</sup>	Loans and receivables	Amortized cost	216.4	216.4
Other receivables <sup>1)</sup>	Loans and receivables	Amortized cost	10.1	10.1
Cash collateral <sup>1)</sup>	Loans and receivables	Amortized cost	79.8	79.8
Derivative assets held for risk management <sup>1)</sup>	Held-for-trading	FVTPL	3.3	3.3
Short-term loans	Loans and receivables	Amortized cost	713.4	713.4
Financial investments	Designated FVTPL	FVTPL	451.8	451.8
Other financial assets	Loans and receivables	Amortized cost	64.0	64.0
<b>Total financial assets</b>			<b>2'391.1</b>	<b>2'391.1</b>
<b>Financial liabilities</b>				
Trade payables <sup>2)</sup>	Amortized cost	Amortized cost	108.2	108.2
Cash collateral <sup>2)</sup>	Amortized cost	Amortized cost	66.5	66.5
Derivative liabilities held for risk management <sup>2)</sup>	FVTPL	FVTPL	5.9	5.9
Long-term debt	Amortized cost	Amortized cost	299.2	299.2
Other long-term liabilities	Amortized cost	Amortized cost	1.0	1.0
Other long-term liabilities	FVTPL	FVTPL	1.0	1.0
<b>Total financial liabilities</b>			<b>481.8</b>	<b>481.8</b>

1) Presented in the line item trade and other receivables in the condensed interim consolidated balance sheet.

2) Presented in the line item trade and other payables in the condensed interim consolidated balance sheet.

## Impairment of financial assets

The new standard replaces the 'incurred loss' with an 'expected loss' impairment approach for relevant financial instruments. The Group has identified the following financial assets as subject to the expected credit loss model. These are held within a business model that has the objective to hold and collect the contractual cash flows and where the contractual cash flows only include principal payments and interest:

- Cash and cash equivalents where the Group applies the 'general impairment approach'.
- Trade and other receivables as well as other financial assets where the Group applies the 'simplified impairment approach' using the lifetime expected loss provision.
- Short-term loans where the Group applies the 'general impairment approach'.

# Notes to the condensed interim consolidated financial statements – unaudited

## Cash and cash equivalents

The Group is exposed to credit risk in terms of cash and cash equivalents. The Group's relationship with its numerous banks is closely monitored by the Group's treasury department. The Group only accepts independently rated counterparties that are reputable banks, typically with a minimum rating of 'A-3'. The Group has never suffered any impairment loss on cash and cash equivalents. Based on historical data and the Group's assessment of the potential exposure of cash and cash equivalents to credit risk in the near future, the Group does not consider any material 'expected credit loss' on cash and cash equivalents in line with IFRS 9 as per the effective date of the new standard. The Group will reassess the credit risk for cash and cash equivalents on a regular basis.

## Trade and other receivables as well as other financial assets

The Group's credit risk is considered to be very remote due to the contractual nature of management and performance fees. The majority of the Group's customers are investment programs that are managed by the Group. The Group has never incurred any material loss from its trade and other receivables. The Group does also not expect any material default risk for trade and other receivables based on the current structure of the relevant counterparties and based on the Group's current assessment of the economic environment in the near future. The Group considers the probability of default (PD) to be very remote. Therefore, neither a material allowance for individual exposures nor a material collective loss allowance has been established as per the effective date of IFRS 9. The Group will reassess the credit risk for trade and other receivables as well as other financial assets on a regular basis.

## Short-term loans

The Group's short-term loans are granted to various investment programs managed by the Group on behalf of its clients. These loans typically have a short-term nature with an expected repayment date within twelve months. The credit risk related to such short-term loans can be considered minimal given these are collateralized against unfunded client commitments (or the clear visibility thereof), which can be drawn upon to repay related loans and which are backed by high-quality clients (e.g. pension funds). In addition, underlying assets in the investment programs serve as an additional security. Loans granted are also subject to loan-to-value ratios. Nevertheless, and 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 process is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process, rigorous qualitative and quantitative checks are applied to ensure the high quality of the Group's loan portfolio. The Group does also not expect any significant default risk in this regard. Finally, the Group has individually assessed the PD per loan class, the loss given default and the exposure at default. Following the assessment, the Group has come to the conclusion that the PD can be considered very remote. Therefore, neither a material allowance for individual exposures nor a material collective loss allowance has been established as per the effective date of IFRS 9. The Group will reassess the credit risk for short-term loans on a regular basis.

## Transition

There was no material impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 and therefore, no impact was recognized in retained earnings as of 1 January 2018.

# Notes to the condensed interim consolidated financial statements – unaudited

## **IFRS 15, “Revenue from Contracts with Customers”**

The International Accounting Standards Board has issued a new standard, IFRS 15, for the recognition of revenues that replaces existing revenue recognition guidance, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes.” IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when it satisfies its performance obligations in a contract at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 as issued in May 2014, which resulted in changes in accounting policies, but did not result in any adjustments to the amounts recognized in the financial statements.

Management has assessed the impact of IFRS 15 on the various revenue streams and contractual agreements of the Group, analyzing the five-step approach as set out in the standard. Management has concluded that there is no change to the method of revenue recognition or financial statement presentation applied in previous financial years as a result of the adoption of IFRS 15.

## **Management fees and other revenues as well as performance fees**

The accounting policies relating to management fees and other revenues as well as performance fees are outlined in note 2.

Based on the Group's assessment, the application of IFRS 15 did not result in differences in the timing of revenue recognition for these services.

## **Revenue deductions**

Revenue deductions include the Group's payments to third parties, such as rebates. Third party payments may be one-off or also recurring, 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 the double charging of fees.

Based on the Group's assessment, the application of IFRS 15 did not result in differences in the timing of revenue recognition for these services.

## **Placing expenses**

The Group selectively uses third party placing agents for the distribution of the investment programs that the Group manages. It is common to compensate such services with a one-off payment, depending on the amount of assets placed by such third party placing agents. The amount paid is recognized as incremental cost incurred in connection with the securing of investment management revenue contracts. Placing expenses are considered a cost to obtain a contract, and are amortized, using the straight-line method, over the duration of the investment period of the relevant investment program the cost was incurred for, typically between three to five years.

Based on the Group's assessment, the application of IFRS 15 did not result in differences in accounting of placing expenses compared to IAS 18.

## **Transition**

The adoption of the new standard had no material impact on the Group's retained earnings and therefore no impact was recognized in retained earnings as of 1 January 2018.

## **Amendments and interpretations**

The following amendments and interpretations have been applied for the first time but have no significant impact on the Group's financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle various standards (Amendments to IFRS 1 and IAS 28)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

# Notes to the condensed interim consolidated financial statements – unaudited

## 9.3. Standards that are not yet effective and might be relevant to the Group, but have not been early adopted

### IFRS 16, “Leases”

The International Accounting Standards Board has issued a new standard for leases that replaces existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of the Lease”. Under the new standard, an asset (the right to use the leased item) and a financial liability representing the present value of the outstanding lease payments are recognized. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense of lease liabilities.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize additional assets and liabilities for the use of its office facilities, which are currently classified as operating leases. The Group has not yet decided whether it will use the optional exemptions. The Group has not yet quantified the impact of the adoption of IFRS 16 on its reported consolidated financial statements. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

## 9.4. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Private Markets (Australia) Pty. Ltd., Australia	14 March 2018	Support the Group's investment activities in the region
Partners Group Cayman Management IV Limited, Cayman Islands	29 March 2018	Serve as an investment manager

## 9.5. Applied foreign currency exchange rates

The Group applied the following currency exchange rates against the Swiss franc:

Year	Currency	Balance sheet rate 30 June 2018	Average rate First six months period of 2018
2018	EUR	1.1591	1.1697
	USD	0.9929	0.9670
	GBP	1.3108	1.3300
	SGD	0.7281	0.7287

Year	Currency	Balance sheet rate 31 December 2017	Average rate First six months period of 2017
2017	EUR	1.1704	1.0764
	USD	0.9748	0.9942
	GBP	1.3190	1.2515
	SGD	0.7294	0.7080

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# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS