



As of 30 June 2019

# Interim Report 2019



**Partners Group**  
REALIZING POTENTIAL IN PRIVATE MARKETS

# Contents

<b>Key figures</b>	<b>3</b>
<b>Message from the Chairman and Co-CEOs</b>	<b>4</b>
<b>H1 2019 at a glance</b>	
Investments	6
Clients	10
Client outlook	13
Financials	14
<b>Key definitions and alternative performance metrics</b>	<b>20</b>
<b>Condensed interim consolidated financial statements</b>	<b>22</b>
<b>Contacts</b>	<b>46</b>

# Key figures H1 2019

## Business

**1'326**

professionals

EUR  
**79.8**  
billion

assets under  
management

EUR  
**7.4**  
billion

new assets raised

USD  
**6.9**  
billion

invested

## Financials

CHF  
**552**  
million

management  
fees <sup>1)</sup>

CHF  
**130**  
million

performance  
fees

CHF  
**432**  
million

EBIT <sup>2)</sup>

CHF  
**397**  
million

profit

1) Management fees include recurring management fees and other revenues, net, and other operating income. 2) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward. For a detailed explanation of this change, please refer to page 17.

# Message from the Chairman and Co-CEOs



André Frei, Steffen Meister, David Layton

We remain firmly committed to expanding our platform in order to ensure we can continue to generate attractive returns for our clients and their beneficiaries.

Dear clients, business partners, shareholders and colleagues,

We are pleased to report a solid start to 2019. Clients across all regions entrusted us with EUR 7.4 billion in new commitments in the first half of the year. At the same time, we were able to invest USD 6.9 billion on behalf of our clients in attractive businesses and assets across all private markets asset classes.

Management fees grew by 14% to CHF 552 million in the first half of the year, in line with average AuM growth of 16%. Performance fees decreased and represented 19% of total revenues, around the lower end of our communicated full-year guidance of 20-30% of total revenues. Overall, total revenues increased by 4% to CHF 682 million. The continued build-out of our investment platform and intensified hiring activities over the last twelve months resulted in a disproportionate increase in (regular) personnel expenses for the period. Ultimately, our EBIT increased by 1% and amounted to CHF 432 million in H1 2019. Our EBIT margin stands at 63%.

As we have highlighted in the past, today's private markets investment environment is far from straightforward. If we take the macroeconomic environment, for instance, we are currently witnessing the longest (US) economic expansion on record. In turn, asset valuations have continued to rise and today stand at the upper end of historical ranges. At this late stage in the cycle, we might expect to see a pick-up in volatility and the Q4 2018 market correction, although short-lived, gave us a taste of what a world of increased volatility could be like.

Faced with these dynamics, many investors would naturally flock to assets that are considered more "defensive" because they offer cash flow security, such as big brands, large cap companies or core assets with a bond-like payout structure. However, it is our belief that investors need to re-evaluate this approach as these assets come at a significant premium at a time when yields are suppressed and valuations stretched. Barring another decade of multiple expansion and falling rates, expected returns for these assets are likely to be mediocre at best and the vulnerability of their valuations is often high.

Instead, we are re-thinking defensiveness by applying a proactive and deliberate approach to sourcing investment opportunities with growth potential and, once we have invested in an asset, focusing on building out cash flows and establishing resilience through value creation and strong governance. We remain convinced that this is the only way to achieve sustainable, long-term growth in private markets today.

Key to this philosophy is our continued emphasis on Thematic Sourcing. This approach maps out sub-sectors and investment themes with mid- to long-term growth prospects and then identifies acquisition targets within these segments, often tracking and developing relationships with businesses for several years before they become available for investment.

# Message from the Chairman and Co-CEOs

Our investment in Confluent Health, a leading US provider of physical therapy services, is one example. We identified physical therapy as a highly attractive sub-sector within the healthcare space that is ripe for expansion and continued consolidation. With an aging population in the US, chronic conditions are on the rise but are often best addressed through physical therapy instead of riskier and more expensive medical procedures. Confluent Health, a business we had been tracking for a long time, is well positioned to cater to, and benefit from, this long-term trend.

Our proactive approach to both sourcing and owning assets requires extensive resources and we remain firm in our commitment to expanding our platform to ensure we can continue to generate attractive returns for our clients and their beneficiaries. In this regard, we were proud to reach two important milestones in the first half of the year. In April, we expanded our North American presence with the opening of an office in Toronto, bringing our total number of offices to 20 worldwide. The office is our first on Canadian soil and allows us to cater to increasing investor demand for private markets offerings and intensifying investment activities in the region.

In May, we celebrated the completion and opening of the first phase of our new corporate campus in Denver, Colorado, which has become a hub for our business activities in North America. Since we first announced the campus construction in 2016, we have built a team of around 200 professionals in Denver, working across all business lines, and are committed to further growing our footprint there. Now that the team has had time to settle into the new campus, we are looking forward to inviting external stakeholders to explore the site at the official opening ceremony taking place at the end of October.

With milestones like these to look back on, we have moved confidently ahead into the second half of 2019. Based on a solid first half of the year, we reconfirm our guidance of EUR 13-16 billion in expected new client commitments for the full year.

As ever, we remain committed to creating long-term value for all our stakeholders – our clients, business partners, fellow shareholders and colleagues – and thank you for your continued trust in our firm.



**Steffen Meister**

Executive Chairman



**André Frei**

Co-Chief Executive Officer



**David Layton**

Co-Chief Executive Officer



# H1 2019 at a glance - Investments



## Investments

**USD 6.9 billion** invested on behalf of our clients in attractive private markets opportunities.

### Investments in H1 2019

The complex global investment ecosystem, characterized by macroeconomic challenges, a temporary pick-up in investor uncertainty at the beginning of the year, intense competition and stretched valuations, persisted in H1 2019. In this increasingly fast-paced market, where investor appetite remains strong, we continue to focus on mapping out the most promising companies and assets early on and fostering relationships that can help to outpace the competition. We believe this is a prerequisite to securing access to leading businesses globally in an ever more competitive environment.

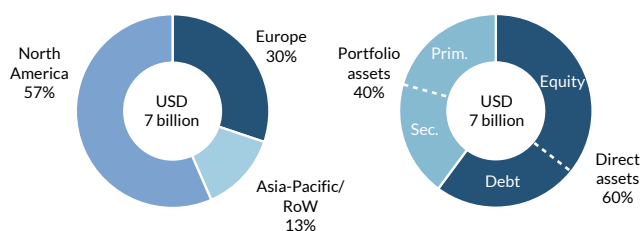
The private equity-backed buyout transaction market has been active in recent quarters. However, according to Preqin data,<sup>1</sup> the first half of the year showed a decline in transaction values. In H1 2019, announced global transaction volumes were worth a total of USD 177 billion. This was 31% lower than announced transaction volumes in H1 2018, which amounted to USD 254 billion.

Despite these lower investment volumes in the market, we invested a total of USD 6.9 billion on behalf of our clients across all private markets asset classes in H1 2019. Of this total amount, USD 4.1 billion (60% of total investment volume) was deployed in direct assets, of which USD 2.3 billion was invested as equity in individual businesses and real assets and USD 1.8 billion was invested in corporate debt. For our equity investments, our entrepreneurial ownership approach, with its focus on value creation through strong governance structures and deep industry expertise, remains the key to generating sustainable outperformance.

To complement our direct assets, we invested USD 2.8 billion (40% of total investment volume) in portfolio assets in H1 2019. These portfolio assets include secondary investments in globally diversified private markets portfolios and select primary commitments to other private markets managers.

Investment activity remained geographically diversified in H1 2019, with 30% of capital invested in Europe, 57% in North America and 13% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

### Private markets investments during H1 2019 (based on volumes)



Note: figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments. Direct equity investments include all direct private equity, direct infrastructure and actively managed real estate investments.

<sup>1</sup> Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2019.

# H1 2019 at a glance - Investments

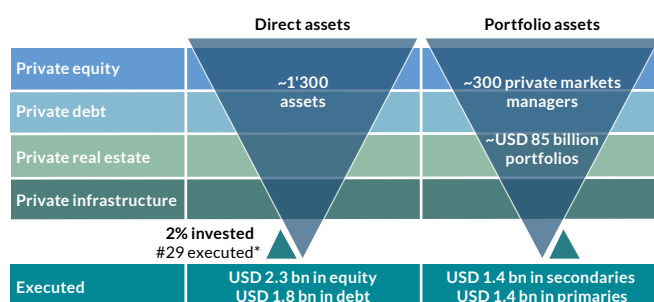
## H1 2019 deal flow remained attractive; investment process remained highly selective

Our global platform of over 1'300 professionals across 20 offices in key investment regions, together with our deep sector insights, extensive industry network and our private markets intelligence tool PRIMERA, allow us to maintain both a proprietary sourcing angle and robust due diligence standards.

In H1 2019, we screened around 1'300 potential direct transactions across all private markets asset classes. Of these, we invested in only the most attractive 2%, resulting in 29 transactions completed and a decline rate of 98%. Furthermore, our integrated investment professionals generated approximately USD 85 billion in secondary private markets assets deal flow, investing in less than 2% of this, and screened around 300 fund offerings by leading private markets managers.

Our Thematic Sourcing approach enables us to focus our sourcing efforts on mapping out those businesses and assets that are best positioned to grow regardless of the business cycle. Moreover, with our proactive sourcing strategy, we conduct a significant amount of pre-due diligence to better understand businesses and to develop clear, value creation-focused investment theses long before formal sales processes start. On the one hand, this is highly resource-intensive and may result in resources spent on businesses and assets that may not be up for sale for months and years. On the other hand, it helps us to build a longer-term pipeline by developing hundreds of investment leads in parallel and keeping us focused on the most attractive targets for the ultimate benefits of our clients.

## Deal flow H1 2019



\*USD 2.3 billion invested in 14 equity investments and USD 1.8 billion invested in 15 debt investments; figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments. Direct equity investments include all direct private equity, direct infrastructure and actively managed real estate investments.

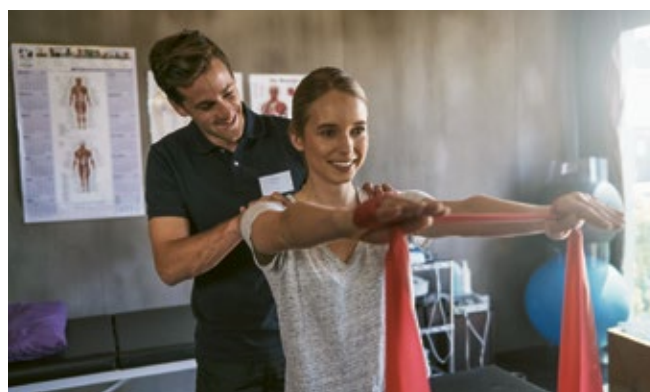
## Private markets investments in H1 2019<sup>2</sup>

### Private equity

In May 2019, we made a significant equity investment in Confluent Health, one of the largest independent outpatient physical therapy service providers in the US. The company employs over 2'000 people and provides outpatient physical and occupational therapy services across a network of approximately 200 clinics in twelve states as well as occupational health & safety services at over 500 corporate locations. Furthermore, it offers pre-graduate hybrid Doctor of Physical Therapy programs in partnership with leading universities and post-graduate certification, residency, and fellowship programs for physical therapists.

Our Thematic Sourcing efforts identified physical therapy as a highly attractive sub-sector within the healthcare space, which is ripe for expansion and continued consolidation. With the long-term trend of an aging population in the US, people are living longer, but often with chronic conditions that are best addressed through physical therapy rather than riskier and more expensive medical procedures.

Our investment thesis for Confluent Health revolves around building a market leading physical therapy player in a fragmented market. The company is well positioned to lead the industry's next wave of consolidation, supported by a successful acquisition track record, unique therapist pipeline and lead generation for acquisitions through education services and the company's reputation for being a respected operator.



### Confluent Health

We will work closely with Confluent Health's management team on a number of strategic and value creation initiatives to support ongoing organic and acquisitive growth. Initiatives will include driving same-site clinic growth, new clinic openings,

<sup>2</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 2019 at a glance - Investments

expansion of M&A partnership opportunities in new and existing markets, additional partnerships with universities, and strategic and technology investments to support scalability.

## Private debt

In February 2019, we invested in the acquisition financing of US-based midstream terminaling and storage company TransMontaigne Partners L.P. (TransMontaigne). The investment demonstrates our ability to provide a flexible financing solution to energy and infrastructure companies through a collaborative investment led by both our private infrastructure and private debt teams.

Founded in 2005 in Florida, TransMontaigne has built a strategic network of 51 midstream terminals and distribution assets spanning six key geographic locations. The company has expanded its total storage capacity from approximately 5.5 million barrels in 2005 to more than 38 million barrels today. Its terminals and pipelines provide essential storage and transportation services to its customers, who are distributors and marketers for a wide array of petroleum products. In the midstream sector, continued investment and improvements in the areas of safety and environmental standards are a prerequisite for sustainable operations and TransMontaigne has a strong focus on these investments.

Our debt investment supports the USD 0.5 billion take-private acquisition of TransMontaigne by funds managed and/or advised by energy infrastructure investment manager ArcLight Capital Partners. Furthermore, it allows the company to expand its existing assets and enhances its ability to pursue further growth.

## Private infrastructure

In March 2019, we invested in the Greenlink Interconnector (Greenlink), a project to construct a 500MW subsea interconnector between Ireland and Great Britain. Up until our investment, Greenlink has been developed by Element Power, an independent renewable energy developer, which, together with funds managed by Hudson Sustainable Investments, is the other major shareholder in Greenlink.

Greenlink will use a subsea high-voltage direct current cable system to connect the power markets of Ireland and Great Britain, stretching approximately 200km underground and under the sea. The project is considered of critical importance in Europe. It has been awarded "Project of Common Interest" status by the European Commission and granted funding from the EU's Innovation and Networks Executive Agency. Construction is scheduled to commence in 2020 and is expected to be completed by 2023.

Greenlink presents an opportunity to build a core infrastructure asset under a stable, regulated revenue regime, providing downside protection and allowing the project to recover its capital and operating costs. Strategic assets such as Greenlink are underpinned by their significant social benefits. Once completed, Greenlink is anticipated to achieve lower power prices for consumers and improve security of supply for both countries. As a result, assets like Greenlink are expected to continue to receive support from key stakeholders in both Ireland and the UK given the fundamental benefits they provide for energy market integration. This is further evidenced by the European Union's continued interest in building new interconnectors with neighboring non-EU countries. Entering into such a project and bringing it to successful completion and operation will further credit us as a highly trustworthy and reliable partner for local and national governments embarking on large-scale infrastructure projects.

## Private real estate

In March 2019, we acquired a majority equity stake in Dinghao Plaza, a large, mixed-use office and retail complex in Beijing. We partnered with a consortium including Ascent Real Estate Investors, Sigma Delta Partners Investment and the Family Office Company in the off-market acquisition, which had a total transaction value of USD 1.3 billion.

Dinghao Plaza is a 177'000 square meter mixed-use building complex situated in the heart of Beijing's ZGC area, known as the "Silicon Valley of China", with direct underground access to the ZGC metro station. Constructed in 2003, the property currently contains a large retail podium and two office towers. Our value creation efforts will be focused on repositioning under-used retail space for office use and undertaking a large-scale refurbishment of the existing office towers to bring them to Grade A standard.



Dinghao Plaza



# H1 2019 at a glance - Investments

The acquisition of Dinghao Plaza is a great fit with our longstanding "buy, fix and sell" strategy, whereby we seek out properties in prime locations that can benefit from repositioning with sufficient time and capital. Together with our consortium partners, we plan to undertake a multi-year value creation program that will transform Dinghao Plaza into a core real estate asset.

## Divestments in H1 2019

Our work is guided by an entrepreneurial mindset. We aim to propel growth and drive value creation initiatives in our portfolio companies and assets and then realize value for our clients with a carefully planned exit strategy. A good example of this approach is the sale of our stake in Billy Bishop Toronto City Airport's (BBTCA's) passenger terminal at the beginning of the year. We acquired the BBTCA passenger terminal together with our partners in the Nieuport Aviation consortium in January 2015. Over the last four years, Nieuport Aviation has added significant value to the terminal, including helping to secure key approvals to facilitate building a US border pre-clearance facility, as well as completing a major upgrade of the terminal that added more spacious passenger lounges, new food, beverage and retail concessions, and an additional gate. With the completion of the terminal upgrade project, we concluded a major value creation program and therefore felt the time was right to divest our stake on behalf of our clients.



Billy Bishop Toronto City Airport

Despite our exit activity for select assets, our broadly diversified portfolio is subject to market dynamics to some extent. Due to the pick-up in volatility caused by the Q4 2018 market correction, we observed many investors adopting a more cautious approach in the beginning of the year, in particular in Q1. For example, global buyout exit values decreased to USD 44 billion in Q1, which compares to USD 133 billion in Q2,<sup>3</sup> suggesting that the correction was rather short-lived. Nevertheless, these market dynamics partially affected our realizations. We were able to realize a number of mature private markets assets on behalf of our clients, leading to a total of USD 4.7 billion in underlying portfolio distributions in H1 2019 (H1 2018: USD 7.4 billion). Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure. Given our pipeline of portfolio companies and assets with potential for divestment in the near future, we are confident about the potential for further meaningful realizations in the second half of 2019, assuming the market remains favorable to exits.

<sup>3</sup> Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2019.

# H1 2019 at a glance - Clients



## Clients

**EUR 7.4 billion gross client demand in H1 2019; AuM stands at EUR 80 billion.**

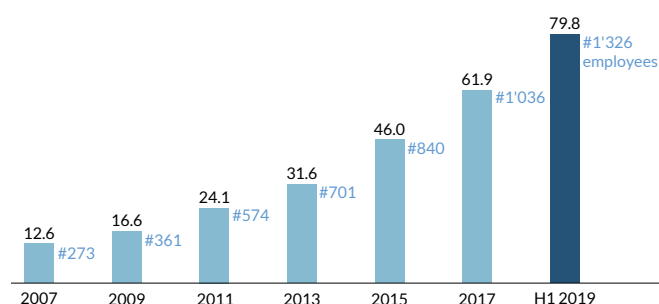
We continue to observe the structural trend of increasing allocations to private markets. Against a backdrop of expected outperformance over public markets and driven by a growing pool of investors seeking to enhance returns and to diversify risks in their portfolios, the fundraising environment remains generally supportive.

In H1 2019, we saw solid client demand across all private markets asset classes. While our fundraising was spread over around 20 individual programs and numerous mandates across all asset classes, our next-generation flagship programs were the ones that contributed more significantly to fundraising during the period and are also expected to do so over the next twelve to 18 months.

### AuM grew to EUR 80 billion

In H1 2019, we received EUR 7.4 billion in new commitments from our global client base across all private markets asset classes (guidance for the full year: EUR 13 to 16 billion). This demand for programs and mandates brings total AuM to EUR 79.8 billion as of 30 June 2019 (31 December 2018: EUR 72.8 billion), representing a net growth of 9%.

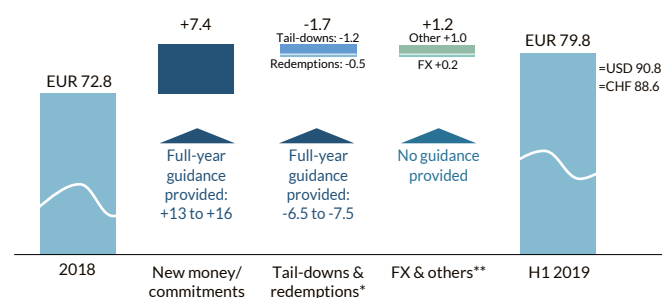
### Total assets under management (in EUR bn)



Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies held up to 2013. For a definition of AuM, please refer to the "Key definitions and alternative performance metrics (APM)" section on page 20.

Alongside new commitments received during the period, tail-down effects from mature private markets investment programs and redemptions from semi-liquid vehicles amounted to a total of EUR -1.7 billion. Tail-downs are expected to be strongly skewed towards the second half of the year, as a number of larger closed-ended programs will reach the end of their lifetime (full-year guidance for tail-downs and redemptions: EUR -6.5 to -7.5 billion). A positive contribution of EUR +1.0 billion stemmed mainly from performance- and investment-related effects from a select number of investment programs. The remaining EUR +0.2 billion was driven by foreign exchange effects. Overall, this resulted in net AuM growth of EUR 6.9 billion during the period.

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



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

# H1 2019 at a glance - Clients

## Client demand across all asset classes

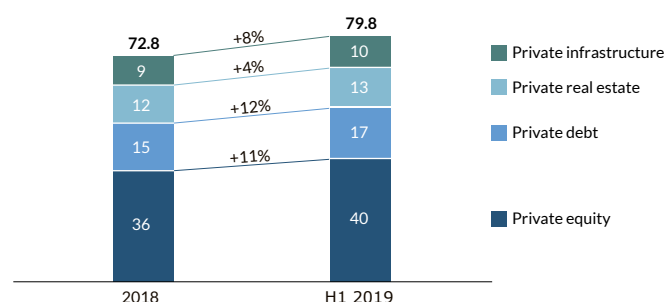
**Private equity** was the largest contributor to assets raised in H1 2019, representing 54% of all new commitments (EUR 4.0 billion). Demand was split across a wide range of different programs and mandates, with our next-generation private equity flagship program and our semi-liquid strategies being the main contributors. Our private equity AuM grew by 11% in H1 2019, bringing total private equity AuM to EUR 40 billion.

**Private debt** saw strong inflows in H1 2019, which represented 27% of all new commitments (EUR 2.0 billion). Demand was spread over several different programs and mandates focused on our direct lending activities, which contributed more than half of the assets raised, and our collateralized loan obligation (CLO) business, which contributed about 40% of new commitments. Today, our entire CLO business represents only around 4% of our AuM, but this proportion is expected to grow strongly in the years to come, depending on market receptiveness to CLOs. Private debt AuM grew by 12% in H1 2019 to EUR 17 billion. This makes it the fastest-growing business line within our firm.

**Private real estate** new commitments represented 11% of overall new client demand (EUR 0.8 billion). This was mainly due to the limited number of open investment programs during the period. Our last investment program closed in 2017 and is still in investment mode. However, we recently launched our new flagship program, which targets global real estate opportunities, and expect the program to contribute to fundraising in the next twelve months. Overall, our private real estate AuM grew by 4% in H1 2019 and stands at EUR 13 billion.

New client demand for **private infrastructure** represented 9% of all new commitments (EUR 0.6 billion). Similar to real estate, we are in the early stages of approaching the market with our new direct flagship offering and expect the program to make a more meaningful contribution to fundraising in six to twelve months from now. Private infrastructure AuM increased by 8% to EUR 10 billion in H1 2019.

## AuM growth by asset class (in EUR bn)

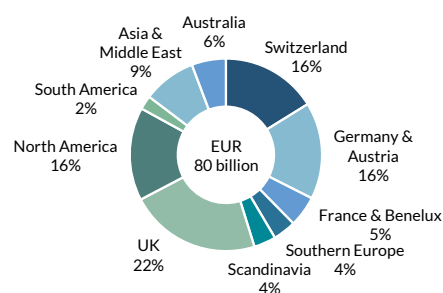


## Client demand by region

We have an international client base of over 900 institutions around the world. In H1 2019, client demand was again well-diversified across regions: one third of new commitments came from the US and UK. Notably resilient countries were Switzerland and Germany, which together contributed about 30% of total inflows. The remainder stemmed from all other regions, with Australia, Asia and Southern Europe making strong contributions.

Following these inflows in H1 2019, our total AuM by region as of 30 June 2019 stands as follows.

## AuM by region



## Client demand by type

In H1 2019, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing 44% of total client demand. 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 15% of our total fundraising in H1 2019. A further 12% of total client demand stemmed from **family offices** and other investors.

We saw continued demand from **distribution partners/private individuals**, which represented 16% of client demand in H1 2019. 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 semi-liquid structures, which offer quarterly, limited monthly and in some cases limited daily liquidity. We have been a notable pioneer in the structuring of **innovative semi-liquid programs** for investors and to-date manage more than 20% of our total AuM in such vehicles.

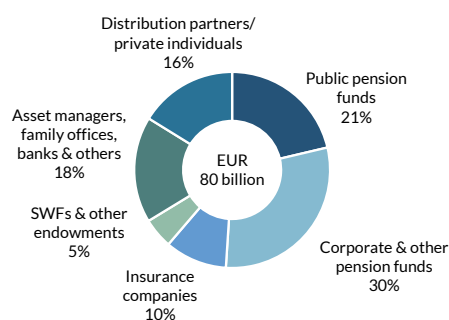
# H1 2019 at a glance - Clients

**Insurance companies** accounted for 9% of overall inflows in H1 2019, displaying particular appetite for yield-generating private debt offerings as well as renewed interest for equity investments.

**Sovereign wealth funds** and **endowments** accounted for approximately 4% of total assets raised in H1 2019 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios. We expect client interest in these segments to intensify going forward.

Following these inflows in H1 2019, our total AuM by investor type as of 30 June 2019 stands as follows.

## AuM by type



# H1 2019 at a glance - Client outlook



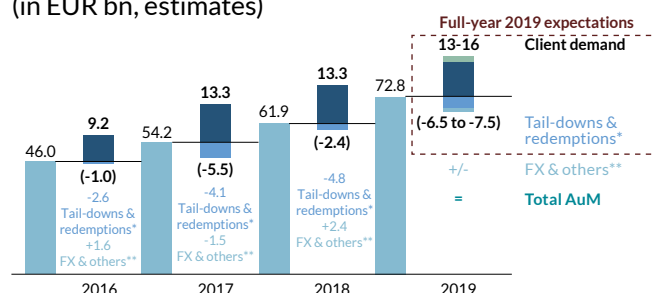
## Client outlook

2019 gross client demand expected to be solid; **guidance of EUR 13-16 billion reconfirmed.**

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 13-16 billion for the anticipated bandwidth of gross client commitments for the full-year 2019. 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 semi-liquid programs have not changed and amount to EUR -6.5 to -7.5 billion. We expect these tail-downs and redemptions to be strongly skewed towards H2 2019, as a number of larger closed-ended programs will reach the end of their lifetime.

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



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

\*\*Others consist of performance and investment program changes from select programs.

Fundraising will be spread across a variety of solutions spanning all private markets asset classes, including flagship programs, customized mandates and the firm's extensive range of innovative semi-liquid offerings.

We continue to observe the structural trend of increasing allocations to private markets by institutional investors. Moreover, clients are often concentrating their relationships with those managers that can offer the necessary investment capacity for them to build up more meaningful exposure to private markets.

Based on our strong track record of investment performance, as well as client service excellence, we believe that we are well positioned to continue to be a strong partner to global investors.



# H1 2019 at a glance - Financials



## Financials

**Management fees** up +14% in line with average AuM growth; **EBIT** up +1% due to lower performance fees and intensified hiring.

Strong client demand (EUR 7.4 billion raised) and continued successful investment activities (USD 6.9 billion invested) enabled us to generate a solid 14% increase in management fees in H1 2019. During the same period, underlying portfolio realizations amounted to USD 4.7 billion (H1 2018: USD 7.4 billion). Realizations were affected by the end of 2018 market correction, which caused uncertainty in the market and slowed the global exit environment in the first quarter of 2019. This resulted in a decrease in performance fees, which were around the lower end of our communicated full-year guidance of 20-30% of total revenues. Total revenues rose 4% to CHF 682 million during the period.

Based on solid underlying business growth, we intensified the build-out of our teams across the entire organization over the last twelve months to meet increasing investment demand from clients. The strong build-out of the platform resulted in total personnel expenses increasing at a higher rate (+6%) than revenues (+4%). As a result, total EBIT increased by 1% to CHF 432 million (H1 2018: 429 million). The EBIT margin stands at 63%. Profit increased by 1% year-on-year to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT.

### Key financials

	H1 2018	H1 2019	Growth
AuM as of the end of the period (in EUR bn)	67.1	79.8	+19%
AuM as of the end of the period (in CHF bn)	77.8	88.6	+14%
Average AuM as of 30 June (in CHF bn)	74.3	86.0	+16%
Revenue margin <sup>1)2)</sup>	1.77%	1.55%	
Attributable to management fee margin <sup>3)</sup>	73%	81%	
Attributable to performance fee margin	27%	19%	
Revenues (in CHF m) <sup>2)</sup>	659	682	+4%
Management fees (in CHF m) <sup>3)</sup>	484	552	+14%
Performance fees (in CHF m)	175	130	-25%
EBIT (in CHF m) <sup>4)</sup>	429	432	+1%
EBIT margin	65%	63%	
Profit (in CHF m)	394	397	+1%

1) Based on average AuM, calculated on a daily basis. 2) Revenues from management services, net, and including other operating income. 3) Management fees include recurring management fees and other revenues, net, and other operating income. 4) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward. For a detailed explanation of this change, please refer to page 17.

# H1 2019 at a glance - Financials

## Management fees in line with AuM growth

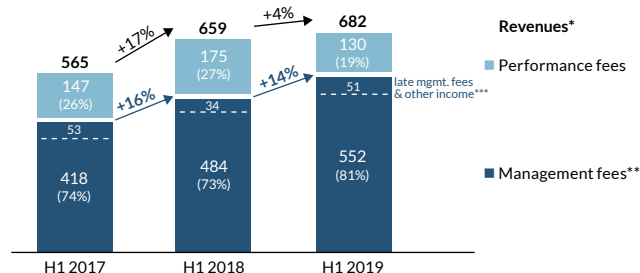
Management fees increased by 14% in H1 2019, amounting to CHF 552 million (H1 2018: CHF 484 million), in line with average AuM growth of 16%. The growth was also supported by late management fees and other income, which increased by 49% to CHF 51 million (H1 2018: CHF 34 million) and included income earned for fundraising and investment services, treasury management, and short-term financing services.

Performance fees amounted to CHF 130 million (H1 2018: CHF 175 million). Over 50 investment programs and mandates from a wide range of vintages continued to contribute to their development. However, performance fees were partially affected by the firm's lower volume of realizations in Q1 caused by uncertainty and a pick-up in volatility in financial markets, which ultimately resulted in the postponement of select divestment decisions. Although the market correction was short-lived and Q2 already showed a rebound in exit activity, we were not able to make full use of our realization potential in H1 due to these factors.

Our investment programs' performance remains solid and we are confident about the development of performance fees for the remainder of the year. We expect performance fees to contribute meaningfully to our revenues in 2019 and be within the communicated full-year range of 20-30% of total revenues, assuming the exit environment remains attractive.

Overall, total revenues rose by 4% to CHF 682 million in H1 2019 (H1 2018: CHF 659 million).

## Revenues (in CHF m)



\*Revenues include management fees and performance fees.

\*\*Management fees include recurring management fees and other revenues, net, and other operating income.

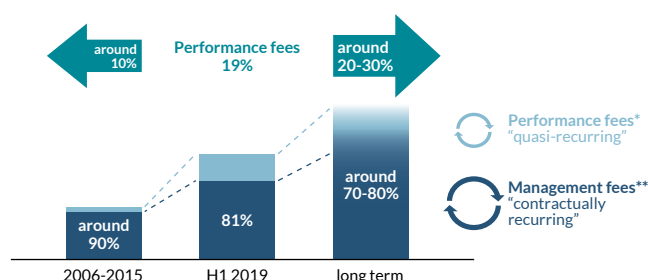
\*\*\*Late management fees and other income no longer include advisory services on select assets. Due to their recurring nature, the income stemming from such services is recognized in recurring management fees and amounted to CHF 9 million in H1 2019 (H1 2018: CHF 9 million; H1 2017: CHF 3 million).

## 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 in a calendar year and will be recurring based on long-term client contracts, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings. In H1 2019, management fees represented 81% of total revenues (H1 2018: 73%).

## Management fees are contractually recurring



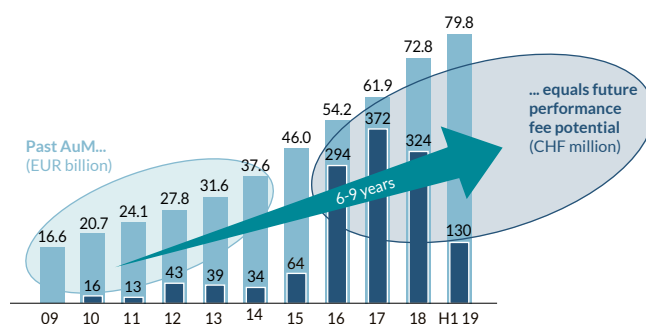
\*Assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from underlying client portfolios due to the visibility that it has on the lifecycles of its programs.

\*\*Management fees include recurring management fees and other revenues, net, and other operating income.

Performance fees in H1 2019 represented 19% of total revenues (H1 2018: 27%) and were around the lower end of our communicated full-year bandwidth. The expected full-year guidance for performance fees as a proportion of total revenues remains at 20-30%, assuming that the market remains favorable to exits. In the long term, future performance fee potential is expected to grow in line with AuM.

We currently manage over 300 diverse investment programs and mandates at different stages of their lifecycle. 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.

## Performance fee development



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

# H1 2019 at a glance - Financials

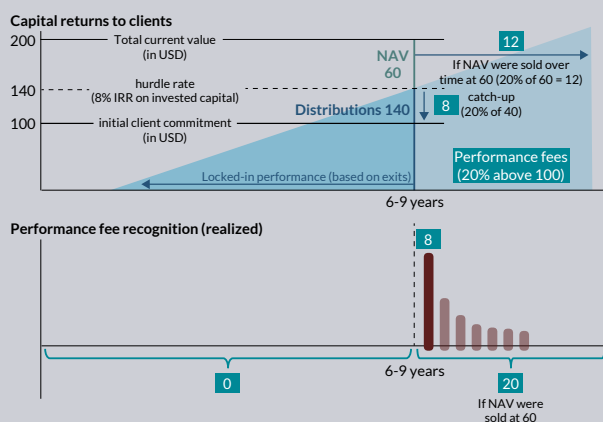
## Performance fee mechanism

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 investment 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 below shows the performance fee recognition model of a typical limited partnership program. It shows how distributions in private markets portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

The illustrative example assumes an initial client commitment of 100. After a few years the portfolio generates distributions to the client based on ongoing exit activities (blue triangle). After 6-9 years, the cumulated distributions received by the client 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).

## 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.

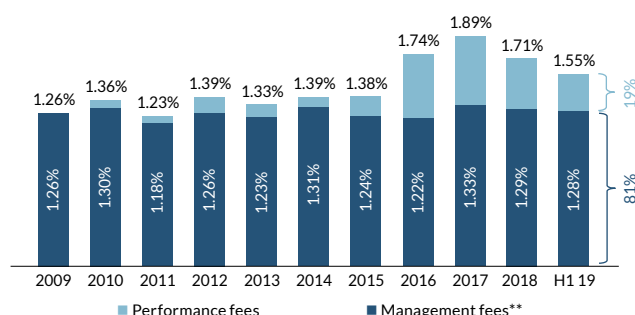
The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). The example assumes that the remaining NAV equals 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 ( $200 \text{ total distributions} - 100 \text{ initial commitment} = 100 \text{ value gain}$ , then  $100 \text{ value gain} \times 20\% \text{ share of performance fees} = 20 \text{ performance fees}$ ).

## Continued stable revenue margin on management fees

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 2019, the management fee margin remained stable, amounting to 1.28% (full-year 2018: 1.29%). Total revenue margin, including performance fees, amounted to 1.55% (full-year 2018: 1.71%).

## Stable management fee margin\*



Note: (annualized) revenues divided by average AuM, calculated on a daily basis.

\*Management fees (annualized) divided by AuM, calculated on a daily basis.

\*\*Management fees include recurring management fees and other revenues, net, and other operating income.

# H1 2019 at a glance - Financials

## Platform build-out intensified; personnel expenses grew disproportionately

Total personnel expenses – the main driver of our costs – increased by 6% in H1 2019, increasing at a higher rate than revenues (+4%).

During the first half of the year, we intensified our hiring activity. As a result, the average number of full-time employees grew by 20%, while average AuM increased by 16%. Professionals were onboarded across the entire platform to increase our investment capacity and to support major business, corporate and organizational initiatives. The increased hiring activity led to an increase in our (regular) personnel expenses, slightly in excess of our full-time employee growth rate. We remain disciplined in our approach to cost management and continue to steer the firm based on our targeted 40% cost-income ratio on newly generated management fees (assuming stable foreign exchange rates).

At the same time, our performance-fee related personnel expenses decreased by 25%, in line with the development of overall performance fees (-25%). We allocate ~40% of revenues stemming from performance fees to our teams through our long-term incentive programs and/or bonus payments. The remainder (~60%) will be allocated to the firm and its shareholders.

Other operating expenses grew by 5% to CHF 35 million (H1 2018: CHF 33 million).

## Personnel expenses grew at a higher rate than revenues due to intensified platform build-out (in CHF m)

	H1 2018		H1 2019
Revenues	659	+4%	682
Total costs, of which	-230	+9%	-250
Personnel expenses	-189	+6%	-201
<i>Personnel expenses (regular)</i>	-119	+25%	-149
<i>Personnel expenses (performance fee-related)*</i>	-70	-25%	-52
Other operating expenses	-33	+5%	-35
Depreciation & amortization**	-8	+86%	-15
EBIT	429	+1%	432
<i>EBIT margin</i>	65%	-2%-points	63%

Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, and other operating income. Regular personnel expenses exclude performance fee-related costs.

\*Calculated on a ~40% cost-income ratio on revenues stemming from performance fees.

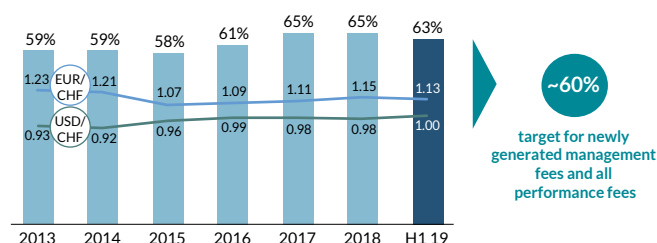
\*\*Reclassification of CHF 6 million of rent and lease contract costs as depreciation according to IFRS 16 in H1 2019.

## 40% cost-income-ratio targeted on new business; EBIT is our new key performance indicator

We are changing our primary key performance indicator from EBITDA to EBIT. The application of IFRS 16 Leases as of 1 January 2019 resulted in the recognition of right-of-use assets and lease liabilities on the balance sheet. As a result, a lessee recognizes depreciation expenses of the right-of-use assets, whereas, before IFRS 16 became effective, leasing expenses were included in other operating expenses. This change in accounting policy supported the development of our EBITDA with a CHF 6 million contribution, resulting in total EBITDA of CHF 447 million in H1 2019 (H1 2018: CHF 437 million), an increase of 2%. EBIT has therefore replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward.

In H1 2019, EBIT increased by 1%, amounting to CHF 432 million (H1 2018: CHF 429 million) and the EBIT margin decreased to 63% (H1 2018: 65%). We steer the operating margin towards a target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

## EBIT margin development\*



\*For the years 2013-2014, non-cash items related to the capital-protected product Pearl Holding Limited were excluded from depreciation & amortization.  
Note: foreign exchange rates in daily averages in respective years/periods.

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

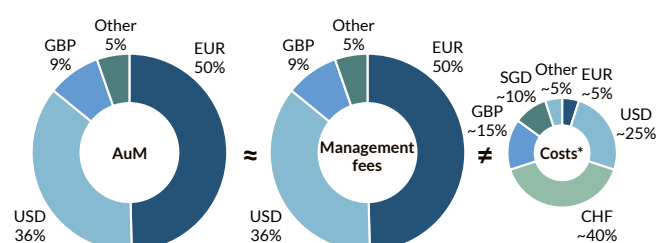
Over 80% of our revenues derive from EUR- and USD-denominated investment programs and mandates, reflecting our international clientele. However, around 40% of our cost base is still CHF-denominated. In recent years, though, our team has grown at a higher rate outside Switzerland as we have built out our investment presence around the world, in particular with strategic initiatives such as the set-up of Denver as our Americas hub. This international expansion continues to diversify our cost base further and will reduce our CHF-denominated cost base in relative terms over time.

# H1 2019 at a glance - Financials

Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs, causing our total EBIT margin to deviate from its target on incremental revenues. In particular, management fees (typically representing 70-80% of our total revenues) and our recurring cost base are the main drivers of such deviations. In H1 2019, currency movements throughout the period negatively impacted the EBIT margin by approximately -1%. During the period, the EUR depreciated by 3% against the CHF. This negatively affected management fees in CHF (50% of AuM are EUR denominated).

Performance fee revenues and performance fee-related costs are similarly affected by currency movements and are, therefore, largely EBIT margin-neutral.

## Currency exposure in H1 2019



\*Includes regular personnel expenses (excluding performance fee-related 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, and other operating income.

## Financial result driven by value creation in client portfolios; negative foreign exchange result

The financial result amounted to CHF 23 million (H1 2018: CHF 17 million). We invest into our own investment programs alongside our clients (typically around 1% of a program's size). Another period of solid performance for these investments was the main contributor to the financial result, which amounted to CHF 33 million (H1 2018: CHF 28 million).

Foreign exchange, hedging & others amounted to CHF -12 million (H1 2018: CHF -11 million). Corporate taxes increased to CHF -57 million (H1 2018: CHF -51 million), reflecting our growing international setup. In summary, the firm's profit increased by 1% year-on-year to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT.

## Profit development (in CHF m)

	H1 2018		H1 2019
EBIT	429	+1%	432
Total net financial result, of which	17	+33%	23
Portfolio performance	28	+15%	33
Net exchange differences, interest & others	-11	-12%	-10
Taxes	-51		-57
Profit	394	+1%	397

## Net liquidity of CHF 0.9 billion

Partners Group's balance sheet remains strong. After a dividend payment of CHF 585 million in May 2019, we hold a current net liquidity position of about CHF 0.9 billion as of 30 June 2019. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.

In May 2019, we successfully issued Partners Group's second corporate bond, raising CHF 500 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with an eight-year term and a coupon of 0.40% and matures on 17 June 2027. The bond enables us to optimize the management of our liquidity, in particular, for short-term financing needs arising from the provision of treasury management services to our clients.





# Key definitions and alternative performance metrics

## Key definitions

Assets under management (AuM): Partners Group aims to mirror the fee basis for its various programs and mandates when calculating AuM. AuM covers programs, mandates and assets to which Partners Group renders (full or partial) investment management or advisory services, and does not cover consultant, transaction or other ancillary services it may render to clients or assets from time to time. AuM is typically calculated as i) the program size, ii) outstanding commitments to investments, iii) the net asset value or the outstanding principal of investments, or iv) the respective investment exposure.

The AuM basis is increased by the amount of assets raised that are based on i) subscriptions, or ii) new fee-paying assets and amounts planned to be invested which would become fee-paying assets in the following six months. Reductions in the AuM basis for mature programs i) may follow a fixed schedule, ii) can be based on the cost of realizing assets, or iii) may be the result of such programs being liquidated. The AuM basis is also reduced by redemptions on open-ended programs. Further changes in the AuM basis may be explained by factors such as performance or changes in FX rates.

## Alternative performance metrics (APMs)

Partners Group uses various financial and alternative performance metrics (APMs) to measure its financial performance as part of its financial reporting. The APMs used by Partners Group supplement the measures that are documented and published in accordance with International Financial Reporting Standards (IFRS). An APM is defined as a financial measure of historical or future financial performance, financial position or cash flows that is not already defined or specified in the applicable financial reporting framework.

APMs are predominantly operational management metrics and undergo regular performance reviews in both internal and external reporting. The resulting findings are taken into account as part of a strategy review process. We must point out that the comparability of APMs within the industry can be limited due to different calculation methods.

Partners Group uses the following APMs:

**Earnings before interest and tax (EBIT)** stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result and before income taxes. This metric is used by Partners Group as the financial target in its internal presentations (business plans) and in its external presentations (to analysts and investors). EBIT is considered as a useful unit of measurement for evaluating the operating performance of the group.

**EBIT margin** is calculated as earnings before interest and tax (EBIT) divided by revenues from management services, net, including other operating income. It is one of the key operational management metrics as it provides an indication of the profitability of the business.

In millions of Swiss francs	H1 2018	H1 2019
EBIT	429	432
Revenues from management services, net, including other operating income	659	682
<b>EBIT margin</b>	<b>65%</b>	<b>63%</b>

# Key definitions and alternative performance metrics

## Earnings before interest, tax, depreciation and amortization

**(EBITDA)** stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result, before income taxes and before depreciation and amortization.

**Equity ratio** is calculated as equity attributable to owners of the Company divided by total liabilities and equity.

**Net liquidity position** is calculated as cash and cash equivalents including short-term loans to products, minus credit facilities drawn and long-term debt.

In millions of Swiss francs	Dec 2018	June 2019
Cash and cash equivalents	412	283
Short-term loans	1'113	1'493
Credit facilities drawn	-	(120)
Long-term debt	(299)	(799)
<b>Net liquidity position</b>	<b>1'226</b>	<b>858</b>

**Revenue margin** is calculated as (annualized) revenues from management services, net, including other operating income, divided by average assets under management (in CHF) calculated on a daily basis.

In millions of Swiss francs	H1 2018	H1 2019
Revenues from management services, net, including other operating income	659	682
Average assets under management (in CHF) calculated on a daily basis.	77'615	86'010
<b>Revenue margin</b>	<b>1.71%</b>	<b>1.55%</b>

**Return on average shareholders' equity (RoE)** is calculated as (annualized) profit for the period, divided by average equity attributable to owners of the Company.

In millions of Swiss francs	H1 2018	H1 2019
Profit for the period	394	397
Average equity attributable to owners of the Company	1'875	1'943
<b>Return on equity</b>	<b>42%</b>	<b>41%</b>

# Condensed interim consolidated income statement

## – unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2019	2018
Management fees and other revenues, net		522.6	464.8
Performance fees, net		130.4	174.9
<b>Revenues from management services, net</b>	<b>2.</b>	<b>653.0</b>	<b>639.7</b>
Other operating income <sup>1)</sup>		29.0	18.9
Personnel expenses	3.1.	(200.7)	(188.7)
Other operating expenses		(34.6)	(32.9)
<b>EBITDA <sup>2)</sup></b>		<b>446.7</b>	<b>437.0</b>
Depreciation and amortization		(15.2)	(8.2)
<b>EBIT <sup>2)</sup></b>		<b>431.5</b>	<b>428.8</b>
Finance income	4.1.	34.1	29.0
Finance expense	4.1.	(11.6)	(12.0)
<b>Profit before tax</b>		<b>454.0</b>	<b>445.8</b>
Income tax expense		(57.4)	(51.5)
<b>Profit for the period</b>		<b>396.6</b>	<b>394.3</b>
Profit for the period attributable to owners of the Company		396.6	394.3
Basic earnings per share (in Swiss francs)		14.91	14.81
Diluted earnings per share (in Swiss francs)		14.80	14.66

<sup>1)</sup> This includes the share of results of associates, previously disclosed separately.

<sup>2)</sup> For definitions please refer to p. 20.

# Condensed interim consolidated statement of comprehensive income – unaudited

In millions of Swiss francs	Six months ended 30 June	
	2019	2018
<b>Profit for the period</b>	<b>396.6</b>	<b>394.3</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	(22.7)	(0.7)
<b>Total other comprehensive income that may be reclassified to the income statement in subsequent periods</b>	<b>(22.7)</b>	<b>(0.7)</b>
Net actuarial gains/(losses) from defined benefit plans	(0.3)	(0.1)
Tax impact on net actuarial gains/losses from defined benefit plans	0.0	0.0
<b>Actuarial gains/(losses) from defined benefit plans, net of tax</b>	<b>(0.3)</b>	<b>(0.1)</b>
<b>Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax</b>	<b>(0.3)</b>	<b>(0.1)</b>
<b>Total other comprehensive income for the period, net of tax</b>	<b>(23.0)</b>	<b>(0.8)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>373.6</b>	<b>393.5</b>
Total comprehensive income attributable to owners of the Company	373.6	393.5



# Condensed interim consolidated balance sheet

## – unaudited

In millions of Swiss francs	Note	30 June 2019	31 December 2018
<b>Assets</b>			
Cash and cash equivalents		282.9	412.2
Trade and other receivables	4.4.	516.3	403.8
Short-term loans		1'493.2	1'113.4
Assets held for sale		131.5	91.0
<b>Total current assets</b>		<b>2'423.9</b>	<b>2'020.4</b>
Property and equipment		98.7	67.6
Right-of-use assets <sup>1)</sup>	9.2.	69.0	-
Intangible assets		60.2	61.8
Investments in associates	5.	48.0	55.0
Financial investments	4.2.	567.7	554.0
Other financial assets		165.9	166.7
Deferred tax assets		30.0	23.6
<b>Total non-current assets</b>		<b>1'039.5</b>	<b>928.7</b>
<b>Total assets</b>		<b>3'463.4</b>	<b>2'949.1</b>

<sup>1)</sup> The Group has initially applied IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated.

# Condensed interim consolidated balance sheet

## – unaudited

In millions of Swiss francs	Note	30 June 2019	31 December 2018
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	4.5.	175.6	234.5
Income tax liabilities		37.6	81.7
Credit facilities drawn		120.0	-
Employee benefit liabilities	3.2.	63.4	121.9
Liabilities held for sale		76.4	54.1
<b>Total current liabilities</b>		<b>473.0</b>	<b>492.2</b>
Employee benefit liabilities	3.2.	173.0	158.2
Provisions		3.4	0.3
Deferred tax liabilities		2.0	2.5
Long-term debt	6.	798.6	299.4
Lease liabilities <sup>1)</sup>	9.2.	60.4	-
Other long-term liabilities		34.3	28.6
<b>Total non-current liabilities</b>		<b>1'071.7</b>	<b>489.0</b>
<b>Total liabilities</b>		<b>1'544.7</b>	<b>981.2</b>
<b>Equity</b>			
Share capital	7.	0.3	0.3
Treasury shares		(107.4)	(143.6)
Legal reserves		0.2	0.2
Other components of equity		2'025.6	2'111.0
<b>Equity attributable to owners of the Company</b>		<b>1'918.7</b>	<b>1'967.9</b>
<b>Total liabilities and equity</b>		<b>3'463.4</b>	<b>2'949.1</b>

<sup>1)</sup> The Group has initially applied IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated.

# Condensed interim consolidated statement of changes in equity – unaudited

In millions of Swiss francs	Equity attributable to owners of the Company					30 June 2019	
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January 2019	0.3	(143.6)	0.2	(93.3)	2'204.3	2'111.0	1'967.9
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares		(265.6)					(265.6)
Disposal of treasury shares		301.8			(23.2)	(23.2)	278.6
Contractual obligation to purchase treasury shares					110.0	110.0	110.0
Share-based payment expenses					26.5	26.5	26.5
Tax effect on share-based payment and treasury share transactions					13.1	13.1	13.1
Dividends paid to owners of the Company					(585.4)	(585.4)	(585.4)
Total contributions by and distributions to owners of the Company	-	36.2	-	-	(459.0)	(459.0)	(422.8)
Profit for the period					396.6	396.6	396.6
Total other comprehensive income for the period, net of tax	-	-	-	(22.7)	(0.3)	(23.0)	(23.0)
Total comprehensive income for the period, net of tax	-	-	-	(22.7)	396.3	373.6	373.6
Balance as of 30 June 2019	0.3	(107.4)	0.2	(116.0)	2'141.6	2'025.6	1'918.7

For further information with regard to the contractual obligation to purchase treasury shares, please refer to note 7.

# 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 cash flows

## – unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2019	2018
<b>Operating activities</b>			
Profit for the period		396.6	394.3
<i>Adjustments:</i>			
Net finance (income) and expense	4.1.	(22.5)	(17.0)
Income tax expense		57.4	51.5
Depreciation and amortization		15.2	8.2
Share-based payment expenses		26.5	23.8
Change in provisions		0.0	0.1
Change in employee benefit assets/liabilities		(43.0)	(37.2)
Non-cash change in other financial assets		7.6	17.8
Non-cash change in other long-term liabilities		5.9	2.2
<b>Operating cash flow before changes in working capital</b>		<b>443.7</b>	<b>443.7</b>
(Increase)/decrease in trade and other receivables and short-term loans		(511.0)	(312.2)
Increase/(decrease) in trade and other payables		44.8	(112.8)
Finance expense (other than interest) paid		(0.9)	(1.3)
<b>Cash generated from/(used in) operating activities</b>		<b>(23.4)</b>	<b>17.4</b>
Income tax paid		(96.0)	(70.1)
<b>Net cash from/(used in) operating activities</b>		<b>(119.4)</b>	<b>(52.7)</b>
<b>Investing activities</b>			
Purchase of property and equipment		(35.2)	(14.5)
Purchase of intangible assets		(4.5)	(4.9)
Purchase of financial investments & assets and liabilities held for sale		(56.2)	(40.9)
Proceeds on disposal of financial investments & assets and liabilities held for sale		45.4	49.8
Proceeds on disposal of investments in associates	5.	9.4	10.4
Purchase of other financial assets		(8.8)	(16.8)
Proceeds on disposal of other financial assets		2.8	4.7
Interest received	4.1.	1.3	0.5
<b>Net cash from/(used in) investing activities</b>		<b>(45.8)</b>	<b>(11.7)</b>



# Condensed interim consolidated statement of cash flows

## – unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2019	2018
<b>Financing activities</b>			
Repayments of credit facilities		(310.0)	-
Drawdowns from credit facilities		430.0	-
Issuance of long-term debts	6.	499.1	-
Payments of lease liabilities <sup>1)</sup>	9.2.	(6.3)	-
Interest paid		(2.5)	(2.4)
Dividends paid to shareholders of the Company	7.	(585.4)	(506.3)
Purchase of treasury shares		(265.7)	(209.1)
Disposal of treasury shares		278.5	208.5
Option premium received		-	1.1
<b>Net cash from/(used in) financing activities</b>		<b>37.7</b>	<b>(508.2)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(127.5)</b>	<b>(572.6)</b>
Cash and cash equivalents as of 1 January		412.2	852.3
Exchange differences on cash and cash equivalents		(1.8)	0.4
<b>Cash and cash equivalents as of 30 June</b>		<b>282.9</b>	<b>280.1</b>

<sup>1)</sup> The Group has initially applied IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated.

# 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 2019 and 2018 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 28 August 2019.

## 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					Six months ended 30 June 2019		
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	353.0	83.3	93.1	76.8	606.2	0.5	606.7
Revenue deductions for management fees and other revenues	(51.0)	(8.0)	(16.3)	(8.8)	(84.1)	-	(84.1)
Performance fees	112.8	12.2	6.6	4.6	136.2	-	136.2
Revenue deductions for performance fees	(5.4)	(0.1)	(0.2)	(0.1)	(5.8)	-	(5.8)
<b>Revenues from management services, net</b>	<b>409.4</b>	<b>87.4</b>	<b>83.2</b>	<b>72.5</b>	<b>652.5</b>	<b>0.5</b>	<b>653.0</b>
Other operating income	6.3	4.1	9.1	6.6	26.1	2.9	29.0
<b>Revenues and other operating income</b>	<b>415.7</b>	<b>91.5</b>	<b>92.3</b>	<b>79.1</b>	<b>678.6</b>	<b>3.4</b>	<b>682.0</b>
Personnel expenses	(37.2)	(13.9)	(13.7)	(13.9)	(78.7)	(122.0)	(200.7)
Other operating expenses	(2.2)	(1.6)	(0.6)	(0.7)	(5.1)	(29.5)	(34.6)
<b>Gross segment result before depreciation and amortization</b>	<b>376.3</b>	<b>76.0</b>	<b>78.0</b>	<b>64.5</b>	<b>594.8</b>	<b>(148.1)</b>	<b>446.7</b>
Depreciation and amortization	-	-	-	-	-	(15.2)	(15.2)
<b>Gross segment result</b>	<b>376.3</b>	<b>76.0</b>	<b>78.0</b>	<b>64.5</b>	<b>594.8</b>	<b>(163.3)</b>	<b>431.5</b>
<i>Reconciliation to profit for the period:</i>							
Net finance income and expense							22.5
Income tax expense							(57.4)
<b>Profit for the period</b>							<b>396.6</b>

# Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs					Six months ended 30 June 2018		
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	294.2	75.9	90.0	66.1	526.2	0.5	526.7
Revenue deductions for management fees and other revenues	(31.2)	(9.7)	(14.6)	(6.4)	(61.9)	-	(61.9)
Performance fees	168.0	7.1	1.9	7.4	184.4	-	184.4
Revenue deductions for performance fees	(9.1)	-	(0.3)	(0.1)	(9.5)	-	(9.5)
<b>Revenues from management services, net</b>	<b>421.9</b>	<b>73.3</b>	<b>77.0</b>	<b>67.0</b>	<b>639.2</b>	<b>0.5</b>	<b>639.7</b>
Other operating income <sup>1)</sup>	5.4	1.8	8.0	3.3	18.5	0.4	18.9
<b>Revenues and other operating income</b>	<b>427.3</b>	<b>75.1</b>	<b>85.0</b>	<b>70.3</b>	<b>657.7</b>	<b>0.9</b>	<b>658.6</b>
Personnel expenses	(40.8)	(11.5)	(12.5)	(13.0)	(77.8)	(110.9)	(188.7)
Other operating expenses	(2.1)	(0.9)	(0.8)	(0.6)	(4.4)	(28.5)	(32.9)
<b>Gross segment result before depreciation and amortization</b>	<b>384.4</b>	<b>62.7</b>	<b>71.7</b>	<b>56.7</b>	<b>575.5</b>	<b>(138.5)</b>	<b>437.0</b>
Depreciation and amortization	-	-	-	-	-	(8.2)	(8.2)
<b>Gross segment result</b>	<b>384.4</b>	<b>62.7</b>	<b>71.7</b>	<b>56.7</b>	<b>575.5</b>	<b>(146.7)</b>	<b>428.8</b>
Reconciliation to profit for the period:							
Net finance income and expense							17.0
Income tax expense							(51.5)
<b>Profit for the period</b>							<b>394.3</b>

<sup>1)</sup> This includes the share of results of associates, previously disclosed separately.

The Group refined the segment allocation of revenues related to its multi-segment investment programs. Comparative amounts have been re-presented.

## Management fees and other revenues

The Group earns investment management fees for discretionary investment programs, 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 a 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. The Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time events. 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 related to realized investments which results in a sufficiently large cushion to offset any potential negative development on the remaining portfolio. This creates a very low probability that these fees are subject to a reversal resulting from a potential claw-back situation.

Accordingly, the recognition of performance fees from investment programs with a claw-back is assessed based on the following 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 investments 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 level at which 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 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 2019, the applied discount was 50% (30 June 2018: between 50% and 65%).

## 3. Remuneration

### 3.1. Personnel expenses

In millions of Swiss francs	Six months ended 30 June	
	2019	2018
Salaries and cash bonus	(121.1)	(101.1)
Share-based payment expenses	(26.5)	(23.8)
Other long-term benefits (management carry program)	(28.1)	(43.2)
Retirement schemes - defined contribution plans	(7.9)	(7.4)
Retirement schemes - defined benefit plans	(1.8)	(1.5)
Other social security expenses	(6.8)	(4.8)
Sundry personnel expenses	(8.5)	(6.9)
<b>Total personnel expenses</b>	<b>(200.7)</b>	<b>(188.7)</b>

The average number of employees during the reporting period was 1'267 (six months ended 30 June 2018: 1'065), which is equivalent to 1'254 full-time employees (six months ended 30 June 2018: 1'047).

# Notes to the condensed interim consolidated financial statements – unaudited

## 3.2. Employee benefits

In millions of Swiss francs	30 June 2019	31 December 2018
Defined benefit plan	(1.1)	(0.4)
Accrued variable compensation (cash bonus)	(120.5)	(145.2)
Management Carry Plan	(103.0)	(125.2)
Other employee benefit liabilities	(11.8)	(9.3)
<b>Total net employee benefit liabilities</b>	<b>(236.4)</b>	<b>(280.1)</b>
Current liabilities	(63.4)	(121.9)
Non-current liabilities	(173.0)	(158.2)
<b>Balance as of end of period</b>	<b>(236.4)</b>	<b>(280.1)</b>

### Performance fee related compensation

Each year, the Nomination & Compensation Committee ("NCC") allocates up to 40% of recognized performance fees to the Performance Fee Compensation Pool which is then distributed to an eligible group of employees.

The promise represents a constructive obligation towards the eligible group of employees. The pool is allocated to the individual employees via the MCP with the remainder, i.e. the difference between the Performance Fee Compensation Pool and the MCP allocation, being allocated via the Performance Fee Bonus Pool.

For the six months ended 30 June 2019, performance fees recognized in the consolidated income statement amounted to CHF 130.4 million (six months ended 30 June 2018: CHF 174.9 million), of which CHF 29.9 million (six months ended 30 June 2018: CHF 45.2 million) were allocated via the MCP allocation (including social securities) and CHF 22.3 million (six months ended 30 June 2018: CHF 24.8 million) via the Performance Fee Bonus Pool allocation. For the six months ended 30 June 2019, the total payout amounted to CHF 90.8 million for both schemes (six months ended 30 June 2018: CHF 96.5 million).

# Notes to the condensed interim consolidated financial statements – unaudited

## 4. Investments, working capital, finance result and fair value measurement

### 4.1. Finance income and expense

In millions of Swiss francs	Note	Six months ended 30 June	
		2019	2018
Interest income calculated using the effective interest rate method		1.3	0.5
Net gains on fair value through profit or loss instruments		29.5	26.8
Share of results of associates (Pearl)	5.	3.2	1.7
Other finance income		0.1	-
<b>Total finance income</b>		<b>34.1</b>	<b>29.0</b>
Interest expense calculated using the effective interest rate method		(2.5)	(2.5)
Other finance expense		(1.2)	(1.4)
Net exchange differences		(7.9)	(8.1)
<b>Total finance expense</b>		<b>(11.6)</b>	<b>(12.0)</b>
<b>Total net finance income and (expense)</b>		<b>22.5</b>	<b>17.0</b>

### 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 of 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 presented as revenues from management services 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 2019	31 December 2018
Balance as of 1 January	554.0	451.8
Additions	21.7	108.9
Distributions/disposals	(31.4)	(72.9)
Transfers from assets and liabilities held for sale	-	45.1
Change in fair value of investments held at period end	31.0	35.2
Change in fair value of investments disposed/liquidated during the period	-	0.1
Exchange differences	(7.6)	(14.2)
<b>Balance as of end of period</b>	<b>567.7</b>	<b>554.0</b>



# Notes to the condensed interim consolidated financial statements – unaudited

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

In millions of Swiss francs	30 June 2019	31 December 2018
Private equity	271.5	262.4
Private debt	190.0	191.5
Private real estate	54.7	52.6
Private infrastructure	51.5	47.5
<b>Total financial investments</b>	<b>567.7</b>	<b>554.0</b>

The Group refined the segment allocation of investments related to its multi-segment investment programs. Comparative amounts have been re-presented.

## 4.3. Capital commitments

As of 30 June 2019, the Group had capital commitment contracts of CHF 684.1 million (31 December 2018: CHF 638.3 million), of which CHF 249.8 million (31 December 2018: CHF 212.8 million) were not yet called by the relevant investment manager. Capital commitments are called over time, typically between one to five years following the subscription of the commitment. Capital commitments are not considered to be a financial liability as the commitments do not constitute any obligation to pay cash until the capital is called.

## 4.4. Trade and other receivables

In millions of Swiss francs	30 June 2019	31 December 2018
Marketable securities	0.0	0.0
Fees receivable	211.9	158.8
Other receivables	17.2	35.3
Accrued income	272.4	201.5
Derivative assets held for risk management	14.8	8.2
<b>Total trade and other receivables</b>	<b>516.3</b>	<b>403.8</b>

## 4.5. Trade and other payables

In millions of Swiss francs	Note	30 June 2019	31 December 2018
Trade payables		66.1	71.6
Goods and services received not yet invoiced		4.7	3.6
Derivative liabilities held for risk management		0.4	0.1
Accrued revenue deductions		55.7	32.0
Cash collateral for forward contracts		26.6	0.3
Contractual obligation to purchase treasury shares	7.	-	110.0
Lease liabilities <sup>1)</sup>	9.2.	10.3	-
Other payables		11.8	16.9
<b>Total trade and other payables</b>		<b>175.6</b>	<b>234.5</b>

<sup>1)</sup> The Group has initially applied IFRS 16, using the modified retrospective approach. Under this approach, comparative information is not restated.

# Notes to the condensed interim consolidated financial statements – unaudited

## 4.6. 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 knowledgeable 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 2019
	Level 1	Level 2	Level 3	Total
Marketable securities <sup>1)</sup>	0.0			0.0
Derivative assets held for risk management <sup>1)</sup>		14.8		14.8
Assets held for sale			131.5	131.5
Financial investments			567.7	567.7
<b>Financial assets</b>	<b>0.0</b>	<b>14.8</b>	<b>699.2</b>	<b>714.0</b>
Derivative liabilities held for risk management <sup>2)</sup>		0.4		0.4
Liabilities held for sale			76.4	76.4
Other long-term liabilities			0.7	0.7
<b>Financial liabilities</b>	<b>-</b>	<b>0.4</b>	<b>77.1</b>	<b>77.5</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 2018
	Level 1	Level 2	Level 3	Total
Marketable securities <sup>1)</sup>	0.0			0.0
Derivative assets held for risk management <sup>1)</sup>		8.2		8.2
Assets held for sale			91.0	91.0
Financial investments			554.0	554.0
<b>Financial assets</b>	<b>0.0</b>	<b>8.2</b>	<b>645.0</b>	<b>653.2</b>
Derivative liabilities held for risk management <sup>2)</sup>		0.1		0.1
Liabilities held for sale			54.1	54.1
Other long-term liabilities			0.8	0.8
<b>Financial liabilities</b>	<b>-</b>	<b>0.1</b>	<b>54.9</b>	<b>55.0</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.

The carrying amounts for cash and cash equivalents, trade and other receivables (excluding marketable securities and derivatives), short-term loans, and trade and other payables (excluding derivatives) 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 2019
	Financial assets	Financial liabilities	
Balance as of 1 January 2019	645.0	54.9	
Purchases	81.5	25.3	
Sales	(47.1)	(1.7)	
Change in fair value <sup>1)</sup>	29.5	(0.1)	
Exchange differences	(9.7)	(1.3)	
<b>Balance as of 30 June 2019</b>	<b>699.2</b>	<b>77.1</b>	

In millions of Swiss francs			30 June 2018
	Financial assets	Financial liabilities	
Balance as of 1 January 2018	712.6	156.1	
Purchases	129.2	88.3	
Sales	(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>	

<sup>1)</sup> Presented in the line items finance income and finance expense in the condensed interim consolidated income statement.

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 assets and liabilities held for sale are typically valued at the adjusted net asset values of the investment programs. A reasonably possible change in the adjusted net asset value would have the following effects 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 2019	31 December 2018
Adjusted net asset value (1% increase)	6.2	5.9

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies and different unobservable inputs, especially in the underlying investments of investment programs, could lead to different measurements of fair value. Due to the broad range and number of unobservable input factors used in the valuation of the investment programs' direct investments, particularly 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 2019 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	47.5	47.5	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
<b>Total investments in associates</b>			<b>48.0</b>	

In millions of Swiss francs	30 June 2019	31 December 2018
Balance as of 1 January	55.0	90.1
Redemption of shares (Pearl)	(9.4)	(28.0)
Share of results (Pearl)	3.2	(3.8)
Share of results (LGT)	0.0	0.0
Exchange differences	(0.8)	(3.3)
<b>Balance as of end of period</b>	<b>48.0</b>	<b>55.0</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 2019	31 December 2018	30 June 2019	31 December 2018
Total assets	170.0	196.9	1.9	1.9
Total liabilities	1.3	3.4	0.7	0.7
Equity	168.7	193.5	1.2	1.2
Revenues	14.7	7.7	0.9	2.9
Profit/(loss) for the period	11.4	(13.4)	0.0	0.0

The financial information 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 2019	31 December 2018
Balance as of 1 January	299.4	299.2
Issuance of long-term debts	499.1	-
Accreted interest	0.1	0.2
<b>Balance as of end of period</b>	<b>798.6</b>	<b>299.4</b>

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

ISIN	Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
CH0361532895	7 June 2017	300.0	0.150%	2024	100.052%	100.000%
CH0419041287	21 June 2019	500.0	0.400%	2027	100.098%	100.000%

The fair values of the corporate bonds as of 30 June 2019 were CHF 302.7 million (31 December 2018: CHF 300.0 million) and CHF 508.8 million, respectively and were determined by the quoted market price.

## 7. Share capital and reserves

In effective number of shares	30 June 2019	30 June 2018
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 2018: 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.

# Notes to the condensed interim consolidated financial statements – unaudited

## 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 2019
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2019	26'700'000	207'805	26'492'195
Purchase of treasury shares		373'988	(373'988)
Disposal of treasury shares		(434'105)	434'105
<b>Balance as of 30 June 2019</b>	<b>26'700'000</b>	<b>147'688</b>	<b>26'552'312</b>
Weighted average number of shares outstanding during the period (180 days)			26'600'517

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

As of 30 June 2019, the Group had 1'359'474 options and non-vested shares outstanding (30 June 2018: 1'289'659). The treasury shares necessary to cover the obligation for non-vested shares have already been placed in separate escrow accounts in the names of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding.

## 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 22 per share on 21 May 2019 (16 May 2018: CHF 19). As the Company's treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 587.4 million approved in May 2019 (May 2018: CHF 507.3 million) was not fully distributed, i.e. a total of CHF 585.4 million was paid out (May 2018: 506.3 million).

## 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 was directly recognized in equity. There is no such obligation in 2019.

In 2018, the Company also entered into an agreement with an executive committee member to purchase some of its registered shares at arm's length. The maximum transaction value amounts to CHF 110 million. As the arithmetic average of the daily VWAPs (volume weighted average prices) of PGHN shares traded over the SIX Swiss Exchange during the period starting on 21 January 2019 and ending on 15 February 2019 was below the agreed threshold of CHF 700, the transaction did not take place and was reclassified through equity.

# Notes to the condensed interim consolidated financial statements – unaudited

## 8. Subsequent events

No events took place between 30 June 2019 and 28 August 2019 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 2018.

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 increase the quality of the information and disclosures presented. Comparative amounts have been re-presented accordingly.

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

The accounting policies adopted for the period of the first six months of 2019 are consistent with those of the previous financial year, except where new or revised standards and interpretations were adopted.

The following standard has been applied for the first time:

#### 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 exemptions are short-term and low-value leases. In addition, the nature of expenses related to applicable leases changed as IFRS 16 replaced the operating lease expense with a depreciation charge for the right-of-use assets and an interest expense on lease liabilities.

#### Definition of a lease

The Group assesses whether a contract is either a lease or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is either a lease or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

#### As a lessee

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of outstanding lease payments at the commencement date, discounted by using the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and is decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group, as a lessee, identified leases mainly relating to rental contracts for its offices (including parkings). As permitted by the transitional provisions of IFRS 16, the Group applied the modified retrospective approach. The cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of the respective line items as of 1 January 2019 with no impact on equity. Comparative information was not restated.



# Notes to the condensed interim consolidated financial statements – unaudited

The following practical expedients were elected when applying IFRS 16 where the Group is the lessee in a lease previously classified as operating lease under IAS 17:

- Exemption not to apply the requirements of IFRS 16 for short-term leases whereby short-term is defined as leases with a lease term of twelve months or less.
- Recognition exemption not to apply the requirements of IFRS 16 for leases for which the underlying asset is of low value.

Where an extension option exists, the Group concluded that the extension for the offices will be exercised, unless it was reasonably certain that the extension option would not be exercised. Overall, the adoption of IFRS 16 resulted in an increase in both the total assets and the total liabilities on the Group's consolidated financial statements of CHF 42.7 million. The impact of the transition is summarized below:

	31 December 2018	Impact	1 January 2019
<b>Current assets</b>	<b>2'020.4</b>	<b>-</b>	<b>2'020.4</b>
Right-of-use assets	-	42.7	42.7
Other non-current assets	928.7	-	928.7
<b>Non-current assets</b>	<b>928.7</b>	<b>42.7</b>	<b>971.4</b>
<b>Total assets</b>	<b>2'949.1</b>	<b>42.7</b>	<b>2'991.8</b>
<b>Current liabilities</b>	<b>492.2</b>	<b>7.2</b>	<b>499.4</b>
Trade and other payables <sup>1)</sup>	234.5	7.2	241.7
Other current liabilities	257.7	-	257.7
<b>Non-current liabilities</b>	<b>489.0</b>	<b>35.5</b>	<b>524.5</b>
Lease liabilities	-	32.5	32.5
Non-current provision for dilapidation	0.3	3.0	3.3
Other non-current liabilities	488.7	-	488.7
<b>Equity</b>	<b>1'967.9</b>	<b>-</b>	<b>1'967.9</b>
<b>Total liabilities and equity</b>	<b>2'949.1</b>	<b>42.7</b>	<b>2'991.8</b>

<sup>1)</sup> Impact reflects an addition of current lease liabilities of CHF 11.3 million less a reversal of previously recognized accrued rent expense of CHF 4.1 million.

When measuring lease liabilities, the Group discounted future lease payments using its incremental borrowing rate. The weighted-average rate applied was 1.9%.

For individual lease contracts, the payments are comprised of variable lease payments that depend on an index or rate and are initially included in the lease liability using the index or rate as at the commencement date of the lease. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index or rate. Any remeasurement is generally adjusted against the right-of-use asset.

There were no uncommenced leases to which the Group was committed as per 30 June 2019.

## As a lessor

The Group sub-leases some of its properties. Per IAS 17, the head lease and sub-lease contracts were classified as operating leases. Upon transition to IFRS 16, the right-of-use assets recognized from the head leases were measured at cost. The sub-lease contracts are classified as operating leases under IFRS 16.

# Notes to the condensed interim consolidated financial statements – unaudited

## Impacts for the period

In millions of Swiss francs	30 June 2019	31 December 2018
Lease liabilities as of 1 January	43.8	-
Additions	33.5	-
Accreted interest	0.6	-
Lease payments	(6.3)	-
Exchange differences	(0.9)	-
<b>Lease liabilities as of end of period</b>	<b>70.7</b>	<b>-</b>
Current liabilities	10.3	-
Non-current liabilities	60.4	-
<b>Lease liabilities as of end of period</b>	<b>70.7</b>	<b>-</b>

The depreciation of the right-of-use assets for the six months ended 30 June 2019 is CHF 6.3 million.

## 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:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term interests in Associate and Joint Ventures (Amendments to IAS 28)
- Annual improvements to IFRSs 2015-2017 Cycle - various standards

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

The following new and revised standards, amendments and interpretations have been issued by the date the condensed interim consolidated financial statements were authorized for issue, but are not yet effective and are not adopted early in these condensed interim consolidated financial statements. Their impacts on the condensed interim consolidated financial statements of the Group have not yet been systematically analyzed. The expected impacts as disclosed in the table below reflect a first assessment by the Group's management.

Standard		Effective date	Planned adoption by the Group
<b>New standards or interpretations</b>			
IFRS 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
<b>Revision and amendments of standards and interpretations</b>			
Amendments to References to Conceptual Framework in IFRS Standards	*	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	*	1 January 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	*	1 January 2020	Reporting year 2020

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

# Notes to the condensed interim consolidated financial statements – unaudited

## 9.4. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Property AG, Switzerland	4 June 2019	Purchase, sale, construction, reconstruction, maintenance and management of real estate
Partners Group Management VI (USD) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group Management V (GBP) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group Management IV (EUR) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group US Management III LLC, Delaware (USA)	7 January 2019	Serve as investment manager
Partners Group (Canada) Inc., Canada	15 November 2018	Support the Group's investment activities in the region
Partners Group Advisors (DIFC) Limited, United Arab Emirates	8 July 2018	Support the Group's investment activities in the region
Partners Group Cayman Management IV Limited, Cayman Islands	29 March 2018	Serve as investment manager
Partners Group Private Markets (Australia) Pty. Ltd., Australia	14 March 2018	Support the Group's investment activities in the region

## 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 2019	Average rate Six months ended 30 June 2019
2019	EUR	1.1105	1.1291
	USD	0.9753	0.9997
	GBP	1.2412	1.2935
	SGD	0.7208	0.7356

Year	Currency	Balance sheet rate 31 December 2018	Average rate Six months ended 30 June 2018
2018	EUR	1.1267	1.1697
	USD	0.9853	0.9670
	GBP	1.2559	1.3300
	SGD	0.7230	0.7287

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