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Report of the auditors on the consolidated financial statements

KPMG

Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partners Group Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 105) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Recognition of revenues from management services (net)

Valuation of financial investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recognition of revenues from management services (net)

Key Audit Matter

Revenues from management services, which comprises management fees, commitment fees, organisational fees and performance fees, are the result of investment management services within the Group's operating segments. Payments to third parties for the introduction of clients as well as rebates paid to clients are recognised as revenue deductions.

Revenues from management services (net) is an area of focus due to the size and importance to the Group's results.

The calculations of revenues and revenue deductions are largely automated. There are a number of inherent risks in calculating certain types of revenue and revenue deductions including the interpretation and manual input of key contractual terms, which could lead to errors. The bespoke and complex nature of underlying investment management agreements and other contractual terms involving multiple Group entities requires effective monitoring to ensure all financial terms and conditions are captured completely and accurately and are applied appropriately.

Performance fees are inherently more complex in nature. The assessment of the likelihood of a future clawback on such fees and the determination whether criteria set in the carried interest arrangements are met require management's judgement. The determination of performance fees is based on the underlying valuation of the investment portfolio and requires manual interventions.

Our response

Amongst other procedures, we obtained an understanding of management's processes and controls around the calculation of revenues and revenue deductions by performing walkthrough procedures, testing relevant key controls and evaluating the governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on the revenues from management services covered in their audit and reconciled these revenues to the Group's general ledger. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed.

On a sample basis, we agreed revenue deductions to underlying contracts and performed manual recalculations.

We obtained an understanding of the Group's processes and controls around the calculation of performance fees by evaluating the terms and conditions set out in the underlying partnership agreements and performing walkthrough procedures. On a sample basis, we tested performance fees by:

— Performing analytical procedures based on our understanding of investment realisations and the performance of the investment fund;

— Discussing and evaluating management's assessment of the likelihood of a future clawback of performance fees by challenging and back-testing the key assumptions. We further corroborated whether such fees had been recognised in the appropriate period;

— Reconciling potential performance fee values used in the assessment of a future clawback to the accruals in the financial statement of the underlying investment programs; and

— Evaluating completeness by assessing whether a sample of eligible but unearned performance fees should have been recognised during the 2017 financial year.

For further information on the recognition of revenues from management services (net) refer to notes 2 and 3 to the consolidated financial statements on pages 48 to 53.

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Valuation of financial investments

Key Audit Matter	Our response
As at 31 December 2017, financial investments on the Group's balance sheet amounted to CHF 451.8 million (2016: CHF 359.2 million). In addition, financial investment presented as assets held for sale amounted to CHF 260.8 million (2016: CHF 187.6 million). These assets represent a significant portion of the Group's total balance sheet. The financial investment and assets held for sale portfolio comprises a large number of unquoted securities for which no prices are available and which have little or no observable inputs. The Group applies valuation techniques such as the market approach, the income approach or the adjusted net asset value method that are based on international standards. The fair value assessment requires significant judgement by management, in particular with regard to key input factors such as earnings multiples, liquidity discounts, discount rates or the selection of valuation multiples.	Our procedures included obtaining an understanding of the Group's processes and key controls around the valuation of and accounting for unquoted investments by performing walkthrough procedures, testing relevant key controls and evaluating the valuation governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes. On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on their net asset values or the valuation of their investments. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed. The proportionate holdings of the Group in such financial investments were reconciled to the Group's transaction records that are kept for each investor. We further assessed if adjustments to the fair values in the financial statements of the underlying investment programs are required.

For further information on the valuation of financial investments refer to notes 2 and 5 to the consolidated financial statements on pages 48 and 62 to 75.

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Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Thomas Dorst Licensed Audit Expert Auditor in Charge	Philipp Rickert Licensed Audit Expert

Zurich, 7 March 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Consolidated income statement for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Management fees and other revenues, net		841'879	654'029
Performance fees, net		372'092	294'360
Revenues from management services, net	**3.**	**1'213'971**	**948'389**
Other operating income	5.2.	30'926	24'426
Share of results of associates	6.	10	3
Personnel expenses	4.1.	(359'295)	(317'507)
Other operating expenses	10.	(60'220)	(54'771)
EBITDA		**825'392**	**600'540**
Depreciation and amortization	11. & 12.	(13'970)	(11'501)
EBIT		**811'422**	**589'039**
Finance income	5.1.	50'401	40'512
Finance expense	5.1.	(14'662)	(2'908)
Profit before tax		**847'161**	**626'643**
Income tax expense	9.1.	(94'835)	(68'499)
Profit for the period		**752'326**	**558'144**
Profit for the period attributable to owners of the Company		752'326	558'144
Basic earnings per share (in Swiss francs)	15.	28.37	21.15
Diluted earnings per share (in Swiss francs)	15.	28.09	20.92

Consolidated statement of comprehensive income for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Profit for the period		**752'326**	**558'144**
Other comprehensive income:			
Exchange differences on translating foreign operations		38'109	(25'870)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		**38'109**	**(25'870)**
Net actuarial gains/(losses) from defined benefit plans	4.6.	2'849	330
Tax impact on net actuarial gains/losses from defined benefit plans		(412)	(48)
Actuarial gains/(losses) from defined benefit plans, net of tax		**2'437**	**282**
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		**2'437**	**282**
Total other comprehensive income for the period, net of tax		**40'546**	**(25'588)**
Total comprehensive income for the period, net of tax		**792'872**	**532'556**
Total comprehensive income attributable to owners of the Company		792'872	532'556

Consolidated balance sheet as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents		852'334	185'971
Fixed deposits and marketable securities	5.3.3.	10	32'704
Trade and other receivables	5.4.1.	384'812	233'653
Short-term loans	5.3.5.	713'388	708'868
Assets held for sale	5.3.4.	260'830	187'559
Total current assets		**2'211'374**	**1'348'755**
Property and equipment	11.	27'972	22'165
Intangible assets	12.	61'487	50'534
Investments in associates	6.	90'134	115'988
Financial investments	5.3.2.	451'813	359'225
Other financial assets	5.3.6.	63'964	5'990
Employee benefits	4.6.	1'227	-
Deferred tax assets	9.2.	24'749	25'769
Total non-current assets		**721'346**	**579'671**
Total assets		**2'932'720**	**1'928'426**

Consolidated balance sheet as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Liabilities and equity			
Liabilities			
Trade and other payables [1]	7.	287'600	142'700
Income tax liabilities		57'188	35'187
Provisions	8.	55'909	65'181
Liabilities held for sale	5.3.4.	155'098	87'063
Total current liabilities		**555'795**	**330'131**
Employee benefit obligations [1]	4.6.	78'992	39'781
Provisions	8.	37'924	13'294
Deferred tax liabilities	9.2.	2'948	3'657
Long-term debt	13.	299'237	-
Other long-term liabilities		2'050	790
Total non-current liabilities		**421'151**	**57'522**
Total liabilities		**976'946**	**387'653**
Equity			
Share capital	14.	267	267
Treasury shares		(57'115)	(72'984)
Legal reserves		218	218
Other components of equity		2'012'404	1'613'272
Equity attributable to owners of the Company		**1'955'774**	**1'540'773**
Total liabilities and equity		**2'932'720**	**1'928'426**

[1] Comparative amounts have been represented. For further information see note 4.6.

Consolidated statement of changes in equity for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Equity attributable to owners of the Company						2017
				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 2017	**267**	**(72'984)**	**218**	**(91'957)**	**1'705'229**	**1'613'272**	**1'540'773**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares		(151'952)					(151'952)
Disposal of treasury shares		167'821			(42'219)	(42'219)	125'602
Share-based payment expenses					32'447	32'447	32'447
Tax effect resulting from equity-settled transactions					13'414	13'414	13'414
Dividends paid to owners of the Company					(397'382)	(397'382)	(397'382)
Total contributions by and distributions to owners of the Company	**-**	**15'869**	**-**	**-**	**(393'740)**	**(393'740)**	**(377'871)**
Profit for the period					752'326	752'326	752'326
Total other comprehensive income for the period, net of tax	-	-	-	38'109	2'437	40'546	40'546
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**38'109**	**754'763**	**792'872**	**792'872**
Balance as of 31 December 2017	**267**	**(57'115)**	**218**	**(53'848)**	**2'066'252**	**2'012'404**	**1'955'774**

Consolidated statement of changes in equity for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Equity attributable to owners of the Company						2016
				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 2016	**267**	**(133'802)**	**218**	**(66'087)**	**1'423'412**	**1'357'325**	**1'224'008**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares		(165'872)					(165'872)
Disposal of treasury shares		226'690			(44'241)	(44'241)	182'449
Share-based payment expenses					24'335	24'335	24'335
Tax effect resulting from equity-settled transactions					20'471	20'471	20'471
Dividends paid to owners of the Company					(277'174)	(277'174)	(277'174)
Total contributions by and distributions to owners of the Company	**-**	**60'818**	**-**	**-**	**(276'609)**	**(276'609)**	**(215'791)**
Profit for the period					558'144	558'144	558'144
Total other comprehensive income for the period, net of tax	-	-	-	(25'870)	282	(25'588)	(25'588)
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**(25'870)**	**558'426**	**532'556**	**532'556**
Balance as of 31 December 2016	**267**	**(72'984)**	**218**	**(91'957)**	**1'705'229**	**1'613'272**	**1'540'773**

Consolidated statement of cash flows for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Operating activities			
Profit for the period		752'326	558'144
Adjustments:			
Share of results of associates (LGT)	6.	(10)	(3)
Net finance (income) and expense	5.1.	(35'739)	(37'604)
Income tax expense	9.1.	94'835	68'499
Depreciation and amortization	11. & 12.	13'970	11'501
Share-based payment expenses	4.2.	32'447	24'335
Change in provisions	8.	16'960	54'455
Change in employee benefit assets/liabilities[1]		40'211	38'379
Non-cash change in other financial assets		(56'320)	-
Other non-cash items		(13)	(7)
Operating cash flow before changes in working capital		**858'667**	**717'699**
(Increase)/decrease in trade and other receivables and short-term loans		(157'263)	(266'446)
Increase/(decrease) in trade and other payables		144'029	26'280
Financial expenses (other than interest) paid		(2'609)	(1'032)
Cash generated from/(used in) operating activities		**842'824**	**476'501**
Income tax paid		(61'671)	(57'698)
Net cash from/(used in) operating activities		**781'153**	**418'803**
Investing activities			
Purchase of fixed deposits and marketable securities		-	(31'372)
Proceeds on disposal of fixed deposits and marketable securities		32'524	-
Purchase of property and equipment	11.	(10'350)	(10'857)
Purchase of intangible assets	12.	(20'728)	(13'737)
Purchase of financial investments [2]		(168'159)	(140'675)
Proceeds on disposal of financial investments [3]		132'477	146'835
Proceeds on disposal of investments in associates	6.	42'856	13'588
Purchase of other financial assets		(622)	(3'575)
Proceeds on disposal of other financial assets		-	1'264
Interest and dividends received	5.1.	391	191
Net cash from/(used in) investing activities		**8'389**	**(38'338)**

[1] Comparative amounts have been represented. For further information see note 4.6.

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

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

Consolidated statement of cash flows for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Financing activities			
Repayments of borrowings [1)]		(160'000)	(728'000)
Proceeds from borrowings [1)]		160'000	633'000
Issuance of long-term debts	13.	299'176	-
Interest paid		(1'542)	(962)
Dividends paid to shareholders of the Company	14.	(397'382)	(277'174)
Purchase of treasury shares		(151'952)	(165'872)
Disposal of treasury shares		125'602	182'449
Net cash from/(used in) financing activities		**(126'098)**	**(356'559)**
Net increase/(decrease) in cash and cash equivalents		**663'444**	**23'906**
Cash and cash equivalents as of 1 January		185'971	163'776
Exchange differences on cash and cash equivalents		2'919	(1'711)
Cash and cash equivalents as of 31 December		**852'334**	**185'971**

1) The line items have been disaggregated to make the information and disclosure more understandable. Comparative amounts have been represented.

In thousands of Swiss francs	31 December 2017	31 December 2016
Bank balances	852'322	185'941
Petty cash	12	30
Total cash and cash equivalents	**852'334**	**185'971**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

1. Reporting entity

Partners Group Holding AG ("the Company") is a company domiciled in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland. The consolidated financial statements for the years ended 31 December 2017 and 2016 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The consolidated financial statements were authorized for issue by the Board of Directors ("BoD") on 7 March 2018 and are subject to approval at the Annual General Meeting of shareholders on 9 May 2018.

The principal activities of the Group are described in note 3.

The consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") and comply with Swiss law.

2. Critical accounting estimates and judgments

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and exercises judgment in applying its accounting policies. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as significant judgments in applying accounting policies, are discussed below.

(a) Accounting for investment programs

The Group assessed its involvement with the investment programs that it manages to determine whether it has control over them (see note 19.3.). In accordance with IFRS 10, the Group assessed its power over the investment programs, its exposure or rights to variable returns and its ability to use its power to affect its returns. The assessment determined whether the Group acts as an agent on behalf of the investors in the investment programs and within delegated decision-making rights.

In its assessment, the Group focused on the exposure to the total economic interest that is a combination of the stake the Group holds in an investment program and the Group's remuneration for its activities with regard to an investment program. IFRS 10 does not provide clear-cut thresholds. The Group took all facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for seed capital financed investment programs (see note 19.15.). For detailed information on the investment programs and their carrying amounts please refer to note 5.3.2.

(b) Fair value

A significant portion of the Group's assets and liabilities are carried at fair value. The fair value of some of these assets (including marketable securities) is based on quoted prices in active markets or observable inputs.

In addition, the Group holds financial instruments for which no quoted prices are available and which have little or no observable inputs. For these financial instruments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing assets or liabilities (including assumptions about risk). These financial instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

For more information regarding fair value measurement refer to note 5.5.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(c) Revenue recognition

Instances may arise where the Group has to decide whether revenues should be recognized or not. This mainly relates to performance fees, which are foreseeable, but have not yet been distributed to the Group or are subject to claw-back. A "claw-back" ensures that investors in an investment program are returned any performance fees paid in excess of the originally agreed percentage during the life of the investment program. It protects investors from paying performance fees on one investment, and then having a subsequent investment incur losses resulting in overall performance fees paid in excess of the originally agreed terms. Performance fees are only recognized once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.

3. 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 following operating segments based on these reports:

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

In these operating segments, the Group services its clientele with investment management services in the private markets spectrum, comprising structuring and investment advising as relates to direct investments in operating companies or assets and investments in third party managed investment programs. In its management services, the Group offers diversified as well as more focused investment programs as relates to investment styles, industry and geography of the investments in private markets.

Private equity

Private equity refers to investments made in private – i.e. not publicly traded – companies. On behalf of its clients, the Group focuses on investing directly into companies with the objective of driving forward strategic initiatives and operational improvements. In addition, the Group also invests into the private equity secondary market by acquiring portfolios of privately held companies and in the primary market by maintaining a comprehensive set of investment relationships. The Group invests across sectors and regions based on a relative value investment approach.

Private debt

Private debt refers to debt financing for private – i.e. not publicly traded – companies. On behalf of its clients, the Group focuses on providing tailored financing solutions for businesses seeking non-bank funding due to their limitations in entering capital markets. The Group provides debt capital across the whole debt structure, ranging from senior loans to mezzanine financing solutions, as well as across sectors and regions based on a relative value investment approach.

Private real estate

Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. On behalf of its clients, the Group focuses on investing in real estate with value creation opportunities. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. On behalf of its clients, the Group focuses on investing in essential infrastructure with development potential through active ownership. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

The activities in all operating segments consist of:

- Strategic asset allocation and portfolio management
- Investment management and monitoring
- Risk management
- Reporting and portfolio administration
- Relationship management

The BoD assesses the performance of the operating segments based on a gross segment result, determined from the allocation of directly attributable revenues and expenses for the respective operating segment. Therefore, the gross results per operating segment do not include the allocation of expenses that are not directly attributable, such as overhead and general operating expenses, etc. All not directly attributable elements of profit or loss are summarized in the unallocated column.

Management believes that this reporting is most relevant in evaluating the results of its operating segments.

The Group disclosed no inter-segment transactions, as there were none; consequently, no eliminations are necessary.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Operating segments					2017
	Private equity	Private debt	Private real estate	Private infra-structure	Unallocated	Total
Management fees and other revenues	605'411	101'139	137'862	133'499	957	978'868
Performance fees	296'105	7'207	9'003	71'487	-	383'802
Revenue deductions	(89'811)	(10'869)	(27'725)	(20'294)	-	(148'699)
Revenues from management services, net	**811'705**	**97'477**	**119'140**	**184'692**	**957**	**1'213'971**
Other operating income	7'218	6'597	7'418	6'484	3'209	30'926
Share of results of associates	10	-	-	-	-	10
Total	**818'933**	**104'074**	**126'558**	**191'176**	**4'166**	**1'244'907**
Personnel expenses	(78'419)	(20'248)	(25'243)	(24'793)	(210'592)	(359'295)
Other operating expenses	(3'045)	(1'176)	(1'434)	(917)	(53'648)	(60'220)
Gross segment result before depreciation and amortization	**737'469**	**82'650**	**99'881**	**165'466**	**(260'074)**	**825'392**
Depreciation and amortization	-	-	-	-	(13'970)	(13'970)
Gross segment result	**737'469**	**82'650**	**99'881**	**165'466**	**(274'044)**	**811'422**
Reconciliation to profit for the period:						
Net finance income and expense						35'739
Income tax expense						(94'835)
Profit for the period						**752'326**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Operating segments					2016
	Private equity	Private debt	Private real estate	Private infra-structure	Unallocated	Total
Management fees and other revenues	490'846	79'949	105'044	80'837	644	757'320
Performance fees	286'335	6'233	7'580	8'049	-	308'197
Revenue deductions	(76'440)	(12'554)	(16'957)	(11'177)	-	(117'128)
Revenues from management services, net	**700'741**	**73'628**	**95'667**	**77'709**	**644**	**948'389**
Other operating income	10'183	3'194	8'587	2'064	398	24'426
Share of results of associates	3	-	-	-	-	3
Total	**710'927**	**76'822**	**104'254**	**79'773**	**1'042**	**972'818**
Personnel expenses	(63'531)	(14'203)	(22'435)	(21'505)	(195'833)	(317'507)
Other operating expenses	(3'529)	(835)	(820)	(806)	(48'781)	(54'771)
Gross segment result before depreciation and amortization	**643'867**	**61'784**	**80'999**	**57'462**	**(243'572)**	**600'540**
Depreciation and amortization	-	-	-	-	(11'501)	(11'501)
Gross segment result	**643'867**	**61'784**	**80'999**	**57'462**	**(255'073)**	**589'039**
Reconciliation to profit for the period:						
Net finance income and expense						37'604
Income tax expense						(68'499)
Profit for the period						**558'144**

As the Group pursues a fully integrated investment approach, many professionals are engaged in assignments across several operating segments within the private markets asset classes. Thus, only the personnel expenses of those professionals entirely dedicated to a single operating segment have been allocated to the respective operating segments, leading to the majority of personnel expenses being unallocated to any of the operating segments. The same applies to other operating expenses. Depreciation and amortization have not been allocated to the operating segments.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Geographical information

The operating segments are managed on a worldwide basis with Guernsey as a main management hub. However, advisory services are primarily provided out of Switzerland, whereas local offices ensure access to worldwide markets and investment opportunities. In presenting information on the basis of geographical operating segments, operating segment revenue is based on the geographical location where the respective revenues are accounted for; i.e. in the location in which the revenues are shown in the Group entities' financial statements.

	Revenues from management services, net	
In thousands of Swiss francs	**2017**	**2016**
Switzerland	514'133	405'122
Guernsey	319'005	236'710
North America	166'106	131'953
Other European countries	98'697	85'522
Rest of world	116'030	89'082
Total revenues from management services, net	**1'213'971**	**948'389**

In 2017 and 2016, no direct counterparty of the Group contributed more than 10% to the Group's revenues from management services, net.

4. Remuneration

4.1. Personnel expenses

In thousands of Swiss francs	Note	2017	2016
Wages and salaries		(214'358)	(188'325)
Share-based payment expenses	4.2.	(31'622)	(23'934)
Other long-term benefits (management carry program)	4.4.	(74'280)	(65'286)
Retirement schemes - defined contribution plans		(10'732)	(9'190)
Retirement schemes - defined benefit plans	4.6.	(1'664)	(2'969)
Other social security expenses		(14'218)	(19'428)
Sundry personnel expenses		(12'421)	(8'375)
Total personnel expenses		**(359'295)**	**(317'507)**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2017, as well as in previous periods:

In thousands of Swiss francs	Note	2017	2016
Grants 2011 (options and non-vested shares)		-	(160)
Grants 2012 (options and non-vested shares)		(57)	(710)
Grants 2013 (options and non-vested shares)		(749)	(1'852)
Grants 2014 (options and non-vested shares)		(1'786)	(3'782)
Grants 2015 (options and non-vested shares)		(3'747)	(6'962)
Grants 2016 (options and non-vested shares)		(8'469)	(9'403)
Grants 2017 (options and non-vested shares)	4.3.	(10'739)	-
Total options and non-vested shares		**(25'547)**	**(22'869)**
Grants 2017 (MPP)	4.3.	(4'808)	-
Share grants at start of employment	4.5.	(1'267)	(1'065)
Total share-based payment expenses[1)]		**(31'622)**	**(23'934)**

[1)] Share-based payment expenses for non-executive members of the BoD of CHF 0.8 million (2016: 0.4 million) are presented as consulting expenses (see note 10.).

The average number of employees in 2017 was 979 (2016: 882), which is equivalent to an average of 970 full-time employees (2016: 864).

4.3. Options, non-vested shares and MPP

The Group has a long-term history of granting equity incentives to its employees. These are awarded at year-end through options, shares and the Management Performance Plan ("MPP").

Options and non-vested shares

The Employee Participation Plan ("EPP") aims to align employee interests with those of external shareholders. The 2017 plan was a shares-only plan for the Group's employees and its budget allocation for departments, teams and individuals depends on their performance and contribution to the overall achievement of the firm's goals during the period.

Since 2012, EPPs follow a linear vesting model, with proportionate annual vesting every year over a three- or five-year period following the awards, depending on the rank of the employee and contingent on the employee remaining with the Group during the respective service period.

In 2015, the Group implemented a management incentive plan ("MIP"). The vesting of this long-term option-only plan for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Number and weighted average exercise price

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

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2017	2017	2016	2016
Outstanding as of 1 January	371.27	1'194'619	204.26	1'130'755
Forfeited during the period	90.30	(20'302)	125.21	(43'896)
Exercised during the period	136.16	(214'670)	131.40	(332'495)
Granted during the period - options	805.50	353'678	679.66	385'110
Granted during the period - shares	-	47'483	-	55'145
Outstanding as of 31 December	**512.45**	**1'360'808**	**371.27**	**1'194'619**
Exercisable as of 31 December		**254'567**		**331'201**

Of the outstanding 1'360'808 options and non-vested shares (31 December 2016: 1'194'619), 254'567 options are exercisable immediately (31 December 2016: 331'201). All other options and non-vested shares are subject to a restriction period of at least until 29 November 2018.

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

Numbers of instruments outstanding			
Grant year	**Strike price in CHF**	**31 December 2017**	**31 December 2016**
Options granted in 2007	159.00	-	5'550
Options granted in 2008	100.00	8'700	13'196
Options granted in 2009	150.00	18'037	32'411
Options granted in 2010 and 1.1.2011	209.00	33'857	58'484
Options granted in 2011	195.00	27'218	68'635
Options granted in 2012	236.00	86'997	114'181
Options granted in 2013 and 8.1.2014	270.00	111'139	140'533
Options granted in 2014	324.00	8'344	8'344
Options granted in 2015	340.00	1'418	1'418
Options granted in 2015	450.00	174'000	174'000
Options granted in 2015	446.00	6'127	6'127
Options granted in 2016	682.00	375'000	375'000
Options granted in 2016	593.00	10'110	10'110
Options granted in 2017	805.00	318'600	-
Options granted in 2017	810.00	35'078	-
Non-vested shares granted from 2012 to 2017	-	146'183	186'630
Total instruments outstanding		**1'360'808**	**1'194'619**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

Fair value of share options and shares granted in 2017, and related assumptions:

	Non-vested options[1]	Non-vested options	Non-vested options[2]	Vested options	Non-vested shares	Non-vested shares
Date of grant	**27.9.17**	**27.9.17**	**27.9.17**	**30.11.17**	**30.11.17**	**30.11.17**
Fair value per option/non-vested share at measurement date (in CHF)	16.79	16.79		23.52	676.00	676.00
Share price (in CHF)	644.00	644.00		676.00	676.00	676.00
Exercise price (in CHF)	805.00	805.00		810.00		
Vesting conditions	6 years	5 years	6 years	none	3 years [3]	5 years [3]
Expected volatility	17.97%	17.97%		18.64%		
Expected term of execution	5 years	5 years	6 years	5 years		
Expected dividend ratio	4.15%	4.15%		4.14%		
Risk-free interest rate (based on Swap rates)	(0.48%)	(0.48%)		(0.51%)		
Total options/shares granted	165'600	153'000		35'078	17'135	30'348
Total value granted in 2017 (in thousands of CHF)	2'780	2'569	2'531	825	11'583	20'515
Gross amount recognized in profit or loss (in thousands of CHF)	**397**	**428**	**361**	**825**	**4'115**	**5'852**
Forfeitures during 2017 (in thousands of CHF)					(17)	
Net amount recognized in profit or loss (in thousands of CHF)	**397**	**428**	**361**	**825**	**4'098**	**5'852**
Total amount recognized in profit or loss (in thousands of CHF)						**11'961**
- recognized in personnel expenses in current year (in thousands of CHF)						10'739
- recognized in consulting expenses in current year (in thousands of CHF)						825
- recognized in personnel expenses allocated to the year 2016 (in thousands of CHF)						397

1) Under the 28 September 2016 option plan, the Group granted equity incentives equaling the fair value of CHF 5.4m. The amount is allocated to the participants in two tranches, the first half in September 2016 and the second half in September 2017. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes services when received.

2) Under the 27 September 2017 option plan, the Group granted equity incentives equaling the fair value of CHF 5.1m. The amount is allocated to the participants in two tranches, the first half in September 2017 and the second half in September 2018. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes services when received.

3) Linear vesting model, with proportionate annual vesting every year.

The applied expected volatility is determined using an average volatility that was calculated based on the average of the historic five-year volatility of the Company's stock and the longest available future implied volatility for the Company's shares/options in the market.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Management Performance Plan

In 2017, Partners Group revised its dedicated performance fee-related compensation program and introduced the MPP for Executive Committee members and non-independent Board members. The MPP ensures an alignment of interests with shareholders and clients. It is dependent on the share price development over a five-year horizon. It measures the absolute performance of the share price of the Company but also puts equal weight on the outperformance against an industry benchmark (S&P Listed Private Equity Index). Five years after the grant date, MPP rights will be measured based on absolute performance of the share price and its outperformance over the benchmark index. Once the value of the MPP rights is determined, its payout is dependent on the achievement of a performance fee target, which ultimately derives from active value generation, and the realization of investment opportunities in underlying client portfolios. Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received. Any payout will be in a number of restricted shares in the value of the respective payout.

Vesting parameters

The MPP grants vest linearly over a period of five years. The linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached. Any holder of unvested MPP rights leaving the Group has the obligation to render his or her unvested interest back to the Company.

Valuation

In accordance with the option-like characteristics of the MPP, the grant date fair value is calculated in a similar way to the valuation of a combination of call options (based on the Black-Scholes model) and exchange options (total return on PGHN and the S&P Listed Private Equity Index based on Margrabe's formula).

Fair value of MPP granted in 2017, and related assumptions:

	Absolute basis	Relative basis
Date of grant	**30.11.17**	**30.11.17**
Share price (in CHF)	676.00	676.00
Exercise price/normalized index price (in CHF)	676.00	676.00
Correlation	n/a	0.57
Vesting conditions	5 years[1]	5 years[1]
Expected volatility	18.64%	18.64%
Expected volatility index	n/a	18.51%
Expected term of execution	5 years	5 years
Expected dividend ratio	4.14%	0.00%
Expected dividend ratio index	n/a	0.00%
Risk-free interest rate (based on Swap rates)	(0.51%)	n/a
Total fair value granted in 2017 (in thousands of CHF)	8'291	8'291
Amount recognized in profit or loss (in thousands of CHF)	**2'404**	**2'404**
Total amount recognized in profit or loss (in thousands of CHF)		**4'808**

[1] Linear vesting model, with proportionate annual vesting every year.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

4.4. Management Carry Plan

In 2010, the Group introduced a Management Carry Plan ("MCP"), whereby a portion of potential future performance fees from investments made during a relevant investment period are pre-allocated on a discretionary basis to the broader management teams. The Nomination & Compensation Committee ("NCC") and the BoD plan an allocation of up to 40% of performance fees to employees. Until 2013, the MCP grants included a cliff-vesting period of up to five years in line with the Group's overall long-term incentive schemes. From 2014, the grants include a five-year linear vesting model with proportionate annual vesting every year, subject to a minimum five-year employment period.

The MCP benefits will typically be paid in cash to the eligible employees after the vesting period and when the potential future performance fees are received by the Group. Actual costs and payments based on the MCP grants depend on the eventual performance attributable to investments made and cannot reliably be estimated at the point of grant because they depend on numerous variables and future events. Therefore, the Group does not recognize potential future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, potential future MCP payments to employees are recognized when the respective contingent rights materialize and performance fees are recognized. When MCP-related performance fees are recognized, the Group recognizes the resulting MCP costs as personnel expenses. Until the cash amount is paid to eligible employees, the liabilities are recognized as provisions (see note 8.1.).

4.5. Entry shares

In 2017, the Group further granted 2'290 (2016: 2'779) shares to employees of the Group that commenced employment with the Group in the same year. These shares are subject to a vesting period of one year. In addition, the shares are subject to a restriction period of maximum five years, which is shortened if the employee resigns from the Group before the end of the restriction period.

4.6. Employee benefits

In thousands of Swiss francs	**2017**	**2016**
Performance-related compensation	(78'992)	(37'567)
Defined benefit plan	1'227	(2'214)
Total net employee benefits	**(77'765)**	**(39'781)**

Performance-related compensation

The NCC and the BoD plan an allocation of up to 40% of recognized performance fees to employees ("Performance Fee Compensation Pool"). A portion of the Performance Fee Compensation Pool has typically been pre-allocated via the MCP to employees when the underlying investments were made or developed ("MCP Pool"). MCP Pool-related costs result in a liability, which is recognized as a provision in the consolidated balance sheet (see notes 4.4. and 8.1.).

The difference between the Performance Fee Compensation Pool and the MCP Pool is allocated to a "Performance Fee Bonus Pool" which is distributed among individuals across teams and departments based on their contribution to performance. The part of the Performance Fee Compensation Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services represents a constructive obligation towards a group of employees.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Defined benefit plan

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

The pension fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separated from the Group and is governed by a foundation board ("the foundation board"). In addition, a pension fund commission comprises two employee and two employer representatives. The duties of the foundation board, as well as the pension fund commission, are laid down in the BVG and the specific pension fund rules. They are required by law to act in the best interest of the participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) for the pension fund. At least four times a year, the foundation board as well as the pension fund commission meet and analyze consequences and decide on adjustments in the investment strategy.

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

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Development of defined benefit asset/(obligation)

In thousands of Swiss francs	2017	2016
Present value of benefit obligation as of 1 January	(56'576)	(51'508)
Included in profit or loss:		
Current service cost (employer)	(2'803)	(2'866)
Interest expense on benefit obligation	(347)	(370)
Included in other comprehensive income:		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in demographic assumptions	-	3'299
- change in financial assumptions	996	(276)
- experience gains/(losses)	(1'732)	(2'286)
Other:		
Employee contributions	(2'259)	(2'152)
Benefits paid	(150)	(417)
Plan amendment	1'249	-
Present value of benefit obligation as of 31 December	**(61'622)**	**(56'576)**
Fair value of plan assets as of 1 January	54'362	49'781
Included in profit or loss:		
Interest income on plan assets	340	365
Administration cost	(106)	(98)
Included in other comprehensive income:		
Return on plan assets (excl. interest income)	3'585	(407)
Other:		
Employer contributions	2'259	2'152
Employee contributions	2'259	2'152
Benefits paid	150	417
Fair value of plan assets as of 31 December	**62'849**	**54'362**
Net defined benefit asset/(obligation) as of 31 December	**1'227**	**(2'214)**

The weighted average duration of the net defined benefit obligation is 15.5 years as of 31 December 2017 (2016: 16.0 years).

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Asset allocation as of 31 December

	2017	2016
Cash	9.3%	18.4%
Public debt	13.8%	10.7%
Public equity	24.6%	20.7%
Private markets	29.3%	23.7%
Alternatives/other	23.0%	26.5%
Total	**100.0%**	**100.0%**

Principal actuarial assumptions

The calculation of the net defined benefit asset/(obligation) included the following principal actuarial assumption:

Principal actuarial assumptions as of 31 December	2017	2016
Discount rate	0.70%	0.60%
Expected net return on plan assets	0.70%	0.60%
Interest rate on retirement credits	1.00%	1.00%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Mortality tables used	BVG 2015 (GT)	BVG 2015 (GT)

Sensitivity analysis

Reasonable possible changes as of the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net defined benefit asset/(obligation) by the amounts presented below:

In thousands of Swiss francs	Impact on defined benefit obligation	Impact on current service cost (employer)
Decrease of discount rate (-0.5%)	(5'306)	(440)
Increase of discount rate (+0.5%)	4'549	373
Decrease of salary increase (-0.5%)	751	84
Increase of salary increase (+0.5%)	(799)	(90)

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

The expected employer contributions in 2018 are estimated at CHF 2.3 million.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5. Investments held by the Group, finance income and expense and financial risk management

5.1. Finance income and expense

In thousands of Swiss francs	Note	2017	2016
Interest income		391	191
Net gains on:			
Fair value through profit or loss instruments, designated	5.5	42'670	38'165
Share of results of associates (Pearl)	6.	7'340	1'962
Other finance income		-	194
Total finance income		**50'401**	**40'512**
Interest expense		(1'842)	(962)
Net losses on:			
Held for trading instruments		(71)	(55)
Other finance expense		(3'184)	(1'300)
Net exchange differences		(9'565)	(591)
Total finance expense		**(14'662)**	**(2'908)**
Total net finance income and (expense)		**35'739**	**37'604**

5.2. Other operating income

In thousands of Swiss francs	2017	2016
Interest income on short-term loans	27'501	23'210
True-up interest income	3'425	1'216
Total other operating income	**30'926**	**24'426**

True-up interest income relates to interest earned on management services and organizational fees due from investors that commit into investment structures subsequent to the first closing date of the investment structure.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5.3. Financial instruments

5.3.1. Financial instruments by category

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

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents		852'334	185'971
		852'334	**185'971**
Financial assets at fair value through profit or loss			
Designated upon initial recognition:			
Financial investments	5.3.2.	451'813	359'225
Assets held for sale	5.3.4.	260'830	187'559
		712'643	**546'784**
Held for trading:			
Fixed deposits and marketable securities	5.3.3.	10	1'679
Derivative assets held for risk management [1)]	5.4.1.	3'329	5'172
		3'339	**6'851**
Loans and receivables			
Trade receivables[1)]	5.4.1.	216'437	160'157
Other receivables[1)]	5.4.1.	10'053	25'507
Cash collateral[1)]	5.4.1.	79'750	-
Fixed deposits and marketable securities	5.3.3.	-	31'025
Short-term loans	5.3.5.	713'388	708'868
Other financial assets	5.3.6.	63'964	5'990
		1'083'592	**931'547**
Total financial assets		**2'651'908**	**1'671'153**

[1)] Presented in the line item trade and other receivables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative liabilities held for risk management [1]	7.	5'897	1'264
Liabilities held for sale	5.3.4.	155'098	87'063
Other long-term liabilities		1'019	790
		162'014	**89'117**
Financial liabilities measured at amortized cost			
Trade payables [1]	7.	108'240	33'960
Cash collateral [1]	7.	66'500	-
Long-term debt	13.	299'237	-
Other long-term liabilities		1'031	-
		475'008	**33'960**
Total financial liabilities		**637'022**	**123'077**

[1] Presented in the line item trade and other payables in the consolidated balance sheet.

5.3.2. Financial investments

The Group holds investments in various investment programs that it manages. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group typically performs investment management activities for the benefit of external investors under a predetermined investment policy and receives a predetermined management fee and, where applicable, a performance fee for its services presented as revenues from management services, net in the consolidated income statement.

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	359'225	338'162
Additions	125'108	59'447
Distributions/disposals	(93'415)	(79'644)
Transfers from marketable securities and assets and liabilities held for sale	6'919	13'300
Change in fair value of investments held at period end	37'560	30'572
Exchange differences	16'416	(2'612)
Balance as of end of period	**451'813**	**359'225**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

In thousands of Swiss francs	31 December 2017	31 December 2016
Private equity	214'117	193'170
Private debt	146'496	85'829
Private real estate	51'208	47'193
Private infrastructure	39'992	33'033
Total financial investments	**451'813**	**359'225**

5.3.3. Fixed deposits and marketable securities

In thousands of Swiss francs	31 December 2017	31 December 2016
Equity securities held for trading	10	10
Debt securities held for trading	-	1'669
Fixed deposits with maturities between 3 and 12 months	-	31'025
Total fixed deposits and marketable securities	**10**	**32'704**

5.3.4. Assets and liabilities held for sale

The Group seed finances certain early stage investment programs managed by the Group. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's Rules of the Organization and of Operations ("ROO"). These investment programs typically call the seed finance to invest in assets that are comparable to the Group's investments in investment programs that it manages (see note 5.3.2.). Therefore, the underlying assets of these investment programs are typically financial assets valued at the adjusted net asset values.

Assets and liabilities of five (2016: five) investment programs are classified and presented as assets and liabilities held for sale. The assets and liabilities held for sale as of 31 December 2017 comprise private equity, private real estate as well as private debt related assets and liabilities:

In thousands of Swiss francs	31 December 2017	31 December 2016
Assets held for sale	260'830	187'559
Liabilities held for sale	(155'098)	(87'063)
Assets and liabilities held for sale, net	**105'732**	**100'496**

5.3.5. Short-term loans

Short-term loans of CHF 713.4 million (2016: CHF 708.9 million) relate to loans granted to various investment programs managed by the Group and which typically have an expected repayment date within the next twelve months. Interest on these loans is calculated at a spread above the applicable LIBOR interest rate.

5.3.6. Other financial assets

The increase in other financial assets to CHF 64.0 million (2016: CHF 6.0m) mainly resulted from recognized performance fees which are not expected to be settled within twelve months.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5.3.7. Capital commitments

As of 31 December 2017, the Group had capital commitment contracts of CHF 595.2 million (2016: CHF 483.8 million), whereof CHF 215.0 million (2016: CHF 171.7 million) were not yet called by the relevant investment manager. The capital commitments are called over time, typically between one to five years following the subscription of the commitment. In addition, the Group may selectively enter into capital commitment contracts to bridge investments for investment programs managed by the Group and enter into capital commitments for seed capital investments into investment programs managed by the Group.

5.4. Financial risk management

The Group has exposure to the following risks arising from its holding of financial instruments:

- credit risk;
- market risk (including currency risk, interest rate risk and price risk);
- liquidity risk.

This note presents information about the Group's exposure to each of the above listed risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The RAC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The RAC is assisted in its oversight role by the Chief Risk Officer as well as by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the RAC.

5.4.1. Credit risk

The following sections present the Group's exposure to credit risk and how it is managed by the Group. Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises typically from the Group's receivables from customers and investment securities.

(a) Trade and other receivables

In thousands of Swiss francs	31 December 2017	31 December 2016
Trade receivables	216'437	160'157
Other receivables	10'053	25'507
Cash collateral	79'750	-
Prepayments/accrued revenues	75'243	42'817
Derivative assets held for risk management	3'329	5'172
Total trade and other receivables	**384'812**	**233'653**

The increase in trade and other receivables mainly resulted from recognized but not yet received performance fees and the increase of cash collateral.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer and is reviewed on a regular basis. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less of an influence on the Group's exposure to credit risk. The majority of customers are investment programs that are managed by the Group.

Other counterparties of the Group are typically regulated financial institutions or institutional investors with a high credit quality. In addition, the Group periodically reviews the client exposure and concentration. There is no substantial concentration of credit risk. The Group has never suffered from any material loss from its trade and other receivables. Therefore, no material allowance for individual exposures or a collective loss allowance is currently established (31 December 2016: none). As of the reporting date, no material receivables were overdue (31 December 2016: none).

(b) Short-term loans

In order to control the credit risk resulting from short-term loans (see note 5.3.5.) to investment programs, the Group has established a system-based loan approval process. This is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process rigorous qualitative and quantitative checks are being applied to ensure the high quality of the Group's loan portfolio.

(c) Other

The Group's other credit risks arise from cash and cash equivalents and derivative assets. The surplus cash is typically transferred to the Company for cash pooling (see note 5.4.3.). For bank deposits only independently rated parties, typically with a minimum rating of "A-3" or equivalent, are accepted (as per Standard and Poor's short-term issue credit ratings definitions).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
In thousands of Swiss francs	**31 December 2017**	**31 December 2016**
Cash and cash equivalents	852'322	185'941
Fixed deposits and marketable securities	-	32'694
Trade receivables [1)]	216'437	160'157
Other receivables [1)]	935	13'334
Prepayments / accrued revenues [1)]	37'768	-
Cash collateral [1)]	79'750	-
Derivative assets held for risk management [1)]	3'329	5'172
Short-term loans	713'388	708'868
Other financial assets	63'964	5'990
	1'967'893	**1'112'156**

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

5.4.2. Market risk

Market risk is the risk that changes in market prices - such as foreign currency exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Group may buy and sell derivatives in order to manage certain market risks. All such transactions are carried out within the guidelines defined in the Rules of the Organization and of Operations, issued by the BoD.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(a) Currency risk

The Group is mainly exposed to currency risk on revenues, purchases, expenses, short-term loans and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Primarily, the currency risk results from exposure in Euro (EUR), but also in US dollar (USD), British pound (GBP) and Singapore dollar (SGD). As a general guidance, the Group may selectively economically hedge certain recognized assets and liabilities. As a consequence, the Group's net balance sheet currency risk is limited mainly to its intercompany receivables and liabilities.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its cash and cash equivalents held at banks, short-term loans (see note 5.3.5.) as well as other financial assets. Such cash flows are dependent on changes in short-term market interest rates. Due to this short-term nature and limited sensitivity, the Group does currently not manage its cash flow interest rate risk.

As of the balance sheet date, the Group maintains further credit lines with banks (see note 5.4.3.).

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

In thousands of Swiss francs	2017	2016
Variable rate instruments		
Financial assets	932'072	185'941
Financial liabilities	(66'500)	-
	865'572	**185'941**
Fixed rate instruments		
Financial assets	720'573	714'858
Financial liabilities	(299'237)	-
	421'336	**714'858**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous period.

	Variable rate instruments	
In thousands of Swiss francs	2017	2016
Profit or loss		
50 bp increase	4'328	930
50 bp decrease	(4'328)	(930)

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(c) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The majority of the Group's investments are entered into under existing investment management contracts whereby the Group invests alongside investors in private equity, private debt, private real estate or private infrastructure investment programs managed by the Group.

In assessing the price risk associated with the Group's investments, a volatility ratio was applied to each of its investments classified as marketable securities or financial investments. The Group used long-term data to determine the volatilities for each asset class.

	Carrying amount/volatility			
In thousands of Swiss francs	**2017**	**Volatility**	**2016**	**Volatility**
Marketable securities (equity securities held for trading)	10	7%	10	15%
Financial investments:				
Private equity	214'117	18%	193'170	14%
Private debt	146'496	5%	85'829	7%
Private real estate	51'208	8%	47'193	12%
Private infrastructure	39'992	7%	33'033	9%
Assets and liabilities held for sale	105'732	13%	100'496	7%
Total	**557'555**		**459'731**	

Based on the applied long-term volatility for the individual asset classes, the Group is exposed to the following equity price risk:

	Profit or loss	
In thousands of Swiss francs	**2017**	**2016**
Marketable securities (equity securities held for trading)	1	2
Financial investments:		
Private equity	38'541	27'044
Private debt	7'325	6'008
Private real estate	4'097	5'663
Private infrastructure	2'799	2'973
Assets and liabilities held for sale	14'063	7'023
Total	**66'826**	**48'713**

5.4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In order to assess the development of its liquidity, the Group uses a cash flow forecasting tool which is integrated in the budgeting and reporting process, and assists in monitoring cash flow requirements and optimizing its cash return on investments. Cash flow forecasting is performed on a group level. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. Surplus cash held by the Group's subsidiaries, over and above the balance required for working capital management, is transferred to the Company to the extent permitted by regulatory and legal provisions. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide head-room as determined by the above mentioned forecasts. In addition, the Group maintains the following lines of credit:

- A credit facility of CHF 30 million that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to six months. Interest is payable at current market rates. The facility is subject to several debt covenants which were met throughout the current and prior year.
- The Group has an additional credit facility of CHF 400 million with a syndicate of Swiss banks. This credit facility can be used for general corporate purposes with a primary focus on working capital financing. Interest is calculated at a spread above the applicable LIBOR with a 0% floor. The facility is unsecured but subject to a debt covenant which was met during the current and prior year.

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

In thousands of Swiss francs						**31 December 2017**
	Carrying amount	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Trade payables [1]	108'240	108'240				
Derivative liabilities held for risk management [1]	5'897	5'897				
Cash collateral [1]	66'500	66'500				
Long-term debt	299'237					299'237
Other long-term liabilities	2'050				2'050	
Unfunded commitments	214'984	214'984				
	696'908	**395'621**	**-**	**-**	**2'050**	**299'237**

[1] Presented in the line item trade and other payables in the consolidated balance sheet.

In thousands of Swiss francs						**31 December 2016**
	Carrying amount	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Trade payables [1]	33'960	33'960				
Derivative liabilities held for risk management [1]	1'264	1'264				
Other long-term liabilities	790				790	
Unfunded commitments	171'701	171'701				
	207'715	**206'925**	**-**	**-**	**790**	**-**

[1] Presented in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5.5. Fair value measurement

Introduction

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

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs - other than quoted prices included within level 1 - that are observable for assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

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

In thousands of Swiss francs				**31 December 2017**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed deposits and marketable securities	10			10
Derivative assets held for risk management [1)]		3'329		3'329
Assets held for sale			260'830	260'830
Financial investments			451'813	451'813
Financial assets	**10**	**3'329**	**712'643**	**715'982**
Derivative liabilities held for risk management [2)]		5'897		5'897
Liabilities held for sale			155'098	155'098
Other long-term liabilities			1'019	1'019
Financial liabilities	**-**	**5'897**	**156'117**	**162'014**

[1)] Presented in the line item trade and other receivables in the consolidated balance sheet.

[2)] Presented in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs				31 December 2016
	Level 1	Level 2	Level 3	Total
Fixed deposits and marketable securities	1'679			1'679
Derivative assets held for risk management [1]		5'172		5'172
Assets held for sale			187'559	187'559
Financial investments			359'225	359'225
Financial assets	**1'679**	**5'172**	**546'784**	**553'635**
Derivative liabilities held for risk management [2]		1'264		1'264
Liabilities held for sale			87'063	87'063
Other long-term liabilities			790	790
Financial liabilities	**-**	**1'264**	**87'853**	**89'117**

[1] Presented in the line item trade and other receivables in the consolidated balance sheet.

[2] Presented in the line item trade and other payables in the consolidated balance sheet.

The carrying amount for cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, and fixed deposits are expected to approximate the fair values given the short-term nature of these financial instruments.

The following tables show the reconciliation of all level 3 financial instruments in 2017 and 2016:

In thousands of Swiss francs		31 December 2017
	Financial assets	Financial liabilities
Balance as of 1 January 2017	546'784	87'853
Additions	306'833	138'674
Disposals	(210'754)	(78'277)
Change in fair value [1]	42'670	229
Exchange differences	27'110	7'638
Balance as of 31 December 2017	**712'643**	**156'117**

In thousands of Swiss francs		31 December 2016
	Financial assets	Financial liabilities
Balance as of 1 January 2016	428'179	6'102
Transfers from level 1	9'904	-
Additions	229'055	88'380
Disposals	(151'538)	(4'703)
Change in fair value [1]	38'165	(130)
Exchange differences	(6'981)	(1'796)
Balance as of 31 December 2016	**546'784**	**87'853**

[1] Presented in the line item net finance income and expense in the consolidated income statement.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

There were no transfers between levels in 2017. However, in 2016, the transfer from level 1 to level 3 resulted from the Group's decision to early redeem its certificates in Partners Group Private Equity Performance Holding Limited. As there is no active market for these redeemed certificates, the determination of the fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. The transfer of the financial asset from level 1 to level 3 took place at the beginning of the reporting period.

Financial investments and assets and liabilities held for sale

Financial investments and assets and liabilities held for sale, disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. The Group's investments typically account for a stake of one percent in an investment program. For these investments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Group applies control processes to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are in accordance with IFRS 13 and determined on a reasonable basis.

Control processes include the review and approval of new investments made on behalf of investors. The Group has several investment committees. The investment selections and recommendations are made by the Specialized Investment Committees and the Global Investment Committee, supported by the Global Portfolio Committee. These committees decide whether or not new investments will be advised to the manager of the investment program. The controls also include reviews of profit and loss at regular intervals, risk monitoring and reviews of price verification procedures and models, which are used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

Valuation techniques

Financial investments held by the Group consist of assets and liabilities into investment programs. These investment programs are in turn invested in direct and indirect equity and debt investments. The following valuation techniques are applied by the Group to determine fair values of equity and debt investments in line with IFRS 13:

- market approach
- income approach and
- adjusted net asset value method.

Market approach

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Income approach

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

Adjusted net asset value method

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

Unobservable input factors

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

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

The value of level 3 direct equity investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are typically valued using a waterfall approach including different seniority levels of debt. Thus, the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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 reasonable 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 thousands of Swiss francs	31 December 2017	31 December 2016
Adjusted net asset value (1% increase)	5'575	4'597

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

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2017 as summarized below:

In thousands of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	89'651	89'651	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	483	483	40%
Total investments in associates			**90'134**	

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	115'988	129'440
Redemption of shares (Pearl)	(42'856)	(13'588)
Share of results (Pearl)	7'340	1'962
Share of results (LGT)	10	3
Exchange differences	9'652	(1'829)
Balance as of end of period	**90'134**	**115'988**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

	Pearl		LGT	
In thousands of Swiss francs	**2017**	**2016**	**2017**	**2016**
Total assets	319'435	413'123	7'063	2'110
Total liabilities	1'196	3'075	5'855	927
Equity	318'239	410'048	1'208	1'183
Revenues	45'534	18'193	9'594	4'359
Profit/(loss) for the period	26'055	6'960	25	8

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

Pearl Holding Limited

Pearl's investments are managed on a discretionary basis by Pearl Management Limited, Guernsey, which is advised by Partners Group AG, Switzerland ("PGAG"), in accordance with an investment advisory agreement. PGAG's duties are to provide asset allocation, commercial due diligence reviews, investment and disinvestment proposals and performance monitoring. For the described services, the Group is entitled to receive administration, management and performance fees.

Share of results of associates

The share of results of associates resulting from Pearl is disclosed in profit or loss as net finance income and expense (see note 5.1.), while the share of results of associates resulting from LGT (see note 6.), is separately disclosed as share of results of associates in the consolidated income statement. The Group assesses LGT's results as comparable to management services and as a consequence discloses the results as operating income. Pearl's results are mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments (see note 5.3.2.), which are presented as net finance income and expense in the consolidated income statement (see note 5.1.).

7. Trade and other payables

In thousands of Swiss francs	**31 December 2017**	**31 December 2016**
Trade payables	108'240	33'960
Goods and services received not yet invoiced	2'658	3'238
Accrued remuneration related costs	71'951	65'680
Derivative liabilities held for risk management	5'897	1'264
Accrued revenue deductions	5'669	11'872
Cash collateral	66'500	-
Other payables	26'685	26'686
Total trade and other payables	**287'600**	**142'700**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

8. Provisions and contingencies

8.1. Provisions

In thousands of Swiss francs			2017
	MCP	Others	Total
Balance as of 1 January 2017	73'947	4'528	78'475
Additions	80'369	4'209	84'578
Reversed amounts (unused)	(1'322)	(2'769)	(4'091)
Amounts used	(62'554)	(973)	(63'527)
Exchange differences	(1'612)	10	(1'602)
Balance as of 31 December 2017	**88'828**	**5'005**	**93'833**
Current	55'909	-	55'909
Non-current	32'919	5'005	37'924
Balance as of 31 December 2017	**88'828**	**5'005**	**93'833**

The majority of provisions relates to the MCP (see note 4.4.).

8.2. Contingencies

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

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In thousands of Swiss francs	Note	2017	2016
Current tax expense:			
Current year		100'192	78'197
Under/(over) provided in prior years		(3'194)	2'089
Total current tax expense		**96'998**	**80'286**
Deferred tax expense/(income):			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(2'163)	(11'787)
Total deferred tax expense/(income)		**(2'163)**	**(11'787)**
Total income tax expense		**94'835**	**68'499**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

9.1.2. Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2017	2016
Profit before tax	**847'161**	**626'643**
Weighted average expected Group tax rate	10.77%	11.08%
Expected tax expense	91'241	69'455
Non-tax-deductible expense and non-taxable income	(1'864)	(3'186)
Applicable tax rates differing from expected rate	(249)	85
Non-refundable withholding taxes	5'525	-
Changes in statutory applicable tax rate	3'742	-
Under/(over) provided in prior years	(3'194)	2'089
Other impacts	(366)	56
Total income tax expense	**94'835**	**68'499**

The Group calculated a weighted average tax rate, taking into account statutory tax rates of the Company and its subsidiaries in their specific jurisdictions, and their contribution to total profit before tax.

9.2. Deferred tax assets and liabilities

Development of deferred tax assets and liabilities

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

In thousands of Swiss francs	31 December 2017	31 December 2016
Deferred tax assets	24'749	25'769
Deferred tax liabilities	(2'948)	(3'657)
Deferred tax assets / (liabilities), net	**21'801**	**22'112**

In thousands of Swiss francs	2017	2016
Balance as of 1 January, net	**22'112**	**(1'881)**
Changes recognized in profit or loss	2'163	11'787
Changes recognized in equity	(1'552)	12'064
Changes recognized in other comprehensive income	(412)	(48)
Exchange differences	(510)	190
Balance of deferred tax assets / (liabilities) as of 31 December, net	**21'801**	**22'112**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Analysis of deferred tax assets and liabilities

The following table shows the gross amounts of deferred tax assets and liabilities before being offset within the same taxable entities. Movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In thousands of Swiss francs	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remunera-tion	Others	Total
							2017
Balance as of 1 January 2017, net	**(3'086)**	**591**	**320**	**13'750**	**9'188**	**1'349**	**22'112**
Changes recognized in profit or loss	824	(1'071)	(86)	1'757	63	676	2'163
Changes recognized in equity	-	-	-	(1'552)	-	-	(1'552)
Changes recognized in other comprehensive income	-	-	(412)	-	-	-	(412)
Exchange differences	79	(65)	-	(319)	(248)	43	(510)
Balance as of 31 December 2017, net	**(2'183)**	**(545)**	**(178)**	**13'636**	**9'003**	**2'068**	**21'801**

In thousands of Swiss francs	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remunera-tion	Others	Total
							2016
Balance as of 1 January 2016, net	**(3'935)**	**(3'783)**	**250**	**4'714**	**-**	**873**	**(1'881)**
Changes recognized in profit or loss	812	4'298	118	(2'923)	9'015	467	11'787
Changes recognized in equity	-	-	-	12'064	-	-	12'064
Changes recognized in other comprehensive income	-	-	(48)	-	-	-	(48)
Exchange differences	37	76	-	(105)	173	9	190
Balance as of 31 December 2016, net	**(3'086)**	**591**	**320**	**13'750**	**9'188**	**1'349**	**22'112**

Other non-current assets

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

Financial investments

Taxable temporary differences arise between the tax bases of financial investments and their carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements.

Employee benefit obligations

The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (for further information see note 4.6.).

Share-based payment expenses

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of share-based payment expenses (see notes 4.2. and 4.3.) in the applicable accounting period in accordance with IFRS 2, but the tax deduction based on these expenses is received in a different period; e.g. only until the options and shares are exercised or vested, typically with the measurement of the tax deduction based on the share price at the date of exercise or vesting.

Remuneration

Taxable temporary differences arise between the tax bases of remuneration-related accruals and provisions and their carrying amounts in the consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

10. Other operating expenses

In thousands of Swiss francs	2017	2016
Consulting expenses	(11'346)	(8'878)
Rental expenses and maintenance costs	(13'434)	(12'470)
Administrative expenses	(20'209)	(20'033)
Travel and representation expenses	(15'231)	(13'390)
Total other operating expenses	**(60'220)**	**(54'771)**

11. Property and equipment

In thousands of Swiss francs							2017
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2017	7'322	5'897	188	7'959	18'964	14'658	54'988
Additions	-	-	4'715	1'381	2'696	1'558	10'350
Removals	-	-	-	(2'744)	(406)	(5'209)	(8'359)
Exchange differences	(297)	-	(54)	42	102	126	(81)
Balance as of 31 December 2017	**7'025**	**5'897**	**4'849**	**6'638**	**21'356**	**11'133**	**56'898**
Accumulated depreciation							
Balance as of 1 January 2017	-	1'031	-	6'537	13'077	12'178	32'823
Additions	-	186	-	732	1'868	1'456	4'242
Removals	-	-	-	(2'744)	(406)	(5'209)	(8'359)
Exchange differences	-	-	-	58	78	84	220
Balance as of 31 December 2017	**-**	**1'217**	**-**	**4'583**	**14'617**	**8'509**	**28'926**
Carrying amount							
As of 1 January 2017	7'322	4'866	188	1'422	5'887	2'480	22'165
As of 31 December 2017	**7'025**	**4'680**	**4'849**	**2'055**	**6'739**	**2'624**	**27'972**
Impairment losses incurred in 2017							nil

The costs for the Group's North American headquarter are disclosed in construction in progress.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs							2016
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2016	-	5'897	-	7'708	17'892	13'135	44'632
Additions	7'101	-	182	439	1'288	1'847	10'857
Removals	-	-	-	(46)	(32)	(19)	(97)
Exchange differences	221	-	6	(142)	(184)	(305)	(404)
Balance as of 31 December 2016	**7'322**	**5'897**	**188**	**7'959**	**18'964**	**14'658**	**54'988**
Accumulated depreciation							
Balance as of 1 January 2016	-	845	-	5'603	11'684	10'978	29'110
Additions	-	186	-	1'072	1'548	1'489	4'295
Removals	-	-	-	(46)	(32)	(19)	(97)
Exchange differences	-	-	-	(92)	(123)	(270)	(485)
Balance as of 31 December 2016	**-**	**1'031**	**-**	**6'537**	**13'077**	**12'178**	**32'823**
Carrying amount							
As of 1 January 2016	-	5'052	-	2'105	6'208	2'157	15'522
As of 31 December 2016	**7'322**	**4'866**	**188**	**1'422**	**5'887**	**2'480**	**22'165**
Impairment losses incurred in 2016							nil

Operating leases (leases as a lessee)

Non-cancellable operating leases are payable as follows:

In thousands of Swiss francs	31 December 2017	31 December 2016
Less than one year	7'964	10'254
Between one and five years	31'841	36'629
More than five years	1'215	1'725
Total non-cancellable operating leases	**41'020**	**48'608**

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 10.6 million was recognized as expenses in profit or loss in respect of operating leases (2016: CHF 10.0 million). The Group received payments of CHF 0.7 million (2016: CHF 0.7 million) from sublease agreements. The total expected future sub-lease payments from non-cancellable sub-leases as of 31 December 2017 amounts to CHF 1.3 million (2016: CHF 0.1 million).

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

12. Intangible assets

In thousands of Swiss francs						2017
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2017	4'728	33'228	10'194	21'360	6'063	75'573
Additions	-	-	4'419	15'229	1'080	20'728
Exchange differences	161	27	2	(124)	-	66
Balance as of 31 December 2017	**4'889**	**33'255**	**14'615**	**36'465**	**7'143**	**96'367**
Accumulated amortization and impairment losses						
Balance as of 1 January 2017	3'570	-	7'125	9'321	5'023	25'039
Additions	779	-	2'481	5'893	575	9'728
Exchange differences	132	-	2	(21)	-	113
Balance as of 31 December 2017	**4'481**	**-**	**9'608**	**15'193**	**5'598**	**34'880**
Carrying amount						
As of 1 January 2017	1'158	33'228	3'069	12'039	1'040	50'534
As of 31 December 2017	**408**	**33'255**	**5'007**	**21'272**	**1'545**	**61'487**
Impairment losses incurred in 2017						nil

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs						2016
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2016	5'388	35'586	10'348	9'827	6'063	67'212
Additions	-	-	2'387	11'350	-	13'737
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(660)	(2'358)	(11)	183	-	(2'846)
Balance as of 31 December 2016	**4'728**	**33'228**	**10'194**	**21'360**	**6'063**	**75'573**
Accumulated amortization and impairment losses						
Balance as of 1 January 2016	3'122	-	8'144	5'088	4'410	20'764
Additions	909	-	1'522	4'162	613	7'206
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(461)	-	(11)	71	-	(401)
Balance as of 31 December 2016	**3'570**	**-**	**7'125**	**9'321**	**5'023**	**25'039**
Carrying amount						
As of 1 January 2016	2'266	35'586	2'204	4'739	1'653	46'448
As of 31 December 2016	**1'158**	**33'228**	**3'069**	**12'039**	**1'040**	**50'534**
Impairment losses incurred in 2016						nil

12.1. Placing expenses

The Group selectively uses third party placing agents for the distribution of the investment programs that the Group manages. It is common to compensate such services with a one-off payment, depending on the amount of assets placed by such third party placing agents. The amount paid is recognized as incremental cost incurred in connection with the securing of investment management revenues. Placing expenses are amortized using the straight-line method over the duration of the investment period of the relevant investment program the cost was incurred for, typically between three to five years (see note 19.17.).

12.2. Goodwill

The carrying amount of goodwill as of 31 December 2017 (CHF 33.3 million; 2016: CHF 33.2 million) has been allocated to the following cash generating units ("CGU"), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

- Goodwill of CHF 17.4 million (2016: CHF 18.1 million) relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007, which was merged into Partners Group (USA) Inc. as of 1 January 2012, has been allocated to the private real estate segment.
- Goodwill of CHF 15.9 million (2016: CHF 15.1 million) relating to the acquisition of Partners Group (Italy) SGR S.p.A. in 2013 ("PG Italy"), which was merged into Partners Group (UK) Limited, as of 1 January 2016, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Impairment testing for CGUs containing goodwill

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a five-year estimate (2018–2022). Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied for the terminal value.
- Revenues were projected based on the development of the existing business, taking into account the generation of additional business in the years 2018 to 2022.
- Other operating expenses growth was considered at a constant rate of 10% p.a. (2016: 10% p.a.).
- Personnel expenses growth was considered at a constant rate of 5% p.a. (2016: 5% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel and general expenses (2016: 35%)).
- Pre-tax discount rates of 8.9% [PG RE] (2016: 7.9%), respectively 7.9% [PG Italy] (2016: 7.2%), were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.4% [PG RE] (2016: 2.4%) and 1.73% [PG Italy] (2016: 2.02%), adjusted by market risk premiums and industry weighted average beta factors.
- The impairment test resulted in a value in use higher than the carrying amount.

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

13. Long-term debt

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	-	-
Issuance of long-term debts	299'176	-
Accreted interest	61	-
Balance as of end of period	**299'237**	**-**

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

Date of issue	Face value in thousands of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300'000	0.150%	2024	100.052%	100.000%

The fair value of the corporate bonds as of 31 December 2017 was CHF 298.9 million and was determined by the quoted market price.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

14. Share capital, capital management and reserves

In effective number of shares	2017	2016
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 31 December - fully paid in	**26'700'000**	**26'700'000**

The issued share capital of the Company comprises 26'700'000 registered shares (2016: 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.

Legal reserves

Legal reserves comprise the reserves which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The Group's legal reserves amount to CHF 218'100 as of 31 December 2017 (31 December 2016: CHF 218'100), consisting of CHF 217'100 (31 December 2016: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (31 December 2016: CHF 1'000) for other legal reserves.

Treasury shares

Treasury shares are recognized at cost and presented separately within equity. At the balance sheet date, the Group held 105'165 (2016: 180'607) of the Company's issued shares. The Group holds treasury shares to provide for existing share and option programs.

Translation reserves

Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations included in the consolidation.

Dividends

After the balance sheet date, the BoD proposes a dividend distribution of CHF 507.3 million (CHF 19 per share) for 2017. During the reporting period, the Company paid a dividend of CHF 397.4 million (CHF 15 per share) (2016: CHF 277.2 million, CHF 10.50 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2016 of CHF 400.5 million was not fully distributed.

Capital management

The BoD's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The BoD also monitors the level of dividend distributions to shareholders.

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

Furthermore, the Company has authorized conditional capital of CHF 40'050. The BoD is authorized to increase the share capital by up to 15% at its discretion as a result of exercised options and granting of shares.

There were no changes in the Group's approach to capital management during the year.

The Company and some of its subsidiaries are subject to minimum capital requirements prescribed by external parties (e.g. banks) and are regulated by relevant authorities in the corresponding countries. The capital requirements may depend on fix costs, expenditures, financial key ratios, net assets and assets under management. All these capital requirements have been met during 2017 and 2016.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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			2017
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2017	26'700'000	180'607	26'519'393
Purchase of treasury shares		271'421	(271'421)
Disposal of treasury shares		(346'863)	346'863
Balance as of 31 December 2017	**26'700'000**	**105'165**	**26'594'835**
Weighted average number of shares outstanding during the period (360 days)			26'517'721
Shareholders above 5% (in % of shares issued)		**Shares held**	**in %**
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'639'500	6.14%

In effective number of shares			2016
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2016	26'700'000	391'524	26'308'476
Purchase of treasury shares		415'047	(415'047)
Disposal of treasury shares		(625'964)	625'964
Balance as of 31 December 2016	**26'700'000**	**180'607**	**26'519'393**
Weighted average number of shares outstanding during the period (360 days)			26'393'427
Shareholders above 5% (in % of shares issued)		**Shares held**	**in %**
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'422'890	5.33%

In 2015, the Group's founding partners, Dr. Marcel Erni, Alfred Gantner and Urs Wietlisbach, each entered into a derivative transaction with a third party concerning up to 4.1% of the Group's total share capital over the next five years. In 2017, each of the founding partners increased the percentage up to 5%. The transaction involves collars that expire on 17 June 2021, subject to early termination, including optional early termination by the three founding partners. This transaction does not intend any change in the size of the three founding partners' stakes in the Company during the period until maturity of the collars.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

15. Earnings per share

In Swiss francs	2017	2016
Average fair value of one ordinary share during the period	596.23	428.17
Weighted average exercise price for shares under option during the period	489.19	319.36

			2017
	Earnings per share	Profit for the period	Number of shares
Profit for the period (in thousands of Swiss francs)		752'326	
Weighted average number of ordinary shares outstanding			26'517'721
Basic earnings per share (in Swiss francs)	**28.37**		
Weighted average number of shares under option during the period			1'006'222
Number of shares that would have been issued at fair value [1]			(742'730)
Diluted earnings per share (in Swiss francs)	**28.09**		**26'781'213**

[1] Calculated on the basis of each individual share option grant.

			2016
	Earnings per share	Profit for the period	Number of shares
Profit for the period (in thousands of Swiss francs)		558'144	
Weighted average number of ordinary shares outstanding			26'393'427
Basic earnings per share (in Swiss francs)	**21.15**		
Weighted average number of shares under option during the period			848'163
Number of shares that would have been issued at fair value [1]			(567'593)
Diluted earnings per share (in Swiss francs)	**20.92**		**26'673'997**

[1] Calculated on the basis of each individual share option grant.

As of 31 December 2017, the Group had 1’360’808 options and non-vested shares outstanding (2016: 1’194’619). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares (see note 14) is already net of non-vested shares outstanding.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

16. Related party transactions

The Group has related party relationships with its subsidiaries (see note 17.), investments in associates (see note 6.), pension funds (see note 4.6.), as well as with its management and significant shareholders and their related parties.

In 2017, investments in associates purchased services from the Group in the amount of CHF 9.8 million (2016: CHF 5.1 million).

As of 31 December 2017, loans to related parties of the Group amounted to CHF 3.5 million (2016: CHF 3.9 million) and were included in other financial assets. The loans to related parties of the Group bear interest at market-related interest rates.

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

In effective number of shares	**2017**	**2016**
Purchase of treasury shares from shareholders employed by the Group	11'578	16'272
Average purchase price per share (in Swiss francs)	561.57	413.15

The Group is managed by the BoD and the Executive Committee ("ExCo") of the Company. The total personnel expenses for the BoD as well as the ExCo of the Company are included in consulting expenses (see note 10) and personnel expenses (see note 4.1) and amount to:

In thousands of Swiss francs	**2017**	**2016**
BoD:		
Short-term employment benefits	2'761	2'837
Other compensation	92	155
Share-based payment expenses	2'055	800
Other long-term benefits (MCP)	6'297	7'737
Post-employment benefits	208	184
Total BoD	**11'413**	**11'713**
ExCo:		
Short-term employment benefits	14'201	10'289
Other compensation	426	393
Share-based payment expenses	5'428	401
Other long-term benefits (MCP)	18'072	13'446
Post-employment benefits	942	576
Total ExCo incl. former members	**39'069**	**25'105**
Total BoD and ExCo	**50'482**	**36'818**

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

At the relevant balance sheet date, the BoD and the ExCo were holding the following number of options, non-vested shares and shares:

Options and non-vested shares:

In effective number of options and non-vested shares	31 December 2017	31 December 2016
Board members (vested options)	68'201	38'775
Board members (non-vested options and shares)	3'079	5'365
Members of the ExCo (options and non-vested shares)	169'260	141'251
Total	**240'540**	**185'391**

Share ownership (unrestricted):

In effective number of shares	31 December 2017	31 December 2016
Board members	8'385'674	8'384'551
Members of the ExCo	654'922	1'613'851
Total	**9'040'596**	**9'998'402**

The decrease in share ownership of members of the ExCo mainly resulted from the new composition of the ExCo. For further information in accordance with Art. 663c of the Swiss Code of Obligations, refer to note 14 of the entity accounts of Partners Group Holding AG.

17. Subsidiaries

17.1. Changes in scope of consolidation

17.1.1. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Japan Kabushiki Kaisha, Japan	14 December 2017	Support the Group's investment activities in the region
Partners Group US Management CLO LLC, Delaware (USA)	24 August 2017	Investment Manager for the Group's CLOs
Partners Group Colorado Propco LLC, Delaware (USA)	21 June 2016	Purchase and own land and property for the Group's US operations
Partners Group Client Access 10 MP Management Limited, Guernsey	2 June 2016	General Partner for a Guernsey-based investment program
Partners Group Prime Services Solutions (Philippines), Inc., Philippines	20 April 2016	Investment management services
Partners Group Finance SGD IC Limited, Guernsey	11 March 2016	Support of financing activities for the Group
Partners Group US Management II LLC, Delaware (USA)	2 March 2016	General partner for US-based investment programs
Partners Group US Investment Services LLC, Delaware (USA)	7 January 2016	Support the Group's investment activities in the region

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

17.1.2. Restructurings

No restructuring took place in 2017.

On 16 December 2016, PG Italy was merged into Partners Group (UK) Limited, UK, retrospectively as of 1 January 2016.

17.2. Involvement with structured entities

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

Consolidated structured entities

The Group seed finances certain investment programs that the Group manages with seed financing in their early stage. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's ROOs. For further details see note 5.3.4.

Unconsolidated structured entities

The fair value of financial investments, as presented in note 5.3.2., represents the Group's participation in unconsolidated investment programs.

17.3. Subsidiaries

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

	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
Name of the subsidiary			**31 December 2017**	**31 December 2016**
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	100%
Partners Group Japan Kabushiki Kaisha	Investment manager	Japan	100%	-
Partners Group Prime Services Solutions (Philippines), Inc.	Investment management services	Philippines	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (India) Private Limited	Investment manager	India	100%	100%
Partners Group (Luxembourg) S.A.	Investment manager	Luxembourg	100%	100%
Partners Group (Shanghai) Co., Ltd.	Investment manager	China	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

At the end of the reporting period, the Group had other subsidiaries that typically perform management services and/or typically hold financial investments (see note 5.3.2.). The principal activities and their place of operation are summarized as follows:

	Place of incorpora-tion and operation	Number of subsidiaries	
Principal activity		**31 December 2017**	**31 December 2016**
General partner to investment programs	Guernsey	18	18
General partner to investment programs	Scotland	3	3
General partner to investment programs	Germany	1	1
General partner to investment programs	Cayman Islands	3	3
Manager to investment vehicles	USA	3	2
Holding of land and property	USA	1	1
Investment services	USA	1	1
Manager to investment vehicles	UK	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	6	6
Management services to investment programs	Guernsey	3	3

18. Subsequent events

No events took place between 31 December 2017 and 7 March 2018 that would require material adjustments to the amounts recognized in these consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19. Summary of significant accounting policies

19.1. Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest thousand. The figures referred to in text passages are actual figures either rounded to the nearest Swiss franc or presented in millions of Swiss francs unless otherwise stated. The statements are prepared on a historical cost basis, except for the following assets and liabilities which are stated at fair value: derivative financial instruments, assets and liabilities held for sale and financial instruments at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revisions and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are described in note 2.

The RAC performed an assessment of the risks to which the Group is exposed to at its meeting on 8 March 2017. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 5.4.) as well as reputational risks. For its assessment, the BoD has taken into consideration the internal control system designed to monitor and reduce the risks of the Group.

19.2. Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2017 are consistent with those of the previous financial year, except where new or revised standards were adopted, as indicated below.

19.2.1. Amendments and interpretations effective for the first time

The following amendments and interpretations have been applied:

- "Recognition of Deferred Tax Assets for Unrealised Losses" (Amendments to IAS 12)
- "Annual Improvements to IFRSs 2014-2016 Cycle" (various standards)
- "Disclosure Initiative" (Amendments to IAS 7)

These amendments and interpretations have no significant impact on the Group's financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

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

Standard / Interpretation		Effective date	Planned adoption by the Group
New standards or interpretations			
IFRS 9, "Financial Instruments"	**	1 January 2018	Reporting year 2018
IFRS 15, "Revenue from Contracts with Customers"	**	1 January 2018	Reporting year 2018
IFRS 16, "Leases"	**	1 January 2019	Reporting year 2019
IFRS 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
Revisions and amendments of standards and interpretations			
Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts (Amendments to IFRS 4)	*	1 January 2018	Reporting year 2018
Transfers of Investment Property (Amendments to IAS 40)	*	1 January 2018	Reporting year 2018
Annual Improvements to IFRSs 2014-2016 Cycle various standards (Amendments to IFRS 1 and IAS 28)	*	1 January 2018	Reporting year 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*	1 January 2018	Reporting year 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*	1 January 2018	Reporting year 2018
IFRIC 23 Uncertainty over Income Tax Treatments	*	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	*	1 January 2019	Reporting year 2019

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

** The impact on the consolidated financial statements is explained in the following.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 9, "Financial Instruments"

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

Classification and measurement

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

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

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

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

The Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. On the date of initial application, 1 January 2018, no reclassifications were made to the financial instruments of the Group and there is no impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018.

Impairment of financial assets

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

From 1 January 2018, the Group measures impairment of financial assets as explained below:

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

The application of the revised impairment approach will have no significant impact on the Group's retained earnings.

Transition

In accordance with the transitional provisions in IFRS 9, comparative figures will not be restated.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 15, "Revenue from Contracts with Customers"

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

The Group has assessed the impact of the new standard on revenues earned for its businesses and activities:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are often based on the investment exposure by investors into 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 when they are earned, based on the specific contracts.

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

Based on its assessment, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Performance fees

Performance-related revenues are only recognized once it is highly probable that the fees are not subject to significant reversal (future clawback) in the assessment of the Group. This assessment may include inputs such as, but not limited to, distributions to investors, current net asset value, prudent estimated future cash flows, as well as the investment program's life cycle and the market environment.

Based on its assessment, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Transition

The Group intends to adopt the standard using the cumulative effect method which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 16, "Leases"

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

The Group is still assessing the impact of the application of the new standard that will primarily affect the accounting of the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of CHF 41.0 million (see note 11.).

19.3. Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

(b) Associates

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

The Group accounts for its interest in associates using the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Based on the Group's assessment of each individual associate, the share of results of associates is disclosed as operating income if comparable to revenues from management services. If the share of results is mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments, the share of results is presented as net finance income and expense in the consolidated income statement.

19.4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' gross segment results are reviewed regularly by the Group's BoD to assess their performance and to make decisions about resources to be allocated to the segments for which discrete financial information is available.

19.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs.

(b) Foreign currency transactions

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(c) Foreign operations

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

Resulting foreign currency translation differences are recognized in other comprehensive income, and presented in the translation reserves in equity. When the disposal or partial disposal of a foreign operation results in losing control or significant influence over an entity (i.e. the foreign operation) the cumulative amount in the translation reserves (related to the specific foreign operation) is reclassified to profit or loss as part of gain or loss on disposal.

(d) Applied foreign currency exchange rates

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

Year	Currency	Balance sheet rate	Change to prior year	Average rate	Change to prior year
2017	EUR	1.1704	+9.2%	1.1118	2.0%
	USD	0.9748	-4.1%	0.9844	-0.1%
	GBP	1.3190	+5.0%	1.2683	-5.0%
	SGD	0.7294	+3.7%	0.7132	0.0%

Year	Currency	Balance sheet rate	Change to prior year	Average rate	Change to prior year
2016	EUR	1.0721	-1.4%	1.0898	+2.1%
	USD	1.0161	+1.6%	0.9853	+2.4%
	GBP	1.2556	-14.9%	1.3344	-9.2%
	SGD	0.7037	-0.3%	0.7135	+1.9%

19.6. Accounting for derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to foreign currency exchange risks arising from financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The fair value of forward exchange contracts is the present value of the quoted forward price.

19.7. Revenue recognition

Revenue comprises the fair value for the rendering of services, net of value-added tax and rebates and after eliminating sales within the Group. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due.

The Group is active in different businesses (see note 3.). Within the different businesses, the Group earns income for its various activities, which are further explained and outlined below:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are typically based on the commitments by investors into investment structures and are typically payable on a quarterly basis in advance. Ongoing investment management fees including all non-performance related fees are recognized when they are earned, based on the specific contracts.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received when a new investor commits into the structure. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring.

Performance fees

Typically, performance fees are recognized so that they do not exceed the portion generated from realized investments and so that there is a sufficiently large cushion for any potential negative development on the remaining portfolio, therefore resulting in a very low probability that these fees are subject to a reversal in a potential claw-back situation (refer to note 2.(c)).

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

The Write-Down Test is applied to all private markets investment programs with a claw-back while the discount applied in the Write-Down Test may vary from investment program to investment program considering specific risk characteristics, including macroeconomic, (geo-) political and investment program specific risk factors. The discount applied in the Write-Down Test is assessed semi-annually by the Group and regularly reviewed by the Board of Directors. In 2017, the applied discount bandwidth was between 50% and 80% (2016: between 50% and 80%).

Revenue deductions

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

19.8. Other operating income

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

19.9. Leases

Leases where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives are recognized in profit or loss as an integral part of total lease expense. The majority of the Group's lease expenses result from rental agreements, especially office space rental agreements, and are classified as operating leases.

19.10. Consulting expenses

Consulting expenses comprise BoD compensation (non-executive) as well as legal, consulting and other fee expenses to third parties.

19.11. Net finance income and expense

Net finance income and expense comprises bank interest income and expense, dividend income, gains and losses on revaluations of financial instruments and foreign exchange gains/losses.

Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established, which in the case of quoted securities is typically the ex-dividend date.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19.12. Income tax expense

Income tax expense for the period comprises current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

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

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts included in the consolidated financial statements. The following temporary differences are not considered in accounting for deferred taxes: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that their reversal is not probable in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

19.13. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits held with banks. Bank overdrafts are shown within borrowings in current liabilities of the consolidated balance sheet.

19.14. Trade and other receivables

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

19.15. Assets and liabilities held for sale

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

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

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19.16. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Costs include expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss in the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to allocate the cost of each asset, minus its residual value, over its estimated useful life, as follows:

- Buildings 30–50 years
- Interior fittings 5–10 years
- Office furniture 5 years
- Equipment and IT fittings 3–5 years

Major renovations are depreciated over the remaining estimated useful life of the related asset or to the date of the next major renovation, whichever is sooner. Land is not depreciated.

The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 19.19.).

Gains and losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

19.17. Intangible assets

(a) Client contracts

Client contracts, which the Group acquired and which are recognized as intangible assets, have definite useful lives. Such intangible assets are carried at cost less accumulated amortization and impairment losses.

(b) Goodwill

Goodwill arises upon the acquisition of subsidiaries and is included in intangible assets.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the total consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquiree; plus - if the business combination is achieved in stages - the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (typically fair value) of the identifiable assets acquired and liabilities (including contingent liabilities) assumed.

When the excess is negative, a gain on a bargain purchase is recognized immediately in net finance income and expense in the consolidated income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortized but tested annually for impairment.

(c) Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software recognized as an asset is carried at cost less accumulated amortization and impairment losses.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(d) Placing expenses

In the course of its business, the Group selectively uses placing agents to place some of its investment programs. The cost paid to such placing agents in relation to the amount placed is recognized as an asset in accordance with IAS 18 IE §14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

(e) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases future economic benefits embodied in the intangible asset to which it relates. All other subsequent expenditure is expensed in profit or loss as incurred.

(f) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets unless such life is indefinite. Goodwill and other intangible assets with an indefinite useful life are tested at least annually for impairment as of the balance sheet date. Intangible assets with a determinable useful life are amortized from the date that they are available for use.

The estimated useful life of intangible assets is as follows:

- Goodwill indefinite
- Software 3–5 years
- Placing expenses 3–5 years
- Client contracts 3–5 years
- Other intangible assets 3–10 years

19.18. Investments

The Group classifies its investments into the following categories:

- financial assets at fair value through profit or loss and;
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorized as held for trading. Financial instruments may be designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and in respect of which there is no intention of trading. They are included in current assets (trade and other receivables, see note 5.4.1.; short-term loan, see note 5.3.5.), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

(c) Recognition and measurement

Purchases and sales of investments are recognized on the settlement date – the date on which the financial asset is delivered to the entity that purchases it. Investments are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in profit or loss in the period in which they arise.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

The fair values of quoted investments are based on current bid prices. If the market for a financial asset (including unlisted securities) is not active, the Group establishes fair values by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances. For further explanations in connection with the determination of fair value please refer to note 5.5.

19.19. Impairment of assets

(a) Financial assets (including receivables)

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline of its fair value below its cost is an objective evidence of impairment.

The Group considers evidence of impairment for receivables both at the level of a specific receivable, as well as at a collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19.20. Trade and other payables

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

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

19.21. Provisions

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

If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

19.22. Employee benefits

(a) Defined benefit plan

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all benefits to employees relating to employee services in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in the consolidated income statement when due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans specify an amount of pension benefit that an employee will receive on retirement, typically dependent on one or more factors such as age, years of service and compensation. The benefits paid to employees in Switzerland qualify as a defined benefit plan.

The Group's net obligation/asset in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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

The Group opted for the Risk-Sharing approach.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(b) Share-based payment transactions

The fair value at grant date of share-based payment awards granted to employees is recognized as personnel expenses in the consolidated income statement with a corresponding increase in equity, over the period until the employees unconditionally become entitled to the awards. The amount recognized as personnel expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as personnel expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards without vesting conditions, the fair value at grant date of the share-based payment is measured and immediately expensed in profit or loss to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(c) Performance-related compensation

The NCC and the BoD plan an allocation of up to 40% of recognized performance fees to employees ("Performance Fee Compensation Pool"). A portion of the Performance Fee Compensation Pool has typically been pre-allocated via the MCP to employees when the underlying investments were made or developed ("MCP Pool"). MCP Pool-related costs result in a liability, which is recognized as a provision in the consolidated balance sheet (see notes 4.4. and 8.1.).

The difference between the Performance Fee Compensation Pool and the MCP Pool is allocated to a "Performance Fee Bonus Pool" which is distributed among individuals across teams and departments based on their contribution to performance. The part of the Performance Fee Bonus Pool that is settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services are short-term employee benefits. These short-term employee benefits are disclosed in the line item trade and other payables in the consolidated balance sheet.

The part of the Performance Fee Compensation Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services represents a constructive obligation towards a group of employees. This portion is therefore considered as long-term employee benefits and is disclosed in the line item employee benefits in the consolidated balance sheet.

19.23. Long-term debt

Long-term debt is initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortized cost using the effective interest method, with interest expense recognized in the consolidated income statement on the effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

19.24. Share capital

(a) Ordinary shares

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

(b) Issuance of new shares

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(c) Repurchase of share capital and options

Where any Group company purchases the Company's issued shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(d) Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements when the dividends are approved by the Company's shareholders.

Index to the financial statements of Partners Group Holding AG and report of the auditors

Report of the auditors on the financial statements of Partners Group Holding AG

KPMG

Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Partners Group Holding AG, which comprise the balance sheet as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 110 to 120) for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Report of the auditors on the financial statements of Partners Group Holding AG

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the auditors on the financial statements of Partners Group Holding AG

KPMG

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Thomas Dorst Licensed Audit Expert Auditor in Charge	Philipp Rickert Licensed Audit Expert

Zurich, 7 March 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Income statement of Partners Group Holding AG for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Dividend income		846'374	428'398
Other finance income	2.	58'901	49'569
Total income		**905'275**	**477'967**
Third party services		(2'066)	(1'196)
General and administrative expenses		(1'362)	(1'378)
Travel and representation expenses		(109)	(114)
Finance expense	3.	(72'552)	(70'580)
Profit before tax		**829'186**	**404'699**
Direct taxes		(3'834)	(1'200)
Profit for the period		**825'352**	**403'499**

Balance sheet of Partners Group Holding AG as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents		525'293	75'085
Other current receivables	4.	420'411	406'277
Deferred expenses and accrued income		3	13
Total current assets		**945'707**	**481'375**
Financial assets	5.	4'712	4'317
Participations	6.	1'357'708	1'118'372
Total non-current assets		**1'362'420**	**1'122'689**
Total assets		**2'308'127**	**1'604'064**
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		561'043	595'088
Other current liabilities	7.	1'395	8'006
Total current liabilities		**562'438**	**603'094**
Non-current interest-bearing liabilities	8.	300'000	-
Other non-current liabilities		145	-
Provisions	9.	1'893	1'158
Total non-current liabilities		**302'038**	**1'158**
Total liabilities		**864'476**	**604'252**
Equity			
Share capital		267	267
Legal capital reserves			
Legal reserves from capital contributions		217	217
Legal retained earnings			
Legal reserves		1	1
Voluntary retained earnings			
Results carried forward		674'929	668'812
Profit for the period		825'352	403'499
Treasury shares	10.	(57'115)	(72'984)
Total equity		**1'443'651**	**999'812**
Total liabilities and equity		**2'308'127**	**1'604'064**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

1. Accounting principles

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

Partners Group Holding AG ("the Company") is domiciled in Switzerland. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland.

Receivables and liabilities

Receivables from and liabilities to subsidiaries are denominated in the local currency of the respective subsidiary and are recognized on a net basis for each counterparty.

Financial assets

Financial assets include long-term loans and other financial assets. Loans granted in foreign currencies are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date.

Participations

The Company applies the Group valuation principle for the valuation of all its participations (see note 6.).

Treasury shares

Treasury shares are recognized at acquisition cost, deducted from equity at the time of acquisition and presented separately within equity. In case of a disposal of treasury shares, the gain or loss is recognized in the income statement as other finance income or finance expense. The treasury shares are valued at the lower of transaction or market price.

2. Other finance income

In thousands of Swiss francs	2017	2016
Interest income	2'996	1'359
Foreign exchange gains	29'235	25'878
Gain on treasury shares transactions	26'670	22'332
Total other finance income	**58'901**	**49'569**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

3. Finance expense

In thousands of Swiss francs	2017	2016
Interest expense	(8'809)	(4'433)
Foreign exchange losses	(26'109)	(24'325)
Loss on treasury shares transactions	(36'204)	(41'373)
Other finance expense	(1'430)	(449)
Total finance expense	**(72'552)**	**(70'580)**

4. Other current receivables

In thousands of Swiss francs	31 December 2017	31 December 2016
Other current receivables		
Third parties	48	54
Subsidiaries	420'363	406'223
Total other current receivables	**420'411**	**406'277**

5. Financial assets

In thousands of Swiss francs	31 December 2017	31 December 2016
Loans to subsidiaries	4'681	4'288
Other financial assets	31	29
Total financial assets	**4'712**	**4'317**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

6. Participations

		Ownership and voting interest	
	Domicile	31 December 2017	31 December 2016
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG	Switzerland	100%	100%
Partners Group (Deutschland) GmbH	Germany	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	100%	100%
Partners Group (France) SAS	France	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group Colorado Propco, LLC	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	100%	100%
Partners Group (Shanghai) Co., Limited	China	100%	100%
Partners Group (India) Private Limited	India	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Philippines	100%	100%
Partners Group Japan Kabushiki Kaisha	Japan	100%	-
Partners Group (UK) Limited	UK	100%	100%
Partners Group (UK) Management Limited	UK	100%	100%
Partners Group Cayman Management I Limited	Cayman Islands	100%	100%
Partners Group Cayman Management II Limited	Cayman Islands	100%	100%
Partners Group Cayman Management III Limited	Cayman Islands	100%	100%
Partners Group (Guernsey) Limited	Guernsey	100%	100%
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	100%
Princess Management Limited	Guernsey	100%	100%
Partners Group Management Limited	Guernsey	100%	100%
Partners Group Management II Limited	Guernsey	100%	100%
Partners Group Management III Limited	Guernsey	100%	100%
Partners Group Management IV Limited	Guernsey	100%	100%
Partners Group Management V Limited	Guernsey	100%	100%
Partners Group Management VI Limited	Guernsey	100%	100%
Partners Group Management VII Limited	Guernsey	100%	100%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

		Ownership and voting interest	
	Domicile	31 December 2017	31 December 2016
Partners Group Management VIII Limited	Guernsey	100%	100%
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%
Partners Group Management XI Limited	Guernsey	100%	100%
Partners Group Management XII Limited	Guernsey	100%	100%
Partners Group Management XIII Limited	Guernsey	100%	100%
Partners Group Management XIV Limited	Guernsey	100%	100%
Partners Group Management XV Limited	Guernsey	100%	100%
Partners Group Client Access Management I Limited	Guernsey	100%	100%
Partners Group Access Finance Limited	Guernsey	100%	100%
Partners Group Client Access 10 MP Management Limited	Guernsey	100%	100%
Partners Group Finance ICC Limited	Guernsey	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	100%	100%
Partners Group Finance USD IC Limited	Guernsey	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	100%	100%
Partners Group Finance SGD IC Limited	Guernsey	100%	100%
Partners Group Private Equity Performance Holding Limited	Guernsey	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	40%	40%

7. Other current liabilities

In thousands of Swiss francs	31 December 2017	31 December 2016
Accrued audit expenses	146	174
Other accrued expenses	733	5'936
Tax liabilities	101	1'557
Sundry liabilities	415	339
Total other current liabilities	**1'395**	**8'006**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

8. Non-current interest-bearing liabilities

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

Date of issue	Face value in thousands of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300'000	0.150%	2024	100.052%	100.000%

9. Provisions

In thousands of Swiss francs	31 December 2017	31 December 2016
Provisions for compensation to board members		
Option grants	1'759	1'083
Management carry program	125	70
Social security expenses on management carry program	9	5
Total provisions	**1'893**	**1'158**

10. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2016	391'524	341.75	133'802
Purchase of treasury shares	415'047	399.65	165'871
Disposal of treasury shares	(625'964)	362.14	(226'689)
Balance as of 31 December 2016	**180'607**	**404.10**	**72'984**
Purchase of treasury shares	271'421	559.84	151'952
Disposal of treasury shares	(346'863)	483.83	(167'821)
Balance as of 31 December 2017	**105'165**	**543.10**	**57'115**

The Company has 1’360’808 (31 December 2016: 1’194’619) outstanding employee options and non-vested shares. The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding (see also note 4.3. of the consolidated financial statements).

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

11. Share and option grants to members of the Board of Directors and the Executive Committee

In Swiss francs	2017			2016		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
Board of Directors						
Shares	592	676.00	400'192	1'116	494.00	551'304
Options	35'078	23.52	825'035	10'110	24.73	250'020
Executive Committee						
Shares	1'332	676.00	900'432	811	494.00	400'634
Options	-	-	-	51'000	14.62	745'620

12. Commitments and contingent liabilities

In thousands of Swiss francs	31 December 2017	31 December 2016
Guarantees for subsidiaries	430'000	405'000

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2017 (see note 5.4.3. of the consolidated financial statements):

- CHF 30 million
- CHF 400 million

The amounts drawn by subsidiaries are guaranteed by the Company.

As of 31 December 2017 there are no outstanding drawings by a subsidiary (2016: CHF 0).

13. Shareholders above 5%

	31 December 2017	31 December 2016
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock, Inc.	6.14%	5.33%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

14. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options			31 December 2017
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	28'612
Dr. Charles Dallara, Vice Chairman	3'716	2'679	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	5'211
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'675	-	1'350
Grace del Rosario-Castaño	102	-	6'743
Dr. Eric Strutz	102	-	10'055
Patrick Ward	-	-	10'630
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	57'800	383	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'722	383	2'500
Marlis Morin	16'656	777	1'700
Andreas Knecht, Chief Operating Officer and General Counsel	3'618	1'083	37'100
David Layton	2'300	923	24'500
Juri Jenkner	7'368	825	32'404
Dr. Michael Studer	28'458	882	32'980
Total	**9'040'596**	**7'935**	**232'605**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

Number of shares and options			31 December 2016
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	18'479
Dr. Charles Dallara, Vice Chairman	2'728	3'360	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman[1)]	102	-	2'022
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'540	135	1'350
Grace del Rosario-Castaño	102	-	3'554
Dr. Eric Strutz	102	-	9'240
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	61'037	744	34'500
Christoph Rubeli, Co-Chief Executive Officer	538'361	744	2'500
Claude Angéloz	283'496	504	1'300
Andreas Baumann	10'435	800	5'340
René Biner	38'841	584	840
Felix Haldner	369'023	504	4'300
Andreas Knecht, Chief Operating Officer and General Counsel	2'916	1'489	38'100
Marlis Morin	16'282	1'003	1'700
Stefan Näf	129'893	584	5'700
Dr. Stephan Schäli	95'056	584	1'700
Dr. Michael Studer	29'015	1'027	34'900
Dr. Cyrill Wipfli, Chief Financial Officer	39'496	504	1'300
Total	**9'998'402**	**12'566**	**172'825**

[1)] member of the Board of Directors since 11 May 2016

15. Full-time employees

The Company did not have any employees in the reporting year or in the previous year.

Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2017

In thousands of Swiss francs	31 December 2017
Profit for the period	825'352
Results carried forward	674'929
Total voluntary retained earnings available for appropriation	**1'500'281**
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(507'300)
To be carried forward	**992'981**