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 2019 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 106) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 2019 financial year.

For further information on the recognition of revenues from management services (net) refer to notes 2, 3 and 19.7 to the consolidated financial statements on pages 48 to 53 and 99 to 100.

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Valuation of financial investments

Key Audit Matter	Our response
As at 31 December 2019, financial investments on the Group's balance sheet amounted to CHF 605.3 million (2018: CHF 554.0 million). In addition, financial investments presented as assets held for sale amounted to CHF 175.4 million (2018: CHF 91.0 million). 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 remuneration 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	Christoph Hochuli Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich

Consolidated income statement for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Management fees and other revenues, net		1'074.4	956.5
Performance fees, net		472.5	323.7
Revenues from management services, net	**3.**	**1'546.9**	**1'280.2**
Other operating income	5.2.	63.4	45.7
Personnel expenses	4.1.	(490.4)	(376.5)
Other operating expenses	10.	(78.5)	(67.8)
EBITDA [1)]		**1'041.4**	**881.6**
Depreciation and amortization	11.&12.	(33.8)	(16.8)
EBIT [1)]		**1'007.6**	**864.8**
Finance income	5.1.	64.6	40.1
Finance expense	5.1.	(35.0)	(17.4)
Profit before tax		**1'037.2**	**887.5**
Income tax expense	9.1.	(137.3)	(118.2)
Profit for the period		**899.9**	**769.3**
Profit for the period attributable to owners of the Company		899.9	769.3
Basic earnings per share (in Swiss francs)	15.	33.93	28.91
Diluted earnings per share (in Swiss francs)	15.	33.66	28.65

1) For definitions please refer to p. 32.

Consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Profit for the period		**899.9**	**769.3**
Other comprehensive income:			
Exchange differences on translating foreign operations		(36.1)	(39.5)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		**(36.1)**	**(39.5)**
Net actuarial gains/(losses) from defined benefit plans	4.5.2.	(1.3)	(1.3)
Tax impact on net actuarial gains/losses from defined benefit plans	9.2.	0.3	0.2
Actuarial gains/(losses) from defined benefit plans, net of tax		**(1.0)**	**(1.1)**
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		**(1.0)**	**(1.1)**
Total other comprehensive income for the period, net of tax		**(37.1)**	**(40.6)**
Total comprehensive income for the period, net of tax		**862.8**	**728.7**
Total comprehensive income attributable to owners of the Company		862.8	728.7

Consolidated balance sheet as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents		933.0	412.2
Trade and other receivables	5.4.1.	651.9	403.8
Short-term loans	5.3.4.	900.2	1'113.4
Assets held for sale	5.3.3.	175.4	91.0
Total current assets		**2'660.5**	**2'020.4**
Property, equipment and right-of-use assets [1)]	11.	237.2	67.6
Intangible assets	12.	68.8	61.8
Investments in associates	6.	42.1	55.0
Financial investments	5.3.2.	605.3	554.0
Other financial assets	5.3.5.	292.0	166.7
Deferred tax assets	9.2.	43.8	23.6
Total non-current assets		**1'289.2**	**928.7**
Total assets		**3'949.7**	**2'949.1**

[1)] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Consolidated balance sheet as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Liabilities and equity			
Liabilities			
Trade and other payables	7.	179.2	234.5
Income tax liabilities		83.4	81.7
Provisions		3.4	-
Employee benefit liabilities	4.5.	161.7	121.9
Liabilities held for sale	5.3.3.	114.3	54.1
Total current liabilities		**542.0**	**492.2**
Employee benefit liabilities	4.5.	208.6	158.2
Provisions		6.7	0.3
Deferred tax liabilities	9.2.	4.0	2.5
Long-term debt	13.	798.6	299.4
Lease liabilities [1)]	8.	55.2	-
Other long-term liabilities	5.4.3	46.5	28.6
Total non-current liabilities		**1'119.6**	**489.0**
Total liabilities		**1'661.6**	**981.2**
Equity			
Share capital	14.	0.3	0.3
Treasury shares		(212.9)	(143.6)
Legal reserves		0.2	0.2
Other components of equity		2'500.5	2'111.0
Equity attributable to owners of the Company		**2'288.1**	**1'967.9**
Total liabilities and equity		**3'949.7**	**2'949.1**

[1)] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Consolidated statement of changes in equity for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Equity attributable to owners of the Company						2019
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January	**0.3**	**(143.6)**	**0.2**	**(93.3)**	**2'204.3**	**2'111.0**	**1'967.9**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares		(457.4)					(457.4)
Disposal of treasury shares		388.1			(88.5)	(88.5)	299.6
Reversal of contractual obligation to purchase treasury shares					110.0	110.0	110.0
Share-based payment expenses					54.5	54.5	54.5
Tax effect on share-based payment and treasury share transactions					36.1	36.1	36.1
Dividends paid to owners of the Company					(585.4)	(585.4)	(585.4)
Total contributions by and (distributions to) owners of the Company	**-**	**(69.3)**	**-**	**-**	**(473.3)**	**(473.3)**	**(542.6)**
Profit for the period					899.9	899.9	899.9
Total other comprehensive income for the period, net of tax	-	-	-	(36.1)	(1.0)	(37.1)	(37.1)
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**(36.1)**	**898.9**	**862.8**	**862.8**
Balance as of 31 December	**0.3**	**(212.9)**	**0.2**	**(129.4)**	**2'629.9**	**2'500.5**	**2'288.1**

Consolidated statement of changes in equity for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Equity attributable to owners of the Company						2018
				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	**0.3**	**(57.1)**	**0.2**	**(53.8)**	**2'066.2**	**2'012.4**	**1'955.8**
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares		(573.6)					(573.6)
Disposal of treasury shares		487.1			(61.3)	(61.3)	425.8
Contractual obligation to purchase treasury shares					(110.0)	(110.0)	(110.0)
Option premium					1.3	1.3	1.3
Share-based payment expenses					47.2	47.2	47.2
Tax effect on share-based payment and treasury share transactions					(1.0)	(1.0)	(1.0)
Dividends paid to owners of the Company					(506.3)	(506.3)	(506.3)
Total contributions by and (distributions to) owners of the Company	**-**	**(86.5)**	**-**	**-**	**(630.1)**	**(630.1)**	**(716.6)**
Profit for the period					769.3	769.3	769.3
Total other comprehensive income for the period, net of tax	-	-	-	(39.5)	(1.1)	(40.6)	(40.6)
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**(39.5)**	**768.2**	**728.7**	**728.7**
Balance as of 31 December	**0.3**	**(143.6)**	**0.2**	**(93.3)**	**2'204.3**	**2'111.0**	**1'967.9**

Consolidated statement of cash flows for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Operating activities			
Profit for the period		899.9	769.3
Adjustments:			
Net finance (income) and expense	5.1.	(29.6)	(22.7)
Income tax expense	9.1.	137.3	118.2
Depreciation and amortization	11.&12.	33.8	16.8
Share-based payment expenses	4.2.	54.5	47.2
Change in provisions		6.9	0.1
Change in employee benefit assets/liabilities		89.4	36.2
Non-cash change in other financial assets		(100.4)	(79.2)
Non-cash change in other long-term liabilities		18.5	26.9
Operating cash flow before changes in working capital		**1'110.3**	**912.8**
(Increase)/decrease in trade and other receivables and short-term loans		(87.3)	(440.0)
Increase/(decrease) in trade and other payables		48.4	(89.5)
Finance expenses (other than interest) paid		(3.3)	(2.8)
Cash generated from/(used in) operating activities		**1'068.1**	**380.5**
Income tax paid		(107.3)	(96.8)
Net cash from/(used in) operating activities		**960.8**	**283.7**
Investing activities			
Purchase of property and equipment	11.	(113.7)	(43.9)
Purchase of intangible assets	12.	(21.9)	(13.2)
Purchase of financial investments & assets and liabilities held for sale		(135.1)	(115.6)
Proceeds on disposal of financial investments & assets and liabilities held for sale		104.2	104.7
Proceeds on disposal of investments in associates	6.	13.7	28.0
Purchase of other financial assets		(28.4)	(26.4)
Proceeds on disposal of other financial assets		0.2	0.4
Interest received	5.1.	3.5	1.6
Net cash from/(used in) investing activities		**(177.5)**	**(64.4)**

Total interest received amounts to CHF 63.9 million (2018: CHF 43.5 million).

Consolidated statement of cash flows for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Financing activities			
Repayments of credit facilities		(1'015.0)	(175.0)
Drawdowns from credit facilities		1'015.0	175.0
Issuance of long-term debts	13.	499.1	-
Payment of principal portion of lease liabilities [1]	8.	(12.1)	-
Interest paid		(3.6)	(4.1)
Dividends paid to shareholders of the Company	14.	(585.4)	(506.3)
Purchase of treasury shares		(457.4)	(573.6)
Disposal of treasury shares		299.6	425.8
Option premium received		-	1.3
Net cash from/(used in) financing activities		**(259.8)**	**(656.9)**
Net increase/(decrease) in cash and cash equivalents		**523.5**	**(437.6)**
Cash and cash equivalents as of 1 January		412.2	852.3
Exchange differences on cash and cash equivalents		(2.7)	(2.5)
Cash and cash equivalents as of 31 December		**933.0**	**412.2**

[1] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

In millions of Swiss francs	31 December 2019	31 December 2018
Bank balances	933.0	412.2
Petty cash	0.0	0.0
Total cash and cash equivalents	**933.0**	**412.2**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019 and 2018 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 4 March 2020 and are subject to approval at the Annual General Meeting of shareholders on 13 May 2020.

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 or as a principal.

In its assessment, the Group focused on its exposure to the total economic interest in the investment programs. This exposure consists of 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 for determining whether or not an investment program is controlled. The Group took all available facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for investment programs financed with seed capital (see note 19.15.). For further details 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 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 which consider the liquidity, concentration, pricing assumptions, 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 mainly include derivatives, private equity, private debt, private real estate and private infrastructure investments.

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(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 collected by 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 upon terms. Performance fees are only recognized once the likelihood of a potential future claw-back is no longer considered meaningful in the assessment of the Group (see note 19.7.).

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 provides its clientele with investment management services in the private markets spectrum. These services comprise structuring and investment advisory in relation to direct investments in operating companies or assets and investments in third party managed investment programs. As part of its management services, the Group offers diversified as well as more focused investment programs in relation to investment styles, industry and geography of the investments in private markets.

Private equity

Private equity refers to investments made in private – i.e. non-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 in 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. non-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 entire debt structure, ranging from senior loans to subordinated 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. non-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. non-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 2019 and 2018

The activities in all operating segments consist of:

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

The BoD assesses the performance of the operating segments based on gross segment results, determined by 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. 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 professionals entirely dedicated to a single operating segment have been allocated to the respective operating segments. This has led 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 also not been allocated to the operating segments. All non-directly attributable elements of profit or loss are summarized in the column labelled 'Unallocated'.

Management believes that this is the most relevant way to report the results of its operating segments.

There were no intersegment transactions and, as such, no eliminations are necessary.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							2019
	Operating segments						
	Private equity	Private debt	Private real estate	Private infra-structure	Total reportable segments	Unallocated	Total
Management fees and other revenues	718.5	166.4	186.3	159.3	1'230.5	2.5	1'233.0
Revenue deductions related to management fees and other revenues	(90.8)	(15.5)	(33.3)	(19.0)	(158.6)	-	(158.6)
Performance fees	408.1	23.1	20.3	51.5	503.0	-	503.0
Revenue deductions related to performance fees	(29.1)	(0.1)	(1.2)	(0.1)	(30.5)	-	(30.5)
Revenues from management services, net	**1'006.7**	**173.9**	**172.1**	**191.7**	**1'544.4**	**2.5**	**1'546.9**
Other operating income	17.3	9.1	17.3	15.9	59.6	3.8	63.4
Revenues and other operating income	**1'024.0**	**183.0**	**189.4**	**207.6**	**1'604.0**	**6.3**	**1'610.3**
Personnel expenses	(99.1)	(35.6)	(29.4)	(34.2)	(198.3)	(292.1)	(490.4)
Other operating expenses	(3.8)	(3.4)	(1.5)	(1.9)	(10.6)	(67.9)	(78.5)
Gross segment result before depreciation and amortization	**921.1**	**144.0**	**158.5**	**171.5**	**1'395.1**	**(353.7)**	**1'041.4**
Depreciation and amortization	-	-	-	-	-	(33.8)	(33.8)
Gross segment result	**921.1**	**144.0**	**158.5**	**171.5**	**1'395.1**	**(387.5)**	**1'007.6**
Reconciliation to profit for the period:							
Net finance income and expense							29.6
Income tax expense							(137.3)
Profit for the period							**899.9**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							**2018**
	Operating segments						
	Private equity	**Private debt**	**Private real estate**	**Private infra-structure**	**Total reportable segments**	**Unallocated**	**Total**
Management fees and other revenues	627.1	141.9	179.4	137.7	1'086.1	7.0	1'093.1
Revenue deductions related to management fees and other revenues	(69.4)	(22.2)	(30.3)	(14.7)	(136.6)	-	(136.6)
Performance fees	314.6	16.9	13.7	13.0	358.2	-	358.2
Revenue deductions related to performance fees	(33.3)	(0.0)	(1.0)	(0.2)	(34.5)	-	(34.5)
Revenues from management services, net	**839.0**	**136.6**	**161.8**	**135.8**	**1'273.2**	**7.0**	**1'280.2**
Other operating income	16.2	5.0	15.4	7.0	43.6	2.1	45.7
Revenues and other operating income	**855.2**	**141.6**	**177.2**	**142.8**	**1'316.8**	**9.1**	**1'325.9**
Personnel expenses	(81.0)	(26.3)	(26.6)	(29.1)	(163.0)	(213.5)	(376.5)
Other operating expenses	(3.8)	(1.8)	(1.3)	(1.3)	(8.2)	(59.6)	(67.8)
Gross segment result before depreciation and amortization	**770.4**	**113.5**	**149.3**	**112.4**	**1'145.6**	**(264.0)**	**881.6**
Depreciation and amortization	-	-	-	-	-	(16.8)	(16.8)
Gross segment result	**770.4**	**113.5**	**149.3**	**112.4**	**1'145.6**	**(280.8)**	**864.8**
Reconciliation to profit for the period:							
Net finance income and expense							22.7
Income tax expense							(118.2)
Profit for the period							**769.3**

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Geographical information

The operating segments are managed on a worldwide basis with Switzerland as the headquarters. Local offices ensure access to worldwide markets and investment opportunities. Investment advisory services are primarily provided out of Switzerland, whereas Guernsey, North America and UK/Luxembourg serve as the Group's main fund hubs. 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 millions of Swiss francs	**2019**	**2018**
Switzerland	494.6	408.2
Guernsey	436.4	394.9
North America	356.8	222.8
Other European countries	122.4	120.3
Rest of world	136.7	134.0
Total revenues from management services, net	**1'546.9**	**1'280.2**

In 2019 and 2018, 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 millions of Swiss francs	Note	2019	2018
Salaries and cash bonus		(251.6)	(197.9)
Share-based payment expenses	4.2.	(53.7)	(46.6)
Other long-term benefits (management carry program)		(117.4)	(87.5)
Retirement schemes - defined contribution plans		(13.9)	(12.4)
Retirement schemes - defined benefit plans	4.5.2.	(3.4)	(2.9)
Other social security expenses		(28.3)	(14.3)
Other personnel expenses		(22.1)	(14.9)
Total personnel expenses		**(490.4)**	**(376.5)**

The average number of employees in 2019 was 1'349 (2018: 1'120), which is equivalent to an average of 1'337 full-time employees (2018: 1'110).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2019, as well as in previous periods:

In millions of Swiss francs	Note	2019	2018
Grants 2013 (options and non-vested shares)		-	(0.2)
Grants 2014 (options and non-vested shares)		(0.2)	(0.8)
Grants 2015 (options and non-vested shares)		(1.2)	(2.1)
Grants 2016 (options and non-vested shares)		(2.4)	(4.6)
Grants 2017 (options and non-vested shares)		(5.5)	(10.2)
Grants 2018 (options and non-vested shares)		(11.1)	(14.8)
Grants 2019 (options and non-vested shares)	4.3.1.	(17.5)	-
Share grants at start of employment	4.4.	(2.7)	(2.0)
Total options and non-vested shares		**(40.6)**	**(34.7)**
Grants 2017 (MPP)		(3.0)	(4.8)
Grants 2018 (MPP)		(7.1)	(7.1)
Grants 2019 (MPP)	4.3.2.	(3.0)	-
Total share-based payment expenses[1)]		**(53.7)**	**(46.6)**

[1)] Share-based payment expenses for non-executive members of the BoD of CHF 0.8 million (2018: 0.6 million) are disclosed as a part of third-party services (see note 10.).

4.3. Options, non-vested shares and Management Performance Plan

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

4.3.1. Non-vested shares and options

The Employee Participation Plan ("EPP") aims to align employee interests with those of external shareholders. As in previous years, the 2019 plan was a shares-only plan for the Group's employees and its allocation to departments, teams and individuals dependent on their performance and contribution to the overall achievement of the firm's goals during the period.

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

Since 2015, the Group awards a management incentive plan ("MIP") to select individuals in the senior management team who have significantly contributed to the firm's success in the past and who have the potential to do so in the future. 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 2019 and 2018

Number and weighted average exercise price

The number and weighted average exercise price of 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
	2019	2019	2018	2018
Outstanding as of 1 January	597.86	1'484'142	512.45	1'360'808
Forfeited during the period	615.66	(74'998)	27.73	(10'671)
Exercised during the period	145.42	(139'590)	126.83	(142'488)
Granted during the period - options	950.33	224'140	960.09	216'989
Granted during the period - shares	-	66'800	-	59'504
Outstanding as of 31 December	**662.51**	**1'560'494**	**597.86**	**1'484'142**
Exercisable as of 31 December		**123'769**		**202'067**

Of the outstanding 1'560'494 options and non-vested shares (31 December 2018: 1'484'142), 123'769 options are exercisable immediately (31 December 2018: 202'067). All other options and non-vested shares are restricted until at least 23 September 2020.

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 2019**	**31 December 2018**
Options granted in 2009	150.00	-	13'105
Options granted in 2010 and 1.1.2011	209.00	14'813	24'358
Options granted in 2011	195.00	11'918	19'813
Options granted in 2012	236.00	33'947	55'411
Options granted in 2013 and 8.1.2014	270.00	53'329	89'380
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	165'000	174'000
Options granted in 2015	446.00	6'127	6'127
Options granted in 2016	682.00	345'000	375'000
Options granted in 2016	593.00	10'110	10'110
Options granted in 2017	805.00	300'200	318'600
Options granted in 2017	810.00	35'078	35'078
Options granted in 2018	975.00	198'500	198'500
Options granted in 2018	800.00	18'489	18'489
Options granted in 2019	965.00	196'150	-
Options granted in 2019	807.60	20'890	-
Non-vested shares granted from 2014 to 2019	-	141'181	136'409
Total instruments outstanding		**1'560'494**	**1'484'142**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 options and shares granted in 2019, and related assumptions:

	Vested shares	Non-vested options[1]	Non-vested options	Non-vested options[2]	Vested options	Non-vested shares	Non-vested shares
Date of grant	**15.5.19**	**23.9.19**	**23.9.19**	**23.9.19**	**21.11.19**	**21.11.19**	**21.11.19**
Fair value per option/non-vested share at measurement date (in CHF)	732.00	22.21	22.21		38.30	807.60	807.60
Share price (in CHF)	732.00	773.80	773.80		807.60	807.60	807.60
Exercise price (in CHF)		965.00	965.00		807.60		
Vesting conditions		5 years	5 years	6 years	5 years	3 years [3]	5 years [3]
Expected volatility		18.96%	18.96%		15.76%		
Expected term of execution		5 years	5 years	6 years	5 years		
Expected dividend ratio [4]		4.13%	4.13%		4.11%		
Risk-free interest rate (based on Swap rates)		(0.91%)	(0.91%)		(0.68%)		
Total options/shares granted	115	70'250	133'000		20'890	19'806	46'879
Total value granted in 2019 (in millions of CHF)	0.1	1.6	3.0	2.9	0.8	16.0	37.9
Gross amount recognized in profit or loss (in millions of CHF)	**0.1**	**0.2**	**0.5**	**0.4**	**0.8**	**5.7**	**10.8**
Forfeitures during 2019 (in millions of CHF)		(0.0)				(0.0)	(0.0)
Net amount recognized in profit or loss (in millions of CHF)	**0.1**	**0.2**	**0.5**	**0.4**	**0.8**	**5.7**	**10.8**

Total amount recognized in profit or loss (in millions of CHF)	**18.5**
- recognized in personnel expenses related to the grant 2019 (in millions of CHF)	17.5
- recognized in third-party services related to the grant 2019	0.8
- recognized in personnel expenses related to the grant 2018 [1] (in millions of CHF)	0.2

[1] Under the 26 September 2018 MIP, the Group granted equity incentives equaling the fair value of CHF 3.0 million. The amount is allocated to the participants in two tranches, the first half in September 2018 and the second half in September 2019. 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 expenses for both tranches beginning in 2018.

[2] Under the 23 September 2019 MIP, the Group granted equity incentives equaling the fair value of CHF 5.9 million. The amount is allocated to the participants in two tranches, the first half in September 2019 and the second half in September 2020. 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 expenses for both tranches beginning in 2019.

[3] Linear vesting model, with proportionate annual vesting.

[4] Based on historical data.

The applied expected volatility is 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 2019 and 2018

4.3.2. Management Performance Plan

In 2017, the Group revised its dedicated performance fee-related compensation program and introduced the MPP for Executive Committee members and non-independent Board members. Over the first five-year period of the plan, the 2019 MPP reinforces an alignment of interests with shareholders as it is dependent on the share price development. The 2019 MPP restricts payouts to a positive share price development relative to the share price at grant. Five years after the grant, the intrinsic value of the MPP will be measured as an intermediate step. Thereby, the intrinsic value of the 2019 MPP cannot exceed 10x the grant fair value. Over the period following the fifth year (typically year 5 to 14), the MPP payout commences. It can deviate from the intermediate intrinsic value calculated in year five as it 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. Any payout will be in number of restricted shares, which have a two-year selling restriction, equal to the value of the respective payout (the share price at the time of payout is the reference). In 2019, the MPP consumed CHF 4.5 million of performance fee related compensation. For further details regarding the MPP, please refer to the Compensation Report (p. 131).

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 similarly to the valuation of a combination of call options and put options (based on the Black-Scholes model).

Fair value of MPP granted in 2019, and related assumptions:

	Short-call options	Long-put options
Date of grant	**21.11.19**	**21.11.19**
Share price (in CHF)	807.60	807.60
Exercise price/normalized index price (in CHF)	807.60	1'121.87
Vesting conditions	5 years	5 years
Expected volatility	15.76%	15.76%
Expected term of execution	5 years	5 years
Expected dividend ratio	4.11%	4.11%
Risk-free interest rate (based on Swap rates)	(0.68%)	(0.68%)
Total fair value granted in 2019 (in millions of CHF)	10.2	
Total amount recognized in profit or loss (in millions of CHF)	**3.0**	

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

4.4. Entry shares

In 2019, the Group further granted 3'943 (2018: 3'016) shares in the amount of CHF 2.7 million (2018: CHF 2.0 million) to employees of the Group that commenced employment with the Group during the year. These shares are subject to a vesting period of one year. In addition, the shares are subject to a maximum five-year selling restriction, which is terminated if the employee resigns from the Group before the end of the restriction period.

4.5. Employee benefits

In millions of Swiss francs	31 December 2019	31 December 2018
Defined benefit plan	(2.4)	(0.4)
Accrued variable compensation (cash bonus)	(157.5)	(145.2)
Management Carry Plan	(196.0)	(125.2)
Other employee benefit liabilities	(14.4)	(9.3)
Total net employee benefit liabilities	**(370.3)**	**(280.1)**
Current liabilities	(161.7)	(121.9)
Non-current liabilities	(208.6)	(158.2)
Balance as of 31 December	**(370.3)**	**(280.1)**

4.5.1. Performance fee related compensation

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

The promise represents a constructive obligation towards the eligible group of employees. The pool is allocated to the individual employees via the MCP (see (a) below) and the MPP (see note 4.3.2.) with the remainder, i.e. the difference between the Performance Fee Compensation Pool and the MCP/MPP allocations, being allocated via the Performance Fee Bonus Pool (see (b) below).

In 2019, performance fees recognized in the consolidated income statement amounted to CHF 472.5 million (2018: CHF 323.7 million), of which CHF 124.9 million (2018: CHF 93.0 million) were allocated via the MCP allocation (including social securities) and CHF 59.6 million (2018: CHF 36.5 million) via the Performance Fee Bonus Pool allocation. The Group expects for 2020 a total cash payout of CHF 127.9 million (2018: CHF 82.1 million) for all schemes.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(a) Management Carry Plan allocation

A portion of the performance fees recognized from investments made during a relevant investment period is allocated to the broader management teams. The allocation is based on the MCP that was introduced in 2012 and is discretionarily granted to employees on an annual basis. The grants are only paid out to the eligible employees once the performance fees are collected by the Group.

Performance fees depend on the performance attributable to investments made. The Group recognizes expenses related to the MCP in personnel expenses when the payment of the related performance fees becomes sufficiently visible. This is in the period in which performance fees are recognized in the consolidated income statement, which is generally before the effective collection of such performance fees. Until the cash amount is paid to eligible employees, the corresponding liabilities are recognized as employee benefit liabilities. The part of the liabilities that is not expected to be settled wholly before twelve months after the end of the reporting period is presented as non-current liabilities.

(b) Performance Fee Bonus Pool allocation

The Performance Fee Bonus Pool, i.e. the difference between the Performance Fee Compensation Pool and the MCP/MPP allocation, is distributed among the broader management teams based on their contribution to performance. The part of the Performance Fee Bonus 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 is presented as non-current liabilities.

4.5.2. Defined benefit plan

The pension plan for Swiss employees ("the Pension Fund") is a defined benefit plan. The Pension Fund provides benefits for retirement, disability and surviving dependents that meet or exceed the minimum benefits required under the 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 the employer and the employees. Contributions, which vary by the age of the employees, range from 6-13% of the covered salary and are credited to the employees' 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, or portion thereof, of their individual retirement savings accounts in the form of a capital payment.

The Pension Fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separate from the Group and is governed by a foundation board. In addition, there is a pension fund commission comprised of two employee and two employer representatives. The duties of the foundation board, as well as the pension fund commission, are laid out 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 to 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 arises in accordance with the BVG. In addition to investment risk, the Pension Fund is exposed to actuarial risk, longevity risk, currency risk and interest rate risk.

In addition to the pension plan for 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 2019 and 2018

Development of defined benefit asset/(obligation)

In millions of Swiss francs	2019	2018
Present value of benefit obligation as of 1 January	(68.8)	(61.6)
Included in profit or loss:		
Current service cost (employer)	(3.4)	(2.9)
Interest expense on benefit obligation	(0.5)	(0.4)
Included in other comprehensive income:		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in financial assumptions	(5.8)	-
- experience gains/(losses)	(2.9)	(0.7)
Other:		
Employee contributions	(2.8)	(2.6)
Benefit payments	5.0	(0.6)
Present value of benefit obligation as of 31 December	**(79.2)**	**(68.8)**
Fair value of plan assets as of 1 January	68.4	62.8
Included in profit or loss:		
Interest income on plan assets	0.5	0.5
Administration cost	(0.1)	(0.1)
Included in other comprehensive income:		
Actuarial gain/(loss) on plan assets	7.4	(0.6)
Other:		
Employer contributions	2.8	2.6
Employee contributions	2.8	2.6
Benefit payments	(5.0)	0.6
Fair value of plan assets as of 31 December	**76.8**	**68.4**
Net defined benefit asset/(obligation) as of 31 December	**(2.4)**	**(0.4)**

The weighted average duration of the net defined benefit obligation is 16.9 years as of 31 December 2019 (2018: 15.6 years).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Asset allocation as of 31 December

	2019	2018
Cash	13.2%	9.2%
Public debt	6.2%	10.6%
Public equity	25.4%	27.6%
Private markets	52.9%	37.7%
Alternatives/other	2.3%	14.9%
Total	**100.0%**	**100.0%**

Principal actuarial assumptions

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

Principal actuarial assumptions as of 31 December	2019	2018
Discount rate	0.25%	0.70%
Expected net return on plan assets	0.25%	0.70%
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

Reasonably 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 millions of Swiss francs	Impact on defined benefit obligation	Impact on current service cost (employer)
Decrease of discount rate (-0.5%)	(7.5)	(0.7)
Increase of discount rate (+0.5%)	6.4	0.6
Decrease of salary increase (-0.5%)	1.1	0.1
Increase of salary increase (+0.5%)	(1.2)	(0.1)
Shorter life expectancy (-1 year)	(0.2)	(0.0)
Longer life expectancy (+1 year)	0.2	0.0

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 2020 are estimated to be CHF 2.8 million.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

5. Financial instruments including related income and expense, risks and measurement

5.1. Finance income and expense

In millions of Swiss francs	Note	2019	2018
Interest income calculated using the effective interest rate method		3.5	1.6
Net gains on fair value through profit or loss instruments	5.5.	58.2	38.5
Share of results of associates (Pearl)	6.	2.8	-
Other finance income		0.1	-
Total finance income		**64.6**	**40.1**
Interest expense calculated using the effective interest rate method		(4.9)	(4.3)
Share of results of associates (Pearl)	6.	-	(3.8)
Other finance expense		(3.6)	(2.8)
Net exchange differences		(26.5)	(6.5)
Total finance expense		**(35.0)**	**(17.4)**
Total net finance income and (expense)		**29.6**	**22.7**

5.2. Other operating income

In millions of Swiss francs	Note	2019	2018
Compensation from short-term loans	5.3.4.	60.4	41.9
Share of results of associates (LGT)	6.	0.0	0.0
Other income		3.0	3.8
Total other operating income		**63.4**	**45.7**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 millions of Swiss francs	Note	31 December 2019	31 December 2018
Financial assets			
Financial assets at amortized cost			
Cash and cash equivalents		933.0	412.2
Trade receivables [1]	5.4.1.	228.5	158.8
Short-term loans	5.3.4.	900.2	1'113.4
Other receivables [1]	5.4.1.	7.7	35.3
Accrued revenues [1]	5.4.1.	405.3	201.5
Other financial assets	5.3.5.	292.0	166.7
		2'766.7	**2'087.9**
Financial assets at fair value through profit or loss			
Mandatorily measured at FVTPL			
Marketable securities	5.4.1.	0.0	0.0
Financial investments	5.3.2.	605.3	554.0
Assets held for sale	5.3.3.	175.4	91.0
Derivative assets held for risk management [1]	5.4.1.	10.4	8.2
		791.1	**653.2**
Total financial assets		**3'557.8**	**2'741.1**

[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 2019 and 2018

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

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Financial liabilities			
Financial liabilities at amortized cost			
Trade payables [1]	7.	55.9	71.6
Cash collateral for forward contracts [1]	7.	5.2	0.3
Accrued revenue deductions	7.	63.6	32.0
Other payables	7.	28.3	126.9
Lease liabilities [2]	8.	67.6	-
Long-term debt	13.	798.6	299.4
Other long-term liabilities	5.4.3.	45.7	27.8
		1'064.9	**558.0**
Financial liabilities at fair value through profit or loss			
Mandatorily measured at FVTPL			
Liabilities held for sale	5.3.3.	114.3	54.1
Derivative liabilities held for risk management [1]	7.	1.5	0.1
Other long-term liabilities	5.4.3.	0.8	0.8
		116.6	**55.0**
Total financial liabilities		**1'181.5**	**613.0**

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

[2] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

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 in the consolidated income statement.

In millions of Swiss francs	2019	2018
Balance as of 1 January	554.0	451.8
Additions	91.8	108.9
Distributions/disposals	(86.8)	(72.9)
Transfers from assets and liabilities held for sale	-	45.1
Change in fair value of investments held at period end	58.6	35.2
Change in fair value of investments disposed/liquidated during the period	-	0.1
Exchange differences	(12.3)	(14.2)
Balance as of 31 December	**605.3**	**554.0**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

In millions of Swiss francs	31 December 2019	31 December 2018
Private equity	272.8	262.4
Private debt	217.6	191.5
Private real estate	59.4	52.6
Private infrastructure	55.5	47.5
Total financial investments	**605.3**	**554.0**

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

5.3.3. Assets and liabilities held for sale

The Group provides seed financing to certain early stage investment programs managed by the Group. The decision to provide seed financing to an investment program is made by responsible bodies defined in the Group's Rules of the Organization and of Operations ("ROO"). These investment programs typically call the seed financing 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 their adjusted net asset values.

Assets and liabilities of four (2018: four) such investment programs are classified and presented as assets and liabilities held for sale. The assets and liabilities held for sale as of 31 December 2019 are comprised of private equity, private real estate and private debt related assets and liabilities:

In millions of Swiss francs	31 December 2019	31 December 2018
Assets held for sale	175.4	91.0
Liabilities held for sale	(114.3)	(54.1)
Assets and liabilities held for sale, net	**61.1**	**36.9**

5.3.4. Short-term loans

Short-term loans of CHF 900.2 million (2018: CHF 1'113.4 million) relate to loans granted to various investment programs managed by the Group and typically have an expected repayment date within the next twelve months. The Group considers granting short-term loans as part of its maintenance of investment programs and, hence, as part of its operating activities. As of 31 December 2019, the number of outstanding short-term loans was 278 (31 December 2018: 267) and the average amount per outstanding loan was CHF 3.2 million (2018: CHF 4.2 million). In 2019, the Group received an at arm's length compensation of CHF 60.4 million (2018: CHF 41.9 million) for these activities.

As of 31 December 2019, no short-term loans are past due or impaired (31 December 2018: none). There have been no losses in the past and the loans are fully collateralized by the underlying investments and any unfunded capital commitments.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

5.3.5. Other financial assets

The increase in other financial assets to CHF 292.0 million (2018: CHF 166.7 million) mainly resulted from recognized performance fees which are not expected to be settled within twelve months.

In millions of Swiss francs	31 December 2019	31 December 2018
Long-term accrued revenues	230.9	134.2
Long-term loans	58.6	31.5
Other	2.5	1.0
Total other financial assets	**292.0**	**166.7**

5.3.6. Capital commitments

As of 31 December 2019, the Group had capital commitment contracts of CHF 705.8 million (2018: CHF 638.3 million), of which CHF 250.0 million (2018: CHF 212.8 million) were not yet called by the relevant investment managers. Capital commitments are called over time, typically between one to five years following the subscription of the commitment. Capital commitments are not considered to be a financial liability as the commitments do not constitute any obligation to pay cash until the capital is called.

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); and
- 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 the 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 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, and reports the results 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 typically arises from the Group's trade and other receivables, loans, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(a) Trade and other receivables

In millions of Swiss francs	31 December 2019	31 December 2018
Marketable securities	0.0	0.0
Fees receivable	228.5	158.8
Other receivables	7.7	35.3
Accrued income	405.3	201.5
Derivative assets held for risk management	10.4	8.2
Total trade and other receivables	**651.9**	**403.8**

The increase in trade and other receivables was mainly driven by recognized, but not yet invoiced, performance fees (typically in closed-ended structures). The timing of performance fee recognition in such structures depends on several factors, including the pace of deployment, performance of investments and pace of realizations (cash distributions). Performance fees are only recognized once it is highly probable that they will be realized. This typically occurs subsequent to clients receiving distributions equivalent to their initial commitment and after hurdle rates have been met. For further explanations see note 19.7.

Exposure to credit risk is primarily influenced by the characteristics of customers. The majority of the Group's customers are investment programs that are managed by the Group on behalf of its clients. Trade and other receivables with such customers are collateralized against unfunded client commitments. These commitments can be drawn upon to repay receivables and are jointly backed by high-quality clients. In addition, underlying assets in the investment programs serve as additional layer of security. Other counterparties of the Group are typically regulated financial institutions or institutional investors with a high credit quality and, to a lesser extent, portfolio companies. The Group periodically reviews its customer exposure and concentration. As of 31 December 2019, there is no substantial concentration of credit risk (31 December 2018: none). The Group considers the probability of default to be very remote. As of the reporting date, no material receivables were overdue (31 December 2018: none). The Group reassesses the credit risk for trade and other receivables on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses (31 December 2018: none).

(b) Loans

The Group's loans are granted to various investment programs managed by the Group on behalf of its clients (see note 5.3.4.). These loans are typically short-term in nature with an expected repayment date within twelve months and are collateralized against unfunded client commitments, which can be drawn upon to repay related loans and which are jointly backed by high-quality clients. In addition, underlying assets in the investment programs serve as additional layer of security. In order to manage the default risk, the granting of loans is contingent on the adherence to certain loan-to-value ratios (maximum of 75%). The Group hereby ensures that the loan to an investment program does not exceed a certain percentage of net asset values of this investment program. In addition, the Group has established a system-based loan approval process to control the credit risk resulting from loans to investment programs. This process is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process, rigorous qualitative and quantitative checks are applied to ensure the high quality of the Group's loan portfolio. Finally, the Group assesses the probability of default, the loss given default and the exposure at default. Long-term loans (see note 5.3.5.), if considered material, are individually assessed for impairment. For the years ended 31 December 2019 and 2018, no loans were past due or impaired. The Group reassesses the credit risk for loans on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses in relation to its loans (31 December 2018: none).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(c) Cash and cash equivalents

Cash and cash equivalents predominantly include balances with banks that are cancelable on sight. For these bank balances, typically, only independently rated parties with a minimum rating of "A-3" or equivalent are accepted (as per Standard & Poor's Short-Term Issue Credit Ratings definitions). The Group evaluates each counterparty with a proprietary risk scoring that includes 20 observable parameters such as credit risk ratings, capital ratio, stock price and return on assets and determines the expected credit loss of its bank balances. In addition, it assigns a maximum counterparty exposure which acts as a further layer of protection. The Group reassesses the credit risk for cash and cash equivalents on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses (31 December 2018: none).

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 ("ROO") as issued by the BoD.

(a) Currency risk

The Group is exposed to transactional currency risk mainly on receivables, payables, cash and cash equivalents as well as loans that are denominated in a currency other than the functional currency of the respective subsidiaries. The currency risk mainly results from exposures in Euros (EUR), US dollars (USD), British pounds (GBP) and Singapore dollars (SGD). In general, the Group economically hedges foreign exchange exposures related to third-party assets and liabilities. As a consequence, the Group's net balance sheet currency risk is limited mainly to its intercompany receivables and payables.

(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. 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 not currently actively manage its cash flow interest rate risk. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

In millions of Swiss francs	2019	2018
Variable rate instruments		
Financial assets	933.0	412.2
Financial liabilities	(5.2)	(0.3)
	927.8	**411.9**
Fixed rate instruments		
Financial assets	961.3	1'145.7
Financial liabilities	(866.3)	(299.4)
	95.0	**846.3**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates on the balances at the reporting date would have increased/(decreased) annual profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, particularly foreign currency rates, remain constant.

	Variable rate instruments	
In millions of Swiss francs	**2019**	**2018**
Profit or loss before tax		
50 bp increase	4.6	2.1
50 bp decrease	(4.6)	(2.1)

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. Therefore, changes in interest rates would not affect profit or loss.

(c) Market risk of investments in investment programs

The Group is exposed to market risks (other than interest rate and foreign currency risk) because of its investments in investment programs held by the Group and classified at fair value through profit or loss.

The majority of the Group's investments are entered into under investment management contracts whereby the Group invests alongside third-party investors in the Group's investment programs invested in underlying private equity, private debt, private real estate or private infrastructure investments. These investments qualify in accordance with IAS 32 either as equity investments or debt investments. Typically, instruments qualifying as debt investments contain embedded derivatives whose fair value is derived from the adjusted net asset value of the underlying investment programs which in turn is based upon the value of the underlying assets held within each of the investment program.

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

	Carrying amount/volatility			
In millions of Swiss francs	**2019**	**Volatility**	**2018**	**Volatility**
Marketable securities (equity securities held for trading)	0.0	9%	0.0	7%
Financial investments:				
Private equity	272.8	18%	262.4	18%
Private debt	217.6	7%	191.5	5%
Private real estate	59.4	11%	52.6	8%
Private infrastructure	55.5	9%	47.5	7%
Assets and liabilities held for sale	61.1	12%	36.9	6%
Total	**666.4**		**590.9**	

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 millions of Swiss francs	**2019**	**2018**
Marketable securities (equity securities held for trading)	0.0	0.0
Financial investments:		
Private equity	49.1	47.2
Private debt	15.2	9.6
Private real estate	6.5	4.2
Private infrastructure	5.0	3.1
Assets and liabilities held for sale	7.3	2.1
Total	**83.1**	**66.2**

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

5.4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity is to ensure that it 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. The Group's long-term contracts with clients mitigate its exposure to liquidity risk.

In order to assess the development of its liquidity, the Group uses a cash flow forecasting tool which is integrated into the budgeting and reporting process and assists in monitoring cash flow requirements and optimizing its cash return on investments.

Cash flow forecasting is performed at group level. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses as well as the servicing of financial obligations, excluding 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. In addition, the BoD and the Executive Committee ("ExCo") formally monitor the liquidity available on a semi-annual basis. The available liquidity targeted should allow the Group to sustain its operations with minimal disruptions in a financial crisis scenario and/or a depressed economic environment. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities deemed to have 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:

- The Group has two unsecured credit facilities of CHF 460 million (31 December 2018: CHF 400 million) and CHF 375 million (new unsecured credit facility) with a syndicate of Swiss banks and a syndicate of Swiss and international banks, respectively. These credit facilities can be used for general corporate purposes with a primary focus on working capital financing. Interests are variable and determined by the relevant short-term interest rate plus a margin. The facilities are subject to maximum debt covenants which have been met throughout the current and prior year.
- An additional unsecured credit facility of CHF 30 million can be used for current account overdrafts or for fixed advances with a maturity of up to six months (31 December 2018: CHF 30 million). Interest is set at a fixed interest rate. The facility is subject to a maximum debt covenant which was met throughout the current and prior year.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

In millions of Swiss francs								31 December 2019
	Note	Carrying amount	Total	6 months or less	6 - 12 months	13 - 24 months	25 - 60 months	More than 60 months
Trade payables [1]	7.	55.9	55.9	55.9				
Derivative liabilities held for risk management [1]	7.	1.5	1.5	1.5				
Accrued revenue deductions [1]	7.	63.6	63.6		63.6			
Cash collateral for forward contracts [1]	7.	5.2	5.2	5.2				
Other payables [1]	7.	28.3	28.3	28.3				
Lease liabilities [2]	8.	67.6	75.8	7.0	6.7	10.1	19.8	32.2
Long-term debt	13.	798.6	818.7	2.5		2.5	307.5	506.2
Other long-term liabilities [3]		46.5	46.5			35.9	10.6	
Unfunded commitments		250.0	250.0	250.0				
		1'317.2	**1'345.5**	**350.4**	**70.3**	**48.5**	**337.9**	**538.4**

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

[2] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated.

[3] This line item includes long-term accrued liabilities related to the investment programs and other third parties.

In millions of Swiss francs								31 December 2018
	Note	Carrying amount	Total	6 months or less	6 - 12 months	13 - 24 months	25 - 60 months	More than 60 months
Trade payables [1]	7.	71.6	71.6	71.6				
Derivative liabilities held for risk management [1]	7.	0.1	0.1	0.1				
Accrued revenue deductions [1]	7.	32.0	32.0		32.0			
Cash collateral for forward contracts [1]	7.	0.3	0.3	0.3				
Other payables [1]	7.	126.9	126.9	126.9				
Long-term debt	13.	299.4	302.9	0.5		0.5	1.4	300.5
Other long-term liabilities [2]		28.6	28.6			8.2	20.4	
Unfunded commitments		212.8	212.8	212.8				
		771.7	**775.2**	**412.2**	**32.0**	**8.7**	**21.8**	**300.5**

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

[2] This line item includes long-term accrued liabilities related to the investment programs and other third parties.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

5.5. Fair value measurement

Overview

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between knowledgeable market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

In millions of Swiss francs				31 December 2019
	Level 1	Level 2	Level 3	Total
Marketable securities [1]	0.0			0.0
Derivative assets held for risk management [1]		10.4		10.4
Assets held for sale			175.4	175.4
Financial investments			605.3	605.3
Financial assets	**0.0**	**10.4**	**780.7**	**791.1**
Derivative liabilities held for risk management [2]		1.5		1.5
Liabilities held for sale			114.3	114.3
Other long-term liabilities			0.8	0.8
Financial liabilities	**-**	**1.5**	**115.1**	**116.6**

[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.

In millions of Swiss francs				31 December 2018
	Level 1	Level 2	Level 3	Total
Marketable securities [1]	0.0			0.0
Derivative assets held for risk management [1]		8.2		8.2
Assets held for sale			91.0	91.0
Financial investments			554.0	554.0
Financial assets	**0.0**	**8.2**	**645.0**	**653.2**
Derivative liabilities held for risk management [2]		0.1		0.1
Liabilities held for sale			54.1	54.1
Other long-term liabilities			0.8	0.8
Financial liabilities	**-**	**0.1**	**54.9**	**55.0**

[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 2019 and 2018

The carrying amount for cash and cash equivalents, trade and other receivables, short-term loans, and trade and other payables are expected to approximate the fair values given the short-term nature of these financial instruments. The carrying amounts for other financial assets and the remaining other long-term liabilities are expected to approximate fair values since time values do not materially differ (level 3 input).

The following tables show the reconciliation of all level 3 financial instruments in 2019 and 2018:

In millions of Swiss francs		2019
	Financial assets	Financial liabilities
Balance as of 1 January	645.0	54.9
Purchases	200.4	65.3
Sales	(105.9)	(1.7)
Change in fair value [1]	58.2	(0.0)
Exchange differences	(17.0)	(3.4)
Balance as of 31 December	**780.7**	**115.1**

In millions of Swiss francs		2018
	Financial assets	Financial liabilities
Balance as of 1 January	712.6	156.1
Purchases	160.3	44.7
Sales	(247.2)	(142.5)
Change in fair value [1]	38.5	(0.1)
Exchange differences	(19.2)	(3.3)
Balance as of 31 December	**645.0**	**54.9**

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

There were no transfers between levels in 2019 and 2018.

Financial investments and assets and liabilities held for sale

Financial investments (see note 5.3.2.) and assets and liabilities held for sale (see note 5.3.3.), disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. 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. Such controls include reviews of profit and loss statements 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.

Control processes also 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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Valuation techniques used to determine fair value of underlying investments

Financial investments held by the Group consist of underlying assets and liabilities within investment programs. In turn, these investment programs are 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 determine the fair value of 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.

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 debt investments can be valued by using the instrument's expected cash flows while direct equity investments can be valued by using the "cash flow to equity" method, 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 upon 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 date of the most recently available net asset valuation 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, other market participant 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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Within its valuation techniques the Group typically 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 Group 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 are measured using EBITDA multiples. EBITDA multiples used show wide ranges.

The value of level 3 direct equity investments valued by using unobservable input factors 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.

Sensitivity of fair values

From a Group perspective, the fair value of financial investments and assets and liabilities held for sale is typically dependent on the adjusted net asset value of the investment programs. A reasonably possible change in the adjusted net asset value would have the following effects on the fair value of these investments held by the Group with changes to be recognized in profit or loss:

In millions of Swiss francs	31 December 2019	31 December 2018
Adjusted net asset value (1% increase)	6.7	5.9

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2019 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	41.6	41.6	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
Total investments in associates			**42.1**	

In millions of Swiss francs	2019	2018
Balance as of 1 January	55.0	90.1
Redemption of shares (Pearl)	(13.7)	(28.0)
Share of results (Pearl)	2.8	(3.8)
Share of results (LGT)	0.0	0.0
Exchange differences	(2.0)	(3.3)
Balance as of 31 December	**42.1**	**55.0**

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

	Pearl		LGT	
In millions of Swiss francs	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Total assets	149.4	196.9	1.8	1.9
Total liabilities	1.6	3.4	0.6	0.7
Equity	147.8	193.5	1.2	1.2
Revenues	15.3	7.7	2.1	2.9
Profit/(loss) for the period	10.1	(13.4)	0.0	0.0

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 5.2.) is disclosed as other operating income. 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.).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

7. Trade and other payables

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Trade payables		55.9	71.6
Goods and services received not yet invoiced		12.3	3.6
Derivative liabilities held for risk management		1.5	0.1
Accrued revenue deductions		63.6	32.0
Cash collateral for forward contracts		5.2	0.3
Contractual obligation to purchase treasury shares	16.	-	110.0
Lease liabilities [1]	8.	12.4	-
Other payables		28.3	16.9
Total trade and other payables		**179.2**	**234.5**

[1] As of 1 January 2019, the Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

8. Lease liabilities

In millions of Swiss francs	2019	2018
Lease liabilities as of 1 January	43.8	-
Additions	36.4	-
Removals	(0.7)	-
Accreted interest	1.2	-
Lease payments	(12.1)	-
Exchange differences	(1.0)	-
Lease liabilities as of 31 December	**67.6**	**-**
Current liabilities	12.4	-
Non-current liabilities	55.2	-
Lease liabilities as of 31 December	**67.6**	**-**

As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective method. Under this approach, comparative information is not restated. See note 19.2.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In millions of Swiss francs	Note	2019	2018
Current tax expense:			
Current year		144.5	122.8
Under/(over) provided in prior years		(0.9)	(0.0)
Total current tax expense		**143.6**	**122.8**
Deferred tax expense/(income):			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(6.3)	(4.6)
Total deferred tax expense/(income)		**(6.3)**	**(4.6)**
Total income tax expense		**137.3**	**118.2**

9.1.2. Weighted average expected tax rate reconciliation

In millions of Swiss francs	2019	2018
Profit before tax	**1'037.2**	**887.5**
Weighted average expected Group tax rate [1)]	13.83%	13.26%
Expected tax expense	143.4	117.7
Non-tax-deductible expense and non-taxable income	(3.0)	0.7
Applicable tax rates differing from expected rate	(1.8)	(0.6)
Under/(over) provided in prior years	(0.9)	(0.0)
Other impacts	(0.4)	0.4
Total income tax expense	**137.3**	**118.2**

[1)] 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 profit before tax.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 millions of Swiss francs	31 December 2019	31 December 2018
Deferred tax assets	43.8	23.6
Deferred tax liabilities	(4.0)	(2.5)
Deferred tax assets / (liabilities), net	**39.8**	**21.1**

In millions of Swiss francs	2019	2018
Balance as of 1 January, net	**21.1**	**21.8**
Changes recognized in profit or loss	6.3	4.6
Changes recognized in equity	12.8	(5.6)
Changes recognized in other comprehensive income	0.3	0.2
Exchange differences	(0.7)	0.1
Balance of deferred tax assets / (liabilities) as of 31 December, net	**39.8**	**21.1**

Analysis of deferred tax assets and liabilities

The following table shows the gross amounts of deferred tax assets and liabilities by category. Movements in the significant asset and liability classes giving rise to temporary differences are analyzed below:

In millions of Swiss francs							2019
	Financial investments	Other non-current assets	Defined benefit plan	Share-based payment expenses	Accrued variable compensation & MCP	Others	Total
Balance as of 1 January, net	**(0.3)**	**(2.5)**	**0.1**	**12.1**	**11.3**	**0.4**	**21.1**
Changes recognized in profit or loss	0.2	(0.7)	(0.1)	(1.5)	7.2	1.2	6.3
Changes recognized in equity	-	-	-	12.8	-	-	12.8
Changes recognized in other comprehensive income	-	-	0.3	-	-	-	0.3
Exchange differences	0.0	0.1	-	(0.3)	(0.5)	0.0	(0.7)
Balance as of 31 December, net	**(0.1)**	**(3.1)**	**0.3**	**23.1**	**18.0**	**1.6**	**39.8**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							2018
	Financial investments	Other non-current assets	Defined benefit plan	Share-based payment expenses	Accrued variable compensation & MCP	Others	Total
Balance as of 1 January, net	**(0.5)**	**(2.2)**	**(0.2)**	**13.6**	**9.0**	**2.1**	**21.8**
Changes recognized in profit or loss	0.2	(0.3)	0.1	4.0	2.3	(1.7)	4.6
Changes recognized in equity	-	-	-	(5.6)	-	-	(5.6)
Changes recognized in other comprehensive income	-	-	0.2	-	-	-	0.2
Exchange differences	0.0	0.0	-	0.1	0.0	0.0	0.1
Balance as of 31 December, net	**(0.3)**	**(2.5)**	**0.1**	**12.1**	**11.3**	**0.4**	**21.1**

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 IFRS 9) in the consolidated financial statements.

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.

Defined benefit plan

The Group recognizes deferred tax assets or liabilities by applying IAS 19 (for further information see note 4.5.2.).

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 materializes in a different period; e.g. only when the options and shares are exercised or vested. Typically, the measurement of the tax deduction is based on the share price at the date of exercise or vesting.

Accrued variable compensation & MCP

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

10. Other operating expenses

In millions of Swiss francs	2019	2018
Third-party services	(24.5)	(14.3)
Rental expenses and maintenance costs [1]	(5.3)	(14.2)
Administrative expenses	(26.5)	(22.1)
Travel and representation expenses	(22.2)	(17.2)
Total other operating expenses	**(78.5)**	**(67.8)**

[1] As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

11. Property and equipment

In millions of Swiss francs								2019
	Land	Buildings	Right-of-use assets	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost								
Balance as of 1 January	7.1	5.9	-	44.7	6.1	22.2	9.5	95.5
Recognition of right-of-use asset on initial application of IFRS 16	-	-	42.7	-	-	-	-	42.7
Adjusted balance as of 1 January	7.1	5.9	42.7	44.7	6.1	22.2	9.5	138.2
Additions	56.7	7.0	36.3	42.3	4.0	0.6	3.1	150.0
Transfers	-	53.6	-	(57.2)	-	0.1	4.4	0.9
Disposals	-	-	(0.1)	-	-	(0.7)	-	(0.8)
Exchange differences	(0.1)	(1.5)	(1.2)	(0.4)	(0.1)	-	(0.2)	(3.5)
Balance as of 31 December	**63.7**	**65.0**	**77.7**	**29.4**	**10.0**	**22.2**	**16.8**	**284.8**
Accumulated depreciation								
Balance as of 1 January	-	1.4	-	-	3.8	15.7	7.0	27.9
Depreciation	-	0.9	13.0	-	1.3	2.1	2.5	19.8
Transfers	-	-	-	-	-	-	0.9	0.9
Accumulated depreciation on disposals	-	-	-	-	-	(0.7)	-	(0.7)
Exchange differences	-	-	(0.3)	-	-	-	-	(0.3)
Balance as of 31 December	**-**	**2.3**	**12.7**	**-**	**5.1**	**17.1**	**10.4**	**47.6**
Carrying amount								
As of 1 January	7.1	4.5	-	44.7	2.3	6.5	2.5	67.6
As of 31 December	**63.7**	**62.7**	**65.0**	**29.4**	**4.9**	**5.1**	**6.4**	**237.2**
Impairment losses incurred in 2019								nil

Construction in progress reflects the costs for the Group's Americas headquarters in Broomfield, Denver.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							2018
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January	7.0	5.9	4.8	6.6	21.4	11.2	56.9
Additions	-	-	39.6	0.9	2.2	1.2	43.9
Disposals	-	-	-	(1.3)	(1.2)	(2.8)	(5.3)
Exchange differences	0.1	-	0.3	(0.1)	(0.2)	(0.1)	0.0
Balance as of 31 December	**7.1**	**5.9**	**44.7**	**6.1**	**22.2**	**9.5**	**95.5**
Accumulated depreciation							
Balance as of 1 January	-	1.2	-	4.5	14.7	8.5	28.9
Depreciation	-	0.2	-	0.7	2.3	1.4	4.6
Accumulated depreciation on disposals	-	-	-	(1.3)	(1.2)	(2.8)	(5.3)
Exchange differences	-	-	-	(0.1)	(0.1)	(0.1)	(0.3)
Balance as of 31 December	**-**	**1.4**	**-**	**3.8**	**15.7**	**7.0**	**27.9**
Carrying amount							
As of 1 January	7.0	4.7	4.8	2.1	6.7	2.7	28.0
As of 31 December	**7.1**	**4.5**	**44.7**	**2.3**	**6.5**	**2.5**	**67.6**
Impairment losses incurred in 2018							nil

Construction in progress reflects the costs for the Group's Americas headquarters in Broomfield, Denver.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

12. Intangible assets

In millions of Swiss francs						2019
	Acquired client contracts	Goodwill	Software	Contract costs	Other intangible assets	Total
Cost						
Balance as of 1 January	4.7	32.6	18.2	45.8	7.2	108.5
Additions	-	-	5.2	14.8	1.9	21.9
Disposals	-	-	-	(6.9)	-	(6.9)
Exchange differences	0.1	(0.2)	-	(0.8)	-	(0.9)
Balance as of 31 December	**4.8**	**32.4**	**23.4**	**52.9**	**9.1**	**122.6**
Accumulated amortization and impairment losses						
Balance as of 1 January	4.7	-	12.8	23.1	6.1	46.7
Amortization	-	-	4.1	9.1	0.8	14.0
Accumulated amortization on disposals	-	-	-	(6.9)	-	(6.9)
Exchange differences	0.1	-	-	(0.1)	-	0.0
Balance as of 31 December	**4.8**	**-**	**16.9**	**25.2**	**6.9**	**53.8**
Carrying amount						
As of 1 January	-	32.6	5.4	22.7	1.1	61.8
As of 31 December	**-**	**32.4**	**6.5**	**27.7**	**2.2**	**68.8**
Impairment losses incurred in 2019						nil

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs						2018
	Acquired client contracts	Goodwill	Software	Contract costs	Other intangible assets	Total
Cost						
Balance as of 1 January	4.9	33.2	14.6	36.5	7.2	96.4
Additions	-	-	3.7	9.5	-	13.2
Disposals	-	-	(0.1)	-	-	(0.1)
Exchange differences	(0.2)	(0.6)	-	(0.2)	-	(1.0)
Balance as of 31 December	**4.7**	**32.6**	**18.2**	**45.8**	**7.2**	**108.5**
Accumulated amortization and impairment losses						
Balance as of 1 January	4.5	-	9.6	15.2	5.6	34.9
Amortization	0.4	-	3.3	8.0	0.5	12.2
Accumulated amortization on disposals	-	-	(0.1)	-	-	(0.1)
Exchange differences	(0.2)	-	-	(0.1)	-	(0.3)
Balance as of 31 December	**4.7**	**-**	**12.8**	**23.1**	**6.1**	**46.7**
Carrying amount						
As of 1 January	0.4	33.2	5.0	21.3	1.6	61.5
As of 31 December	**-**	**32.6**	**5.4**	**22.7**	**1.1**	**61.8**
Impairment losses incurred in 2018						nil

Impairment testing for CGU's containing goodwill

The carrying amount of goodwill as of 31 December 2019 (CHF 32.4 million; 2018: CHF 32.6 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 17.2 million (2018: CHF 17.5 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 15.2 million (2018: 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 in 2016 and into Partners Group (Luxembourg) S.A. in 2019, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 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 (2020–2024). 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 2020 to 2024.
- Other operating expenses growth was applied at a constant rate of 10% p.a. (2018: 10% p.a.).
- Personnel expenses growth was applied at a constant rate of 5% p.a. (2018: 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 (2018: 35%)).
- Pre-tax discount rates of 7.4% (PG RE; 2018: 8.0%) and 6.3% (PG Italy; 2018: 7.4%), respectively, were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 1.8% (PG RE; 2018: 2.9%) and 1.0% (PG Italy; 2018: 3.0%), 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 reasonably 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 millions of Swiss francs	2019	2018
Balance as of 1 January	299.4	299.2
Issuance of long-term debts	499.1	-
Accreted interest	0.1	0.2
Balance as of 31 December	**798.6**	**299.4**

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

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

The fair values of the corporate bonds as of 31 December 2019 were CHF 301.8 million and CHF 515.0 million, respectively (2018: CHF 300.0 million and n/a, respectively), and were determined by the quoted market price (level 1 input).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

14. Share capital, capital management and reserves

In effective number of shares	2019	2018
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 (2018: 26’700’000) at CHF 0.01 nominal value each. The shareholders are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company.

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 2019 (31 December 2018: CHF 218’100), consisting of CHF 217’100 (31 December 2018: CHF 217’100) for legal reserves from capital contributions and of CHF 1’000 (31 December 2018: 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 278’645 (2018: 207’805) of the Company’s issued shares. The Group holds treasury shares to provide for existing share and option programs.

Contractual obligation to purchase treasury shares

In 2018, the Company entered into an agreement to conditionally purchase some of its registered shares. As of 31 December 2018, the total notional amount of CHF 110.0 million was directly recognized in equity. The amount was reversed during 2019 (see note 16.).

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

The Company pays a dividend once per financial year following the approval of the appropriation of available earnings by the owners of the Company at the annual general meeting, typically held in May. The Company paid a dividend of CHF 22 per share on 21 May 2019 (16 May 2018: CHF 19). As the Company’s treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 587.4 million approved in May 2019 (May 2018: CHF 507.3 million) was not fully distributed, i.e. a total of CHF 585.4 million was paid out (May 2018: 506.3 million). After the balance sheet date, the BoD proposes a dividend distribution of CHF 680.9 million (CHF 25.50 per share) for 2019.

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 in conjunction with 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 fixed costs, expenditures, key financial ratios, net assets and assets under management. All these capital requirements have been met during 2019 and 2018.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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			2019
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	207'805	26'492'195
Purchase of treasury shares		618'861	(618'861)
Disposal of treasury shares		(548'021)	548'021
Balance as of 31 December	**26'700'000**	**278'645**	**26'421'355**
Weighted average number of shares outstanding during the period (360 days)			26'520'620
Shareholders above 5% (in % of shares issued) based on notification received		**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			2018
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	105'165	26'594'835
Purchase of treasury shares		807'304	(807'304)
Disposal of treasury shares		(704'664)	704'664
Balance as of 31 December	**26'700'000**	**207'805**	**26'492'195**
Weighted average number of shares outstanding during the period (360 days)			26'606'695
Shareholders above 5% (in % of shares issued) based on notification received		**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 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 was not entered into with any intent to change the size of the three founding partners' stakes in the Company during the period until maturity of the collars. The Group is not part of this transaction and therefore the transaction is not recognized on the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

15. Earnings per share

In Swiss francs	2019	2018
Average fair value of one ordinary share during the period	756.50	708.92
Weighted average exercise price for shares under option during the period	685.19	595.51

				2019
	Note	Earnings per share	Profit for the period	Number of shares
Profit for the period (in millions of Swiss francs)			899.9	
Weighted average number of ordinary shares outstanding	14.			26'520'620
Basic earnings per share (in Swiss francs)		**33.93**		
Weighted average number of shares under option during the period				1'310'821
Number of shares that would have been issued at fair value [1]				(1'092'859)
Diluted earnings per share (in Swiss francs)		**33.66**		**26'738'582**

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

				2018
	Note	Earnings per share	Profit for the period	Number of shares
Profit for the period (in millions of Swiss francs)			769.3	
Weighted average number of ordinary shares outstanding	14.			26'606'695
Basic earnings per share (in Swiss francs)		**28.91**		
Weighted average number of shares under option during the period				1'181'094
Number of shares that would have been issued at fair value [1]				(937'813)
Diluted earnings per share (in Swiss francs)		**28.65**		**26'849'976**

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

As of 31 December 2019, the Group had 1'560'494 options and non-vested shares outstanding (2018: 1'484'142) (see note 4.3.). The treasury shares necessary to cover the granted non-vested shares have already been placed 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 2019 and 2018

16. Related party transactions

The Group has related party relationships with its investments in associates (see note 6.), pension funds (see note 4.5.2.), as well as with its management and significant shareholders and their related parties.

In 2019, associates purchased services from the Group in the amount of CHF 5.6 million (2018: CHF 7.1 million).

As of 31 December 2019, loans to employees of the Group amounted to CHF 9.2 million (2018: CHF 7.2 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	2019	2018
Purchase of treasury shares from shareholders employed by the Group	6'641	5'499
Average purchase price per share (in Swiss francs)	739.02	714.63

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

The Group is managed by the Board of Directors ("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 personnel expenses (see note 4.1.) and for non-executive board members in third-party services (see note 10.) and amount to:

In millions of Swiss francs	2019	2018
BoD:		
Short-term employment benefits	2.3	2.4
Other compensation	0.3	0.2
Share-based payment expenses	4.5	3.1
Other long-term benefits (MCP)	7.5	6.2
Post-employment benefits	0.1	0.1
Total BoD	**14.7**	**12.0**
ExCo:		
Short-term employment benefits	7.0	8.2
Other compensation	0.5	0.2
Share-based payment expenses	12.5	10.7
Other long-term benefits (MCP)	9.7	10.2
Post-employment benefits	0.6	0.4
Total ExCo incl. former members	**30.3**	**29.7**
Total BoD and ExCo	**45.0**	**41.7**

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019	31 December 2018
Board members (vested options)	66'355	82'675
Board members (non-vested options and shares)	-	2'025
Members of the ExCo (options and non-vested shares)	171'135	166'323
Total	**237'490**	**251'023**

Share ownership (unrestricted):

In effective number of shares	31 December 2019	31 December 2018
Board members	8'372'538	8'385'206
Members of the ExCo	110'607	647'379
Total	**8'483'145**	**9'032'585**

For further information in accordance with Art. 663c of the Swiss Code of Obligations, refer to note 15. of the entity accounts of Partners Group Holding AG.

The Group aligns the interests of clients with those of the Group's employees by offering all employees preferential terms to invest alongside the Group's investment programs via a global employee commitment plan. In line with standard industry practice, no fees are charged on such investments. In total, commitments by the Group's BoD and employees amounted to approximately CHF 1.2 billion as of 31 December 2019.

17. Subsidiaries

17.1. Changes in scope of consolidation

Incorporation of new Group entities

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 provides seed financing to certain early stage investment programs that the Group manages. The decision to provide seed financing to an investment program is made by responsible bodies as defined in the Group's ROOs. For further details see note 5.3.3.

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:

	Place of incorporation and operation				
	Registered office	Country of incorporation	Share Capital in thousands	Interest %	Interest %
Name of the subsidiary			31 December 2019	31 December 2019	31 December 2018
Partners Group AG	Baar-Zug	Switzerland	CHF 200	100%	100%
Partners Group Advisors (DIFC) Limited	DIFC	UAE	USD 300	100%	100%
Partners Group Japan Kabushiki Kaisha	Tokyo	Japan	JPY 10'000	100%	100%
Partners Group Private Markets (Australia) Pty. Ltd.	Sydney	Australia	AUD 200	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Taguig City, Metro Manila	Philippines	PHP 13'734	100%	100%
Partners Group (Brazil) Investimentos Ltda.	São Paulo	Brazil	BRL 795	100%	100%
Partners Group (Canada) Inc.	Nova Scotia	Canada	CAD 0	100%	100%
Partners Group (Deutschland) GmbH	Munich	Germany	EUR 32	100%	100%
Partners Group (France) SAS [1]	Paris	France	-	-	100%
Partners Group (Guernsey) Limited	St Peter Port	Guernsey	GBP 31'500	100%	100%
Partners Group (India) Private Limited	Mumbai	India	INR 29'615	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	Luxembourg	EUR 1'350	100%	100%
Partners Group (Shanghai) Co., Ltd.	Shanghai	China	CNY 12'363	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	Singapore	SGD 1'250	100%	100%
Partners Group (UK) Limited	London	UK	GBP 569	100%	100%
Partners Group (USA) Inc.	New York	USA	USD 75	100%	100%

[1] In 2019, Partners Group (France) SAS was merged into Partners Group (Deutschland) GmbH

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019	31 December 2018
Financing/treasury	Switzerland	1	1
Holding of land and property	Switzerland	1	-
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	4	4
Manager to investment vehicles	USA	4	3
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	6	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 2019 and 4 March 2020 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 2019 and 2018

19. Summary of significant accounting policies

19.1. Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest one hundred 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 certain assets and liabilities which are stated at fair value, such as 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 Risk & Audit Committee ("RAC") performed an assessment of the risks to which the Group is exposed to. The risk assessment covers, in particular, strategic and business risks, operational risks, financial risks (see note 5.4.) as well as reputational risks. For its assessment, the RAC has taken into consideration the internal control system designed to monitor and reduce the risks of the Group.

Some line items in the consolidated income statement and the consolidated balance sheet have been aggregated and/or re-presented and some note disclosures have been improved to make the information and disclosure more understandable. Comparative amounts have been re-presented accordingly.

19.2. Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2019 are consistent with those of the previous financial year, except where new or revised standards were adopted, as indicated below.

19.2.1. Standards, amendments and interpretations effective for the first time

The following standards have been applied for the first time:

IFRS 16, "Leases"

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

The accounting policies relating to leases are outlined in note 19.9.

As permitted by the transitional provisions of IFRS 16, the Group applied the modified retrospective approach. The cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of the respective line items as of 1 January 2019 with no impact on equity. Comparative information was not restated.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

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

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

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

[1)] Impact reflects an addition of current lease liabilities of CHF 11.3 million less a reversal of previously recognized accrued rent expense of CHF 4.1 million.

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

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

There were no uncommenced leases to which the Group was committed as per 31 December 2019.

As a lessor

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Amendments and interpretations

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

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

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 impacts 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 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
Revisions and amendments of standards and interpretations			
Amendments to References to Conceptual Framework in IFRS Standards	*	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	*	1 January 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	*	1 January 2020	Reporting year 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	*	1 January 2020	Reporting year 2020

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 upon consolidation.

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 gains or losses have 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 IFRS 9 "Financial Instruments" 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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 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 are translated at each balance sheet date to the functional currency at the foreign currency exchange rate of that date. Foreign exchange differences arising on translation of such foreign denominated monetary asset and liabilities 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 the functional currency at the applicable foreign currency exchange rate of the date the fair value is determined.

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from 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 the average rate of the period.

Resulting foreign currency translation differences are recognized in other comprehensive income, and presented in 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 translation reserves (related to the specific foreign operation) is reclassified to profit or loss as part of the gain or loss on disposal.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(d) Applied foreign currency exchange rates

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

Year	Currency	Balance sheet rate	Average rate
2019	EUR	1.0872	1.1124
	USD	0.9684	0.9937
	GBP	1.2827	1.2692
	SGD	0.7202	0.7286

Year	Currency	Balance sheet rate	Average rate
2018	EUR	1.1267	1.1548
	USD	0.9853	0.9785
	GBP	1.2559	1.3056
	SGD	0.7230	0.7253

19.6. Financial instruments

Recognition

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value 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.

For assets measured at fair value, gains and losses will be recorded in profit or loss. Investments in debt instruments will be measured at amortized cost if the objective of the business model is to hold and to collect contractual cash flows and contractual cash flows represent solely payments of principal and interest.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurements of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized on a net basis in profit or loss in the period in which it arises.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss.

- A financial liability is classified as at fair value through profit or loss if it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.
- Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Performance fees

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

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

On a quarterly basis, the Write-Down Test is applied to all private markets investment programs with a claw-back. The discount applied in the Write-Down Test may vary from investment program to investment program and considers specific risk characteristics, including macroeconomic, (geo-) political and investment program-specific risk factors. The discount applied in the Write-Down Test is regularly assessed by the Group and reviewed by the Board of Directors. As of 31 December 2019, the applied discount was 50% (31 December 2018: 50%).

Revenue deductions

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

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 operating income on short-term loans, true-up compensation on management and organizational fees.

19.9. Leases

Definition of a lease

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

As a lessee

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

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

The Group, as a lessee, identified leases mainly relating to rental contracts for its offices (including parking).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

As a lessor

The sub-lease contracts are classified as operating leases under IFRS 16.

19.10. Third-party services

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

19.11. 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.

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 and are measured at amortized cost. Bank overdrafts are shown in current liabilities of the consolidated balance sheet.

19.14. Trade and other receivables

Trade and other receivables are measured at amortized cost, less impairment losses.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

19.15. Assets and liabilities held for sale

The Group may seed invest capital into investment programs that the Group typically manages with the objective of providing initial scale and facilitating 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 that the Group is no longer deemed to have control under IFRS 10, will subsequently be re-classified to investments at fair value through profit or loss and presented as financial investments in the consolidated balance sheet.

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

(d) Contract costs

The Group may make payments in order to secure investment management revenue contracts. These amounts paid are considered a cost to obtain a contract and are amortized using the straight-line method which is consistent with the transfer to the customer of the services to which the asset relates. This is typically between three to five years.

(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
- Contract costs — 2–5 years
- Client contracts — 3–5 years
- Other intangible assets — 3–10 years

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

19.18. Investments

(a) Financial investments

Financial investments (see note 5.3.1.) are measured at fair value through profit or loss. 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.

(b) Loans

Loans 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 (short-term loan, see note 5.3.4.), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

19.19. Impairment of assets

(a) Financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.4.1. details the Group's credit risk assessment of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(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 2019 and 2018

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 upon 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 2019 and 2018

(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 allocate each year up to 40% of recognized performance fees via the Performance Fee Compensation Pool to a group of eligible employees.

A portion of the Performance Fee Compensation Pool is allocated via the MCP Allocation to the broader management team on the basis of discretionarily awarded grants. The recognition of the performance fee related compensation expenses usually occurs when the performance fees are sufficiently visible and recognized. The corresponding liability is recognized as employee benefit liabilities in the consolidated balance sheet (see note 4.5.). The part of the liability that is not expected to be settled wholly before twelve months after the end of the annual reporting period is considered in non-current liabilities.

The difference between the Performance Fee Compensation Pool and the MCP Allocation is allocated to a "Performance Fee Bonus Pool" which is distributed among the broader management teams based on their contribution to performance. The part of the Performance Fee Bonus Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period is recorded in non-current liabilities.

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

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 2019, 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 111 to 122) for the year ended 31 December 2019 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

KPMG

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	Christoph Hochuli Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8045 Zurich

Income statement of Partners Group Holding AG for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Dividend income	2.	1'161.1	449.2
Other finance income	3.	61.7	53.6
Other service income		1.1	4.6
Total income		**1'223.9**	**507.4**
Third party services		(3.0)	(2.1)
General and administrative expenses		(1.4)	(1.4)
Travel and representation expenses		(0.1)	(0.2)
Finance expense	4.	(99.3)	(77.5)
Profit before tax		**1'120.1**	**426.2**
Direct taxes		(0.0)	(0.0)
Profit for the period		**1'120.1**	**426.2**

Balance sheet of Partners Group Holding AG as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents		633.0	94.9
Other current receivables	5.	605.3	587.6
Accrued income	2.	900.0	0.0
Total current assets		**2'138.3**	**682.5**
Financial assets	6.	47.5	26.9
Participations	7.	2'524.8	1'833.4
Total non-current assets		**2'572.3**	**1'860.3**
Total assets		**4'710.6**	**2'542.8**
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		2'159.4	957.2
Other current liabilities	8.	4.4	5.5
Total current liabilities		**2'163.8**	**962.7**
Non-current interest-bearing liabilities	9.	800.0	300.0
Other non-current liabilities		0.6	0.1
Provisions	10.	4.0	3.0
Total non-current liabilities		**804.6**	**303.1**
Total liabilities		**2'968.4**	**1'265.8**
Equity			
Share capital		0.3	0.3
Legal capital reserves			
Legal reserves from capital contributions		0.2	0.2
Legal retained earnings			
Legal reserves		0.0	0.0
Voluntary retained earnings			
Results carried forward		834.5	993.9
Profit for the period		1'120.1	426.2
Treasury shares	11.	(212.9)	(143.6)
Total equity		**1'742.2**	**1'277.0**
Total liabilities and equity		**4'710.6**	**2'542.8**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

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. 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 7.).

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 historic price.

2. Dividend income

The Company has elected to recognize CHF 900 million of dividend income related to the 2019 financial year profit of its subsidiary Partners Group AG in 2019 (the year in which it was earned). As this dividend will not be paid until 2020, this amount has been recorded as accrued income.

3. Other finance income

In millions of Swiss francs	2019	2018
Interest income	7.2	2.7
Foreign exchange gains	44.3	29.6
Gain on treasury shares transactions	10.2	21.3
Total other finance income	**61.7**	**53.6**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

4. Finance expense

In millions of Swiss francs	2019	2018
Interest expense	(15.2)	(9.7)
Foreign exchange losses	(34.0)	(21.4)
Loss on treasury shares transactions	(47.6)	(45.4)
Other finance expense	(2.5)	(1.0)
Total finance expense	**(99.3)**	**(77.5)**

5. Other current receivables

In millions of Swiss francs	31 December 2019	31 December 2018
Third parties	0.3	5.8
Subsidiaries	605.0	581.8
Total other current receivables	**605.3**	**587.6**

6. Financial assets

In millions of Swiss francs	31 December 2019	31 December 2018
Loans to subsidiaries	47.5	26.9
Total financial assets	**47.5**	**26.9**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

7. Participations

		Ownership and voting interest	
	Domicile	31 December 2019	31 December 2018
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG in Liquidation	Switzerland	100%	100%
Partners Group Property AG	Switzerland	100%	0%
Partners Group (Deutschland) GmbH[1)]	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 Management IV S.à r.l.	Luxembourg	100%	0%
Partners Group Management V S.à r.l.	Luxembourg	100%	0%
Partners Group Management VI S.à r.l.	Luxembourg	100%	0%
Partners Group (France) SAS[2)]	France	0%	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 (Canada) Inc.	Canada	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%	100%
Partners Group (UK) Limited	UK	100%	100%
Partners Group (UK) Management Limited	UK	100%	100%
Partners Group Advisors (DIFC) Limited	UAE	100%	100%
Partners Group Private Markets (Australia) Pty. Ltd.	Australia	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 Cayman Management IV Limited	Cayman Islands	100%	100%

[1)] Effective from 11 February 2020, the legal name changed to Partners Group (EU) GmbH

[2)] In 2019, Partners Group (France) SAS was merged into Partners Group (Deutschland) GmbH

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

		Ownership and voting interest	
	Domicile	31 December 2019	31 December 2018
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%
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%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

8. Other current liabilities

In millions of Swiss francs	31 December 2019	31 December 2018
Accrued audit expenses	0.1	0.2
Other accrued expenses	3.9	4.9
Other liabilities	0.4	0.4
Total other current liabilities	**4.4**	**5.5**

9. Non-current interest-bearing liabilities

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

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

10. Provisions

In millions of Swiss francs	31 December 2019	31 December 2018
Provisions for compensation to board members		
Option grants	3.0	2.4
Management carry program	0.9	0.6
Social security expenses on management carry program	0.1	0.0
Total provisions	**4.0**	**3.0**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

11. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In millions of Swiss francs
Balance as of 1 January 2018	105'165	543.10	57.1
Purchase of treasury shares	807'304	710.53	573.6
Disposal of treasury shares	(704'664)	691.31	(487.1)
Balance as of 31 December 2018	**207'805**	**690.98**	**143.6**
Purchase of treasury shares	618'861	739.03	457.4
Disposal of treasury shares	(548'021)	708.15	(388.1)
Balance as of 31 December 2019	**278'645**	**763.93**	**212.9**

The Company has 1'560'494 (31 December 2018: 1'484'142) 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).

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

In Swiss francs	2019			2018		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
		In Swiss francs	In millions of Swiss francs		In Swiss francs	In millions of Swiss francs
Board of Directors						
Shares	115	732.00	0.1	337	668.50	0.2
Options	20'890	38.30	0.8	18'489	33.81	0.6
Executive Committee						
Shares	13'500	807.60	10.9	-	-	-

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

13. Commitments and contingent liabilities

In millions of Swiss francs	31 December 2019	31 December 2018
Guarantees for third parties	57.7	56.5
Guarantees for subsidiaries	865.0	430.0

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2019 (see note 5.4.3. of the consolidated financial statements):

- CHF 460 million (31 December 2018: CHF 400 million)
- CHF 375 million (31 December 2018: CHF 0.0)
- CHF 30 million (31 December 2018: CHF 30 million)

The amounts drawn by subsidiaries are guaranteed by the Company.

As of 31 December 2019 there are no amounts drawn (31 December 2018: CHF 0.0).

14. Shareholders above 5%

As of 31 December 2019, the Company had received notification of four significant shareholders whose voting rights exceed 5%.

	31 December 2019	31 December 2018
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock, Inc.	6.14%	6.14%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

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

Number of shares and options			31 December 2019
	Share ownership	Non-vested shares	Options
Board of Directors			
Steffen Meister, Executive Chairman	350'675	-	-
Dr. Eric Strutz, Vice Chairman	102	-	13'659
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	10'694
Alfred Gantner	2'673'659	-	-
Grace del Rosario-Castaño	102	-	12'226
Dr. Martin Strobel	580	-	4'570
Patrick Ward	-	-	25'206
Urs Wietlisbach	2'673'659	-	-
Total Board of Directors	**8'372'538**	**-**	**66'355**
Executive Committee			
André Frei, Co-Chief Executive Officer	49'383	3'096	32'820
David Layton, Co-Chief Executive Officer	2'916	3'746	24'500
Juri Jenkner	7'853	2'631	32'404
Andreas Knecht, Chief Operating Officer and General Counsel	7'061	2'198	34'400
Marlis Morin	17'203	1'035	-
Dr. Michael Studer	26'191	2'305	32'000
Total Executive Committee	**110'607**	**15'011**	**156'124**
Total	**8'483'145**	**15'011**	**222'479**

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

Number of shares and options			31 December 2018
	Share ownership	Non-vested shares	Options
Board of Directors			
Steffen Meister, Executive Chairman	350'675	-	-
Dr. Peter Wuffli, Vice Chairman	10'000	-	30'597
Dr. Charles Dallara	3'248	2'025	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	7'430
Alfred Gantner	2'673'659	-	-
Grace del Rosario-Castaño	102	-	8'962
Dr. Eric Strutz	102	-	11'661
Patrick Ward	-	-	18'025
Urs Wietlisbach	2'673'659	-	-
Total Board of Directors	**8'385'206**	**2'025**	**82'675**
Executive Committee			
André Frei, Co-Chief Executive Officer	50'271	112	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'993	112	2'500
Juri Jenkner	7'638	555	32'404
Andreas Knecht, Chief Operating Officer and General Counsel	4'109	592	37'100
David Layton	2'664	592	24'500
Marlis Morin	16'969	464	1'700
Dr. Michael Studer	26'735	472	32'400
Total Executive Committee	**647'379**	**2'899**	**163'424**
Total	**9'032'585**	**4'924**	**246'099**

16. 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 2019

In millions of Swiss francs	31 December 2019
Profit for the period	1'120.10
Results carried forward	834.52
Total voluntary retained earnings available for appropriation	**1'954.62**
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(680.85)
To be carried forward	**1'273.77**