H1 2019 at a glance - Financials

Financials

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

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

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

Key financials

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

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

H1 2019 at a glance - Financials

Management fees in line with AuM growth

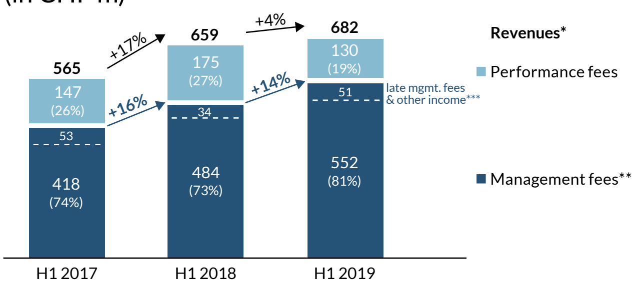
Management fees increased by 14% in H1 2019, amounting to CHF 552 million (H1 2018: CHF 484 million), in line with average AuM growth of 16%. The growth was also supported by late management fees and other income, which increased by 49% to CHF 51 million (H1 2018: CHF 34 million) and included income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

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

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

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

Revenues
(in CHF m)

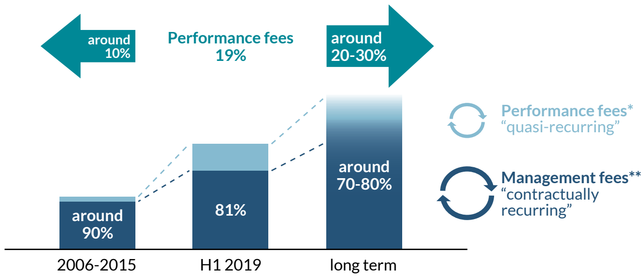


*Revenues include management fees and performance fees.
**Management fees include recurring management fees and other revenues, net, and other operating income.
***Late management fees and other income no longer include advisory services on select assets. Due to their recurring nature, the income stemming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

Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues in a calendar year and will be recurring based on long-term client contracts, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings. In H1 2019, management fees represented 81% of total revenues (H1 2018: 73%).

Management fees are contractually recurring

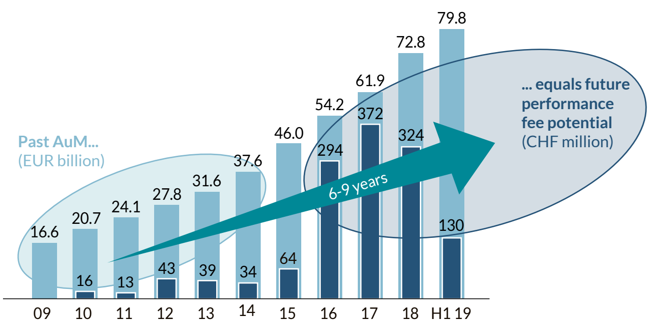


*Assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from underlying client portfolios due to the visibility that it has on the lifecycles of its programs.
**Management fees include recurring management fees and other revenues, net, and other operating income.

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

We currently manage over 300 diverse investment programs and mandates at different stages of their lifecycle. Most of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles. Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of investment vehicles going forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

Performance fee development



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

H1 2019 at a glance - Financials

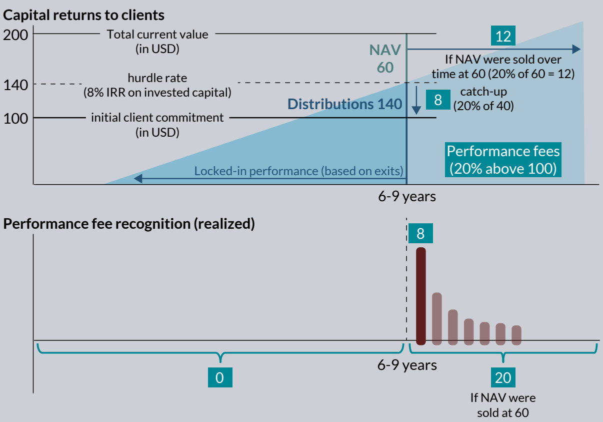
Performance fee mechanism

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

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

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

Performance fee recognition model



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

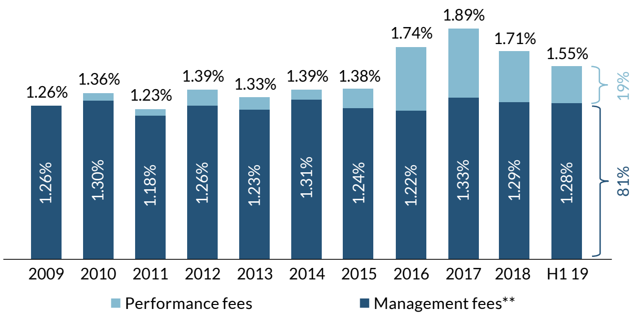
The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). The example assumes that the remaining NAV equals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

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

Continued stable revenue margin on management fees

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. In H1 2019, the management fee margin remained stable, amounting to 1.28% (full-year 2018: 1.29%). Total revenue margin, including performance fees, amounted to 1.55% (full-year 2018: 1.71%).

Stable management fee margin*



Note: (annualized) revenues divided by average AuM, calculated on a daily basis.
*Management fees (annualized) divided by AuM, calculated on a daily basis.
**Management fees include recurring management fees and other revenues, net, and other operating income.

H1 2019 at a glance - Financials

Platform build-out intensified; personnel expenses grew disproportionally

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

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

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

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

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

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

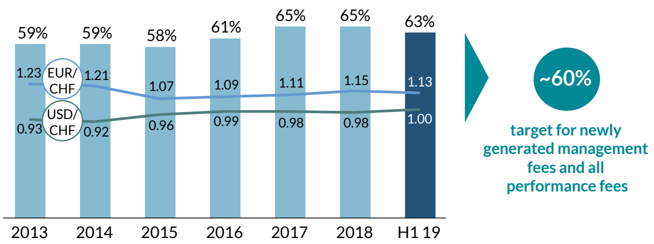
Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, and other operating income. Regular personnel expenses exclude performance fee-related costs.
*Calculated on a ~40% cost-income ratio on revenues stemming from performance fees.
**Reclassification of CHF 6 million of rent and lease contract costs as depreciation according to IFRS 16 in H1 2019.

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

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

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

EBIT margin development*



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

Continued diversification of AuM, revenues and cost base anticipated

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

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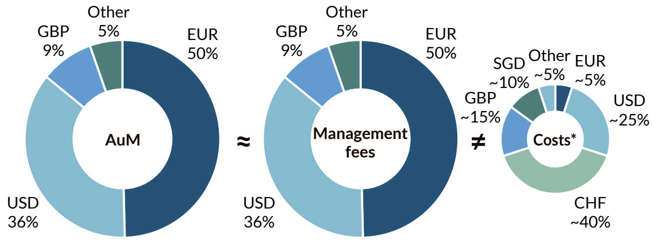
Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs, causing our total EBIT margin to deviate from its target on incremental revenues. In particular, management fees (typically representing 70-80% of our total revenues) and our recurring cost base are the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

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

Currency exposure in H1 2019



*Includes regular personnel expenses (excluding performance fee-related expenses) and other operating expenses.
Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, and other operating income.

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

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

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

Profit development (in CHF m)

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

Net liquidity of CHF 0.9 billion

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

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