H1 2018 at a glance - Investments

Investments

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

Investments in H1 2018

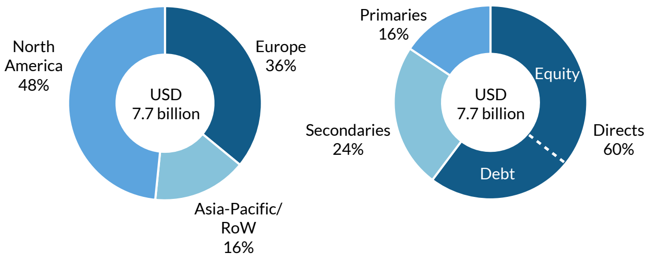
Record levels of dry powder combined with increasing competition persisted in H1 2018, keeping valuations at elevated levels across all private markets asset classes. In this challenging market environment, we continued to take a highly disciplined and prudent approach to investment and were able to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

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

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

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

Private markets investments during H1 2018 (based on volumes)

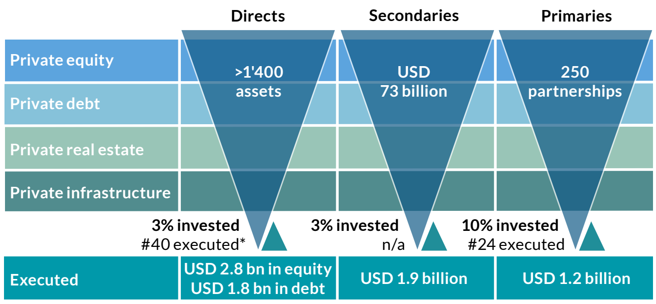


Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Highly selective approach to investment

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

Deal flow H1 2018



*USD 2.8 billion invested in 19 equity investments and USD 1.8 billion invested in 21 debt investments excluding liquid loans in the syndicated debt market.
Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

H1 2018 at a glance - Investments

Global megatrends

Digital transformation

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

New generation living & consumption

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

Energy revolution

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

Private markets investments[1]

Private equity

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

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

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

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

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

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

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

H1 2018 at a glance - Investments

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

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

Headquarter: Alkmaar, NL
Employees: > 2'600 (2017)
Revenues: EUR 385 million (2017)

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

Headquarter: Turin, IT
Employees: > 2'300 (2017)
Revenues: EUR 319 million (2017)

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

Private debt

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

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

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

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

H1 2018 at a glance - Investments

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

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

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

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

Grassroots Renewable Energy Platform

Private infrastructure

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

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

Private real estate

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

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

H1 2018 at a glance - Investments

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

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

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

Divestments in H1 2018

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

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

In March 2018, we successfully listed **Aiyingshi**, a leading retailer of maternity and baby products in China, on the Main Board of the Shanghai Stock Exchange (ticker: 603214). The IPO valued the Company at a total market capitalization of RMB 2 billion (USD 300 million). Following the listing, we continue to hold 19.2% of Aiyingshi's share capital on behalf of our clients. We have actively worked alongside the company's management team on value creation initiatives including store network expansion, store quality improvement, IT and logistics infrastructure upgrades and collaboration with international maternity, baby & child product brands. With our support, Aiyingshi has delivered 14% revenue CAGR and 26% EBITDA CAGR since our initial investment in 2015 and currently operates 190 stores and an e-commerce platform.

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

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

H1 2018 at a glance - Clients

Clients

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

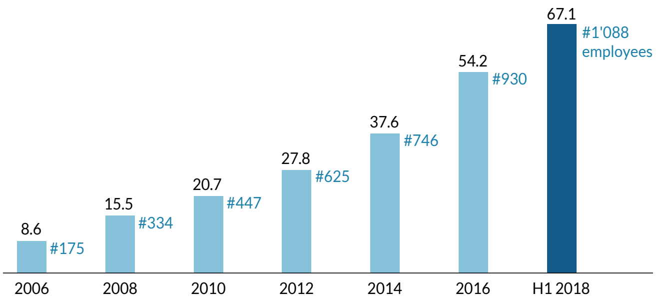
We see a broad cross-section of client types seeking to further build out their exposure to private markets. In H1 2018, our client demand was spread across more than two dozen individual programs and mandates, with many of our more sizable clients requesting the creation of bespoke private markets portfolios,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

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

AuM grew to over EUR 67 billion

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

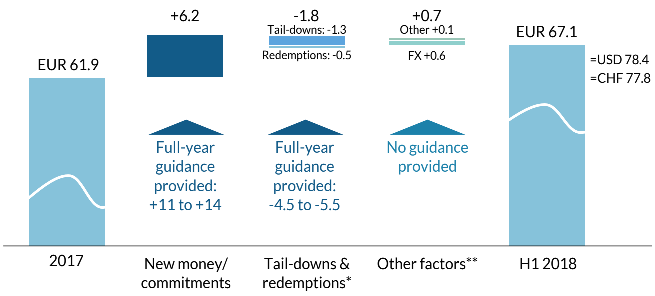
Total assets under management
(in EUR bn)



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

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

Total AuM
(in EUR bn)



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

H1 2018 at a glance - Clients

Client demand across all asset classes

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

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

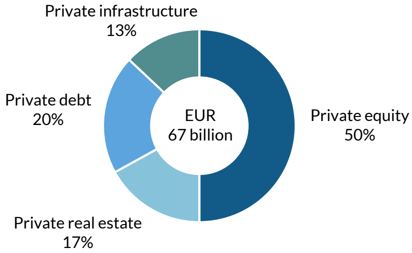
In H1 2018, **private real estate** demand represented 15% of all new commitments. During the period, we neared the end of fundraising for our most recent real estate secondary flagship program, which started fundraising in 2017. This program was the main contributor to H1 2018 real estate fundraising.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

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

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

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

AuM by asset class

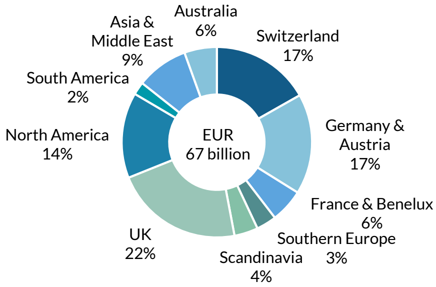


Client demand by region

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

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

AuM by region



H1 2018 at a glance - Clients

Client demand by type

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

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

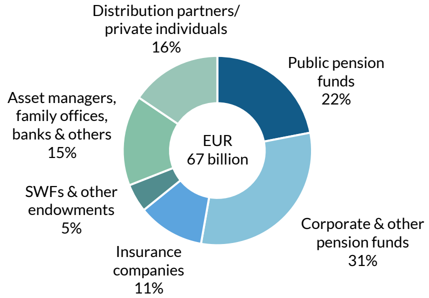
We saw continued demand from **distribution partners/private individuals**, which represented 12% of client demand in H1 2018 (16% of AuM). These types of investors increasingly recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their own investment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

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

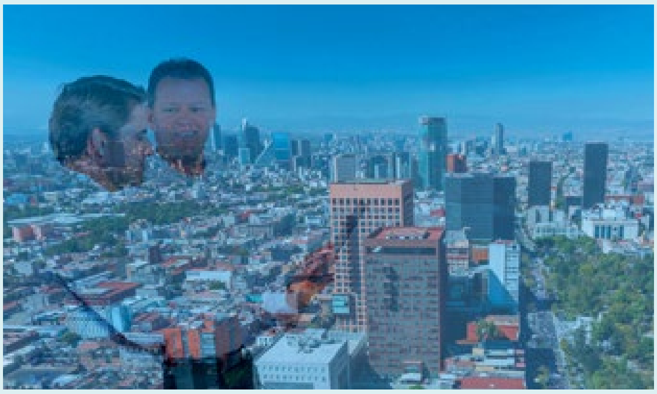
Sovereign wealth funds and **endowments** accounted for approximately 5% of total assets raised in H1 2018 (5% of AuM) and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios.

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

AuM by type



H1 2018 at a glance - Client outlook



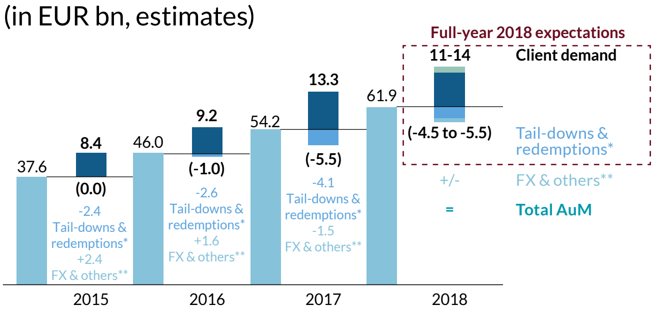
Client outlook

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

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

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

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



*Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (~20% of AuM).
**Others: consist of performance from select programs and other effects.
Note: negative effects (2014-2017) consist of both tail-downs & redemptions as well as FX & others.

H1 2018 at a glance - Financials

Financials

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

Sustained fundraising and realizations drive H1 financials

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

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

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

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

2 Late management fees occur in limited partnership structures, which often have a contractual life of 10-12 years. At the very beginning of this contractual life, these structures go through a fundraising period of 12-24 months. All clients who commit to open investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made. This is based on the fact that the firm has already commenced investment management services for these programs from the day of their initiation. Clients who join an investment program at a later stage of the fundraising period are required to pay retrospectively for these previously delivered management services. Any management fee payments relating to prior accounting years are called late management fees. A period in which older programs complete fundraising is more likely to lead to higher late management fees in the same period.

Key financials

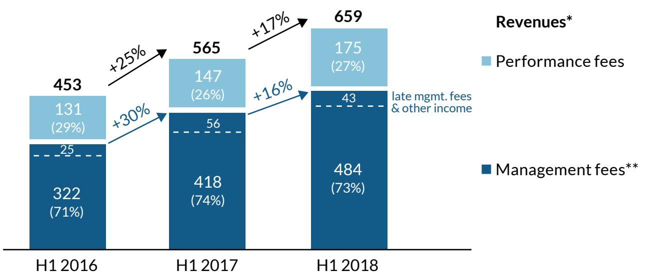
	H1 2017	H1 2018	Growth
AuM as of the end of the period (in EUR bn)	57.8	67.1	+16%
AuM as of the end of the period (in CHF bn)	63.1	77.8	+23%
Revenues (in CHF m)[1]	565	659	+17%
Management fees (in CHF m)[2]	*418*	*484*	*+16%*
Performance fees (in CHF m)	*147*	*175*	*+19%*
Management fees as a proportion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

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

H1 2018 at a glance - Financials

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

Revenues
(in CHF m)



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

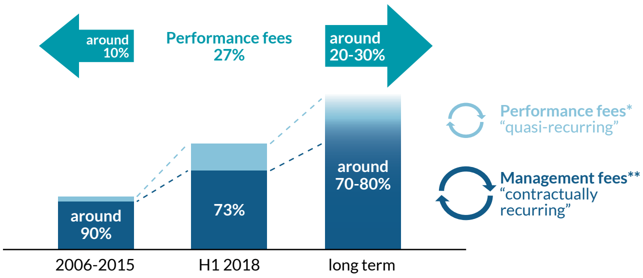
Management fees will continue to be the main source of revenues

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

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

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

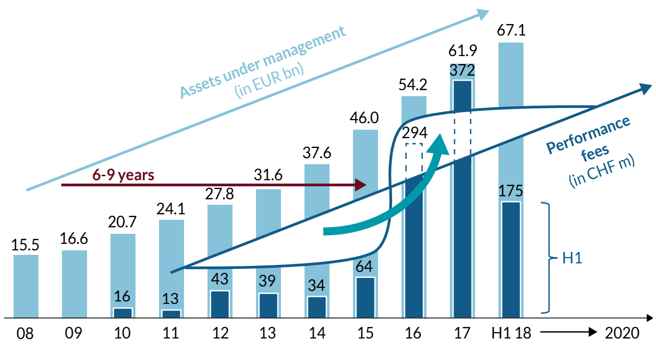
Management fees are contractually recurring



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

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

Solid performance fee contribution in H1 2018



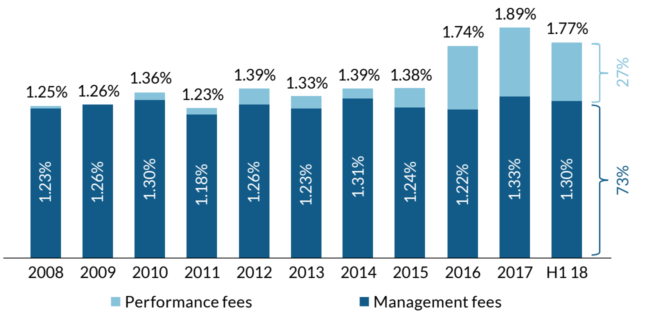
Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the life cycles of its programs.

H1 2018 at a glance - Financials

Stable revenue margin on management fees and total revenues

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

Stable management fee margin



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

Performance fee mechanism

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

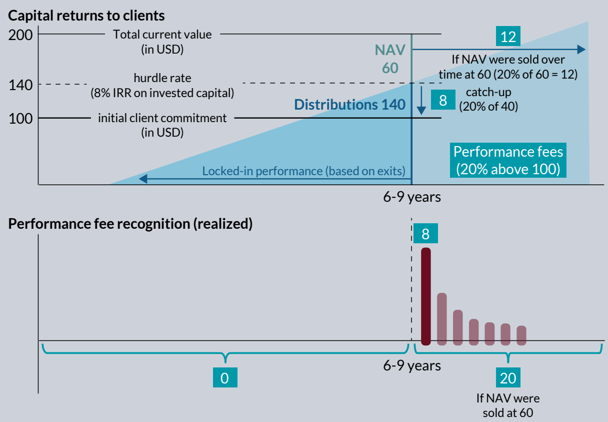
The chart on the right shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

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

The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). The example assumes that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 (60 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 value - 100 initial commitment = 100 value gain, then 100 value gain x 20% performance fees).

Performance fee recognition model



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

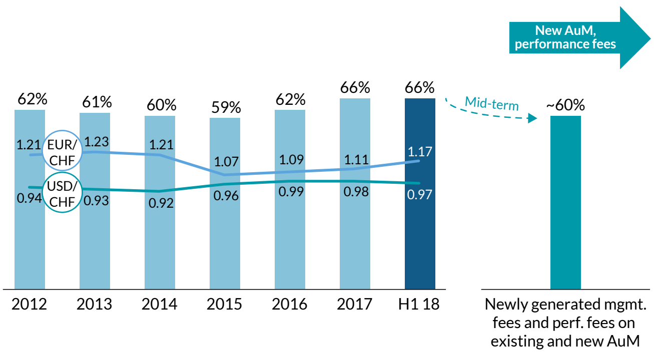
H1 2018 at a glance - Financials

EBITDA margin remains above ~60% target

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

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

EBITDA margin development and outlook



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

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

Costs grew in line with revenues (in CHF m)

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

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

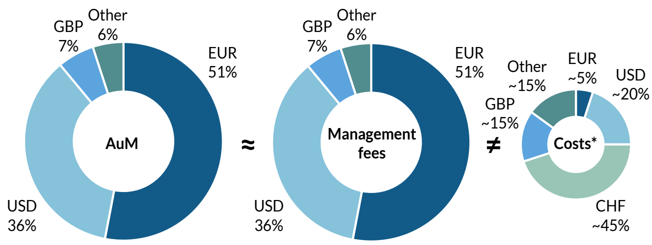
The allocation of revenues stemming from performance fees to our professionals through our long-term compensation programs was in line with our target EBITDA margin of ~60%, i.e. we allocate ~40% of performance fees to our teams and ~60% remain with the firm and its shareholders.

Continued diversification of AuM, revenues and cost base anticipated

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

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

Currency exposure in H1 2018



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

H1 2018 at a glance - Financials

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

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

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

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

Profit development
(in CHF m)

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

Net liquidity of CHF 1 billion

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