



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PRINCESS PRIVATE EQUITY HOLDING LIMITED

## INTERIM REPORT 2018

For the period from 1 January 2018 to 31 March 2018



## Princess Private Equity Holding Limited

Princess Private Equity Holding Limited ("Princess" or the "Company") is an investment holding company domiciled in Guernsey that invests in private equity and private debt. The Company, advised by Partners Group, mainly invests directly but also holds primary and secondary fund investments.

Princess aims to provide Shareholders with long-term capital growth as well as an attractive dividend yield. The shares are traded on the Main Market of the London Stock Exchange.

This document is not intended to be an investment advertisement or sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the product described herein. This report was prepared using financial information contained in the Company's books and records as of the reporting date. This information is believed to be accurate but has not been audited, reviewed or approved by any third party. This report describes past performance, which may not be indicative of future results. The Company does not accept any liability for actions taken on the basis of the information provided. Please consult the constituent documents for a more complete description of the terms.

Cover image is for illustrative purposes only.

## Key figures

In EUR	31 December 2017	31 March 2018
Total fund size	742'045'291	<b>755'714'094</b>
NAV per share	10.73	<b>10.93</b>
Total dividend per share	0.56	<b>0.00</b>
Share price	10.58	<b>10.05</b>
Discount	-1.4%	<b>-8.0%</b>
Cash and cash equivalents	97'415'855	<b>134'503'346</b>
Credit line used	0	<b>0</b>
Value of investments	653'584'982	<b>622'170'580</b>
Unfunded commitments	119'213'044	<b>118'877'605</b>
Investment level	88.1%	<b>82.3%</b>
Net current assets	88'460'309	<b>133'543'513</b>
Over-commitment ratio	4.1%	<b>-1.9%</b>
Over-commitment ratio incl. credit line	-2.6%	<b>-8.6%</b>

Past performance is not indicative of future results. There is no assurance that similar investments will be made nor that similar results will be achieved.

Net current assets: as per reporting date, calculated based on net asset value less total investments at fair value through profit or loss.

Over-commitment ratio incl. credit line: as per reporting date, calculated as unfunded commitments less (i) net current assets and (ii) undrawn credit facility, all divided by net asset value.

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# 1. Investment Advisor's report

## NAV up by 1.8% in the first quarter of 2018

The net asset value ("NAV") of Princess Private Equity Holding Limited ("Princess") started the year positively and closed the first quarter at EUR 10.93 per share, an increase of 1.8% in the first three months of the year.

Overall revaluations at portfolio level over the first quarter amounted to 2.9% of NAV while currency movements were slightly negative (-0.4%). The largest contributors to Princess' NAV growth were the investments in Action, Permotio and KinderCare Education:

### ● ACTION

Action, the leading non-food discount retailer in Europe, published strong financial results, reporting substantial organic growth on a year-on-year basis. Revenues of the Dutch headquartered discount retailer rose by 28% and EBITDA by 25% for the year to 31 December 2017. The figures were supported by a combination of like-for-like growth across existing stores and Action's ongoing international expansion. The company added another 243 stores across seven countries during 2017, closing the year with 1'095 stores. In March, Princess received a distribution of EUR 8.2 million following a successful refinancing at Action.

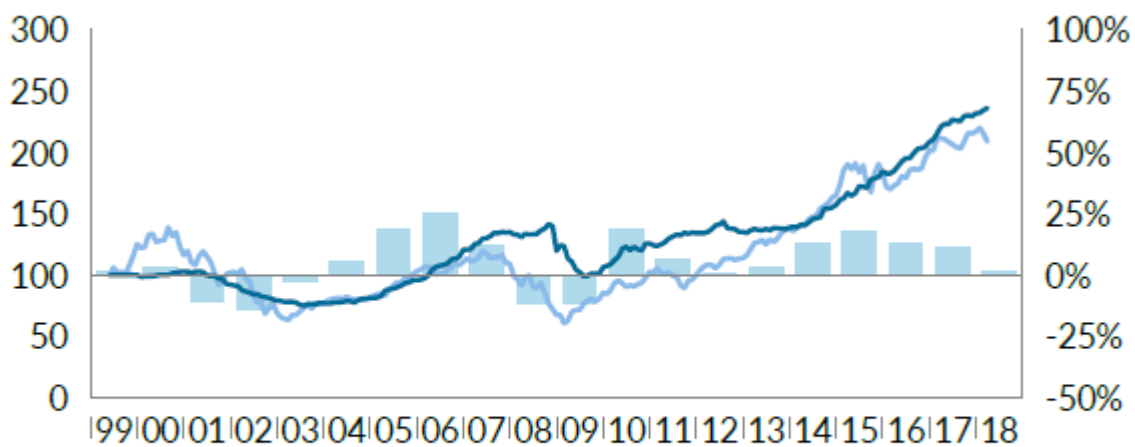
### ● PERMOTIO

Permotio was formed in 2013 to create a leading international private schools group through a "buy & build" strategy, in conjunction with a proven management team. The company has since built a platform of 27 schools across eight countries and management continues to work on a pipeline of potential acquisitions of new schools / groups across Europe, the Americas and the Gulf. Permotio generated EBITDA growth of 40.9% during 2017, including the contribution from newly acquired schools and organic growth in student enrollment and fees.

### ● KINDERCARE EDUCATION

KinderCare Education, the largest private early education provider in the US, was positively revalued on the back of continued healthy financial performance. Revenue for the twelve months ended 31 January 2018 increased year on year, driven by higher same-center full time equivalent utilization rates and increased tuition fees. Meanwhile, adjusted EBITDA grew 15.2% over the same period on the back of higher same-center revenue growth and lower fringe benefits, operating and administrative expenses.

## NAV PERFORMANCE (SINCE INCEPTION)\*



■ Princess ■ MSCI World TR ■ Performance (RHS)

\* As per reporting date. The Princess performance is calculated on a total return basis.

## Distribution activity (first three months)

Investment	Exit (full or partial)	Strategy	Amount (EUR million)
Trimco International	Full	Equity	19.4
VAT Group AG	Full	Equity	12.4
Action	Partial	Equity	8.2
Black Knight Financial Services	Partial	Equity	2.9
Varsity Brands	Partial	Equity	2.7
Legacy fund portfolio			9.1
Other			5.7
<b>Total distributions for Q1 2018</b>			<b>60.4</b>

## Distribution activity

Overall distribution proceeds to Princess from exited investments totaled EUR 60.4 million for the first quarter of 2018. EUR 51.3 million stemmed from direct investments with the balance of EUR 9.1 million from Princess' legacy fund portfolio, which continues to generate a high volume of exits from mature underlying portfolio companies.

The largest distributions from the direct portfolio over the first quarter were from Trimco International and VAT Group AG:

### ● TRIMCO INTERNATIONAL

In March, Princess received distributions of EUR 19.4 million from the sale of Trimco International, a leading Asia-headquartered supplier of a full range of garment labels, tags and trimming products, to Affinity Equity Partners. The transaction valued the company at an enterprise value of USD 520 million, generating a 3.4x return on invested capital. Partners Group acquired Trimco in May 2012, attracted by its compelling cash flow generation profile and its decade-long relationships with some of the most prominent apparel brands and retailers. Over the course of Partners Group's ownership, Trimco evolved from an Asia-centric manufacturing specialist into a global leader, via organic growth and targeted add-on acquisitions.

### ● VAT GROUP AG

In January, Princess received EUR 12.4 million of proceeds from the sale of its remaining shares in VAT Group AG (VAT), following the company's listing on the SIX Swiss Stock Exchange in April 2016. After four years of ownership, the investment generated a multiple of 6.0x on invested capital and an IRR of 74%. Having acquired the company in February 2014, Partners Group implemented a range of value creation initiatives to strengthen VAT's organizational, process and financial capabilities.

## Investment activity (first three months)

Investment	Strategy	Amount (EUR million)
SHL	Equity	6.3
Trimco International	Equity	5.7
Liquid senior loans	Debt	6.4
Other		1.1
<b>Total investments for Q1 2018</b>		<b>19.5</b>

## Investment activity

During the first three months of the year, Princess invested a total of EUR 19.5 million. EUR 6.3 million was invested in SHL, while EUR 5.7 million was re-invested in Trimco. Princess also invested EUR 6.4 million in liquid senior loans for liquidity management purposes.

The largest new investment this quarter was:

### ● SHL

In March, Princess invested EUR 6.3 million in SHL, a leading global psychometric testing provider, alongside investment partner Exponent Private Equity Partner. SHL currently serves around 10'000 customers in 150 countries, mainly consisting of large, global multinational corporations diversified across various industries. SHL is considered an attractive investment opportunity given the growing global talent assessment market, underpinned by tailwinds such as the increasing acceptance of the scientific linkage between assessment results and future job performance, and a drive from corporations to reduce the cost and time to hire and retain employees.

## Share price development

Against a backdrop of volatile equity markets, Princess' share price developed negatively over the reporting period, closing at EUR 10.05 per share. This represents a total return of -5.0% for the first quarter of 2018.

## Liquidity and unfunded commitments

During the first three months of 2018, Princess' net liquidity position increased to EUR 133.5 million driven by a strong period of realizations. The Company's EUR 50 million revolving credit facility remained undrawn as of period end.

Total unfunded commitments at 31 March 2018 amounted to EUR 118.9 million. EUR 82.5 million of commitments related to Partners Group's direct investment programs, while commitments to third party funds amounted to EUR 36.4 million (predominantly pre-crisis vintages which, in the Investment Advisor's view, are unlikely to be called in full). In line with the strategy to focus on direct investments, no new third party fund commitments are envisaged at this time.

## Outlook

The Investment Advisor continues to see quality assets trade for near-record multiples, driven by high volumes of private equity "dry powder" and increasing competition from new market entrants.

In this environment, the importance of proactive sourcing increases and the Investment Advisor's focus remains on the identification of companies which offer the potential for value creation. Such value creation is anticipated to be the key driver of investment returns and may stem from operational improvements or the successful execution of so-called platform strategies with potential to build resilient market leaders at a reasonable price through M&A.

While the environment for new investments remains challenging, it is easier for managers with mature portfolios and assets to sell. Further realizations are expected during the remainder of the year, both from direct holdings and Princess' mature legacy fund portfolio. The exit environment for private equity remains supportive, which should underpin further realizations from Princess' mature portfolio.

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## 2. Market overview

### Macroeconomic activity

The global economy entered 2018 with positive momentum, with nearly all regions experiencing positive growth rates. The first quarter saw a mild softening of economic activity with overall growth remaining robust. Talk on trade barriers intensified as US president Donald Trump introduced tariffs on solar panels, washing machines, steel and aluminum, and mentioned potential further trade barriers to reduce the US' material trade deficit with China.

In the US, employment continued to pick up and capital expenditure is rebounding after a sluggish post-recession recovery. Spending and consumer confidence eased somewhat but consumption is expected to remain solid in the foreseeable future. The tax reforms should further support GDP growth in the near term, prolonging the business cycle despite its advanced stage. Inflation picked up towards quarter-end and exceeded the Federal Reserve's 2% target. The new Fed Chairman, Jerome Powell, is building upon the Fed's gradual reversal of highly loose monetary policy conditions, with a slightly more hawkish stance.

Growth across the Eurozone eased somewhat during the quarter. The slowdown was particularly visible in the retreating Purchasing Manager Index in the manufacturing space. However, despite the drop, the index remained in expansionary territory and points towards further growth momentum. The European Central Bank continues to taper monthly asset purchases and remains on track to terminate purchases altogether before year-end, with rates on hold into 2019. On the policy side, Italian elections were indecisive as expected. Anti-establishment and European Union-critical parties gained support. Meanwhile, the lack of majority in elections implies political uncertainty and most likely an unstable future government composition. Brexit negotiations progressed and a transition period was agreed for the 21 months after Brexit until the end of 2020, during which all EU laws will continue to apply in the UK and the UK will continue to have free access to the single market. This should give businesses and consumers some comfort of a continuation of the status quo trade relations and regulations in the near term.

Most Asian economies continue their expansion, mostly driven by domestic demand but also supported by the global growth momentum. Monetary policy remains largely supportive. Trade barriers would adversely affect growth prospects.

### Private equity buyout activity

Global private equity buyout activity for the first quarter of 2018 registered a volume of USD 115.5 billion, representing an 89.8% increase compared to the first quarter of 2017. Meanwhile, the number of transactions decreased 5.5% to 1'023, according to Preqin. Large-cap and upper mid-market investments with a transaction volume of more than USD 1 billion led buyout activity, accounting for 81.3% of aggregate deal value.

North America continued to dominate global buyout activity with 65.8% of aggregate deal value, compared to 47.1% for the first quarter of 2017. At USD 76.1 billion, aggregate deal value was more than three times that of the first three months of 2017. The number of investments rose by 12.7% to 603. The largest transaction announced in the region was the USD 21 billion takeover of Dr Pepper Snapple Group, an American soft drink company, by JAB Holding's investment firm Keurig Green Mountain.

Private equity buyout activity in Europe was reported at USD 31.6 billion for the first quarter of 2018, exceeding last year's first quarter aggregate deal value by 57.2%. Of the 324 transactions announced in the region, the largest was the EUR 10.1 billion (USD 12.5 billion) buyout of Akzo Nobel's specialty chemicals business by private equity firm The Carlyle Group and Singapore's sovereign wealth fund GIC.

Asia recorded USD 5.2 billion in aggregate deal value, accounting for 4.5% of the global total, across 50 transactions. While the number of transactions remained stable (45 transactions during the first quarter of 2017), aggregate deal value was significantly below the USD 7.0 billion reported in the first quarter of 2017. The largest in the region was the INR 111.0 billion (USD 1.7 billion) share purchase in HDFC, an Indian housing development finance company, by a consortium including Singapore's sovereign wealth fund GIC and private equity investor KKR.

### Private equity exit activity

During the first quarter of 2018, global private equity aggregate exit value was USD 52.3 billion across 354 transactions, representing year on year increase of 9.1% and decrease of 10.2%, respectively, according to Preqin. The most prevalent exit strategy was trade sales, which accounted for 57.5% of aggregate exit value.



North America continued to contribute the largest share to global private equity exit activity with an aggregate exit value of USD 32.3 billion across 174 transactions. The largest exit in the region and globally was the USD 7.9 billion sale of natural pet food company Blue Buffalo to US food conglomerate General Mills.

Europe reported 138 transactions with an aggregate value of USD 15.8 billion during the first quarter of 2018. The largest exit in the region was 3i Group's sale of Scandlines, a Germany-based ferry operator, to First State Investments and Hermes Investment Management in a transaction valuing the business at EUR 1.7 billion (USD 2.1 billion).

Asia reported USD 2.5 billion in aggregate exit value across 24 transactions during the first quarter of 2018.

### IPO activity

The first quarter of 2018 recorded the highest level of global IPO activity of any first quarter since 2007. Mainly driven by larger transactions, IPO proceeds amounted to USD 42.8 billion, representing a 28% increase compared to the first quarter 2017, according to Ernst and Young. In February, the spike in volatility slowed IPO activity in many markets and the number of global IPOs decreased by 27% compared to the first three months of 2017. The Asia-Pacific region continued to dominate global IPO activity in terms of deal count, while the EMEIA region recorded the strongest deal volume, supported by megadeals.

IPO activity in the US for the first quarter of 2018 increased year on year in terms of proceeds (+17%) and deal count (+44%) to USD 12.8 billion across 36 transactions. Five of the ten largest IPOs were on US exchanges and the largest was the USD 1.5 billion listing of security technology company ADT on the NYSE.

IPO activity in the EMEIA (Europe, Middle East, India and Africa) region significantly exceeded the first quarter activity of the last two years in terms of proceeds. In total, stock exchanges in the region recorded USD 16.0 billion in capital raised across 86 transactions, representing a year-on-year increase in proceeds of 191% and a year-on-year decline in IPO count of 17%. The USD 5.2 billion listing of medical technology company Siemens Healthineers on the Deutsche Börse was the largest IPO in the region by proceeds.

Asia-Pacific remained the world's busiest region for new listings during the first quarter of 2018. Despite a decrease in deal count and proceeds, the region witnessed the highest number of IPOs with 157 transactions. Meanwhile, capital raised dropped 26% year on year to USD 11.4 billion due to

greater regulatory scrutiny for IPOs on Mainland China and a slowdown in many markets within the region. The largest IPO in the region was the USD 0.9 billion listing of Bank of Gansu, a bank focused on services for private clients as well as small and medium businesses.

### Fundraising activity

Private equity fundraising activity during the first quarter of 2018 came in at USD 80.4 billion, significantly below the capital raised in the first quarter in 2017 (USD 120.4 billion) and in 2016 (USD 109.1 billion), according to Preqin. In line with the decrease in capital raised, the number of funds that held their final closing shrunk from 295 during the first quarter of 2017 to 180 in the first quarter of 2018.

North America-focused funds raised USD 31.7 billion across 97 funds. The largest fund that held its final closing during the first quarter of 2018 was American Securities Partners VIII with a fund size of USD 7.0 billion.

European-focused funds raised USD 42.9 billion across 38 funds, contributing 53.4% of aggregate capital raised in the first quarter of 2018. The largest fund that held its final closing was EQT VIII, with a fund size of EUR 10.8 billion (USD 13.4 billion).

Funds focused on Asia reported USD 4.5 billion in investor demand. The largest fund out of the 32 that held its final closing during the period and target investments in the region was HarbourVest International Private Equity Partners VIII, a fund of fund with a size of USD 1.7 billion.

### Outlook

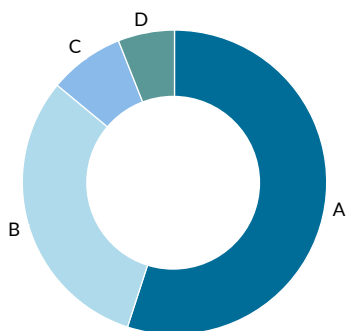
Partners Group's base case assumption of modest global real GDP growth over a five-year horizon and gently rising inflation in parts of the world still holds true. Partners Group acknowledges the advanced stage of the US business cycle, rising rates and the threat from trade wars to growth. While Partners Group does not project a more material correction of capital markets in the near future, higher rates are likely to temper rich equity valuations. Partners Group maintains its cautious investment outlook and continues to seek defensive assets that benefit from structural and transformative trends, and that can be developed further through value-creation initiatives.

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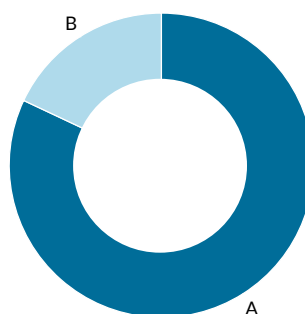
Sources: Preqin "Q1 2018 Buyout Deals and Exits"; Preqin "Private Capital Fundraising Update"; Ernst & Young "Global IPO trends: Q1 2018"; Partners Group Research

### 3. Portfolio composition



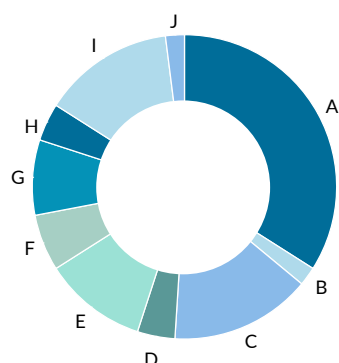
Investments by regional focus

<b>A</b> Europe	55%	<b>C</b> Rest of World	8%
<b>B</b> North America	31%	<b>D</b> Asia-Pacific	6%



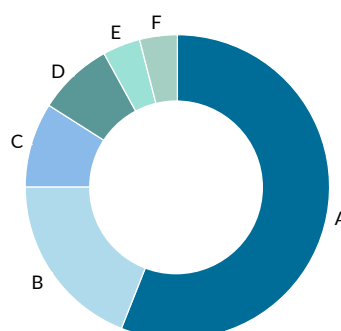
Investments by transaction type

<b>A</b> Direct	82%	<b>B</b> Primary	18%
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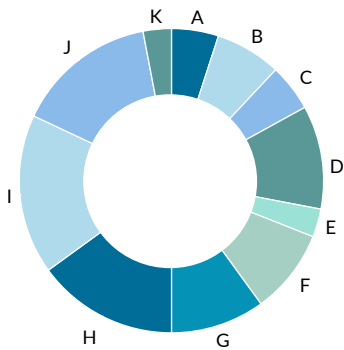
Portfolio assets by industry sector

<b>A</b> Consumer discr.	34%	<b>F</b> Materials	6%
<b>B</b> Utilities	2%	<b>G</b> Consumer staples	8%
<b>C</b> IT	15%	<b>H</b> Industrial	4%
<b>D</b> Energy	4%	<b>I</b> Healthcare	14%
<b>E</b> Financial	11%	<b>J</b> Telecom	2%



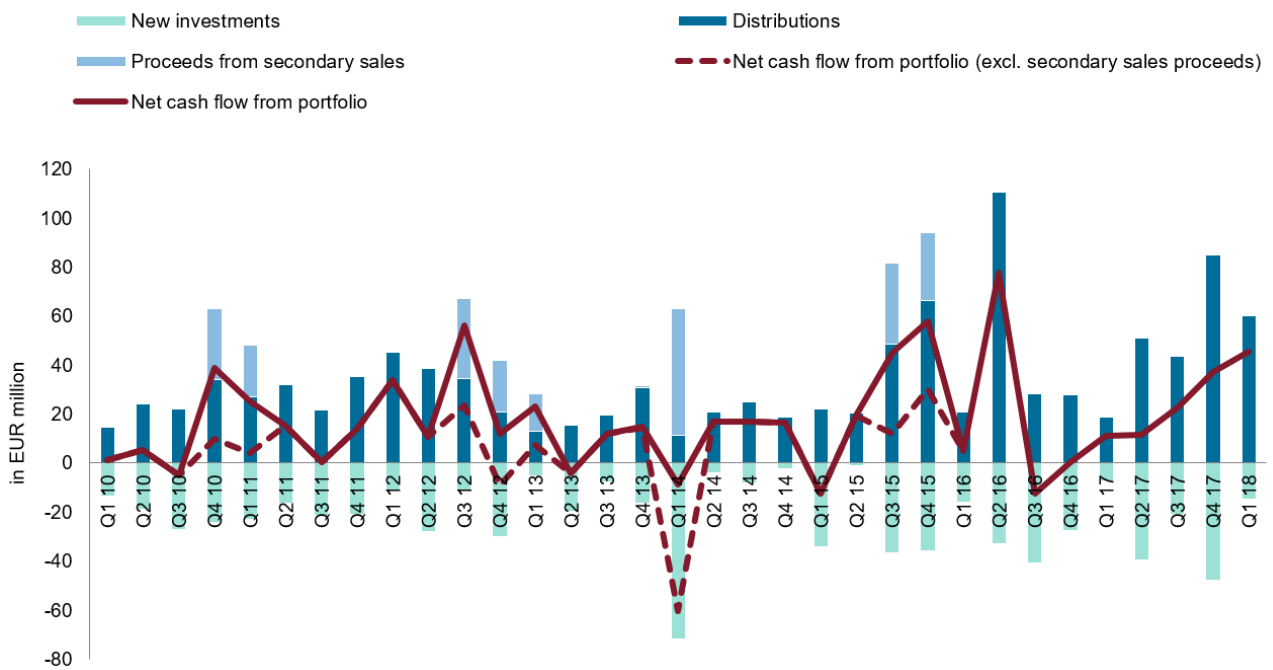
Investments by financing category

<b>A</b> Small/Mid-cap	56%	<b>D</b> Growth	8%
<b>B</b> Special situations	19%	<b>E</b> Mezzanine	4%
<b>C</b> Large/mega-large-cap	9%	<b>F</b> Venture capital	4%

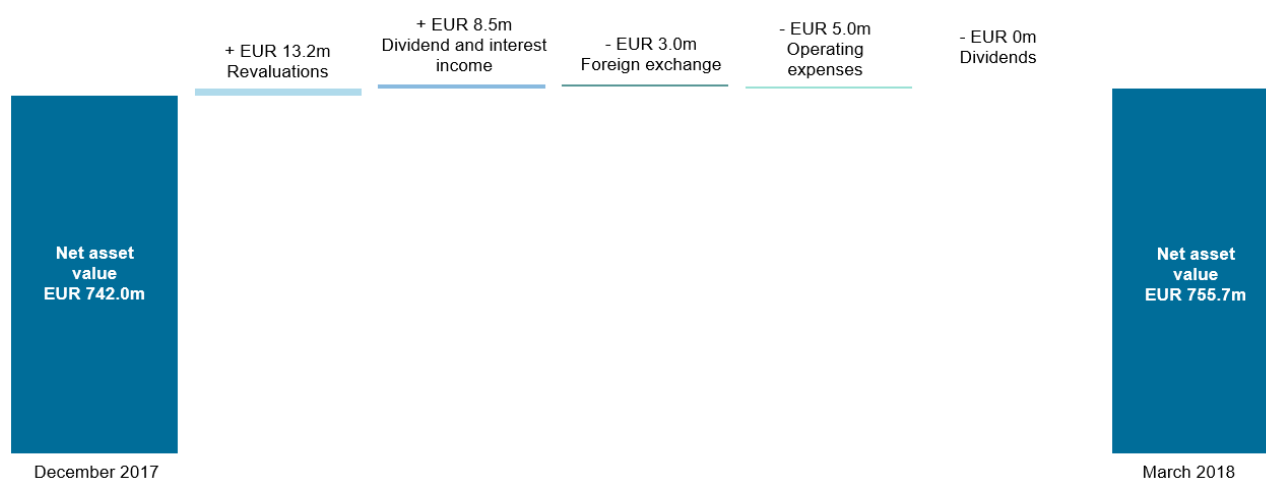


Investments by investment year

<b>A</b>	Pre 2007	5%	<b>G</b>	2014	10%
<b>B</b>	2007	7%	<b>H</b>	2015	15%
<b>C</b>	2008	5%	<b>I</b>	2016	17%
<b>D</b>	2011	11%	<b>J</b>	2017	15%
<b>E</b>	2012	3%	<b>K</b>	2018	3%
<b>F</b>	2013	9%			



DEVELOPMENT OF NET CASH FLOWS



## NAV DEVELOPMENT

	Top 10	Top 20	Full sample
EV/EBITDA	13.4x	13.1x	12.6x
Net debt/EBITDA	5.2x	5.3x	5.0x
Leverage	40.4%	42.5%	41.9%
Weighted average EV	EUR 3.2bn	EUR 2.7bn	EUR 2.5bn

## VALUATION METRICS OF DIRECT EQUITY COMPANIES

Asset allocation as per the reporting date; the portfolio composition may change over time.

As per the reporting date and based on available information. Weighted average figures for a sample of direct equity investments based on available information. Valuation metrics include all direct equity investments valued based on EV/EBITDA (sample represents 41 companies; 57.1% of NAV).

The above allocations are provided for additional investor information only and do not necessarily constitute nor are necessarily managed as separate reportable segments by the Investment Manager, the Investment Advisor and Company.

Within section four, "Investments" refers to the value of the investments. The total of the investment portfolio excludes cash and cash equivalents.

## 4. Portfolio overview

Fifty largest direct investments (in EUR)

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception		% of NAV
					Residual cost	Net asset value	
<b>Action</b>	Consumer discretionary	WEU	Small/Mid-cap	2011	0	57'286'452	7.6%
<b>Permotio International Learning SarL</b>	Consumer discretionary	WEU	Growth	2013	30'966'504	43'438'841	5.7%
<b>Form Technologies</b>	Materials	NAM	Small/Mid-cap	2015	21'751'655	33'926'534	4.5%
<b>Foncia</b>	Financials	WEU	Small/Mid-cap	2016	19'469'878	24'344'508	3.2%
<b>KinderCare Education</b>	Consumer discretionary	NAM	Small/Mid-cap	2015	8'703'382	23'905'003	3.2%
<b>Fermaca</b>	Energy	ROW	Special situations	2014	11'866'463	19'532'001	2.6%
<b>IDEMIA</b>	Information technology	WEU	Large/mega-large-cap	2017	16'957'078	16'534'817	2.2%
<b>Hofmann Menue Manufaktur</b>	Consumer staples	WEU	Small/Mid-cap	2013	5'146'706	16'444'863	2.2%
<b>Global Blue</b>	Financials	WEU	Small/Mid-cap	2012	834'111	14'424'667	1.9%
<b>MultiPlan, Inc. (2016)</b>	Healthcare	NAM	Large/mega-large-cap	2016	4'250'754	12'614'228	1.7%
<b>Vermaat</b>	Consumer discretionary	WEU	Small/Mid-cap	2015	7'918'968	11'904'264	1.6%
<b>Civica</b>	Information technology	WEU	Small/Mid-cap	2013	11'504'476	11'504'476	1.5%
<b>Caffe Nero</b>	Consumer staples	WEU	Mezzanine	2013	7'663'232	n.a.	n.a.
<b>United States Infrastructure Corporation</b>	Utilities	NAM	Small/Mid-cap	2017	10'692'002	10'692'002	1.4%
<b>CPA Global</b>	Information technology	WEU	Large/mega-large-cap	2017	10'268'179	10'268'179	1.4%
<b>Pharmaceutical developer</b>	Healthcare	WEU	Small/Mid-cap	2013	9'631'522	10'105'087	1.3%
<b>Cerba HealthCare</b>	Healthcare	WEU	Small/Mid-cap	2017	9'735'848	9'735'849	1.3%
<b>PCI Pharma Services</b>	Healthcare	NAM	Small/Mid-cap	2016	9'477'727	9'616'440	1.3%
<b>Partners Group Pacific Holdings</b>	Consumer staples	NAM	Small/Mid-cap	2015	5'704'247	9'509'309	1.3%
<b>Guardian Early Learning Group</b>	Consumer discretionary	APC	Small/Mid-cap	2016	7'541'430	8'715'436	1.2%
<b>Voyage Care</b>	Healthcare	WEU	Small/Mid-cap	2014	7'935'175	7'141'657	0.9%
<b>STADA Arzneimittel AG</b>	Healthcare	WEU	Large/mega-large-cap	2017	6'225'411	6'599'282	0.9%
<b>Springer Science+Business Media</b>	Consumer discretionary	WEU	Special situations	2010	6'270'688	n.a.	n.a.
<b>Curvature (fka Systems Maintenance Services)</b>	Information technology	NAM	Small/Mid-cap	2016	9'559'632	6'304'354	0.8%
<b>SHL</b>	Information technology	WEU	Small/Mid-cap	2018	6'302'951	6'302'951	0.8%
<b>Trimco International Holdings Ltd</b>	Industrials	APC	Small/Mid-cap	2012	5'649'970	5'649'970	0.7%
<b>S. TOUS, S.L.</b>	Consumer discretionary	WEU	Small/Mid-cap	2015	3'959'816	5'269'521	0.7%
<b>Logoplaste</b>	Materials	WEU	Special situations	2016	4'801'196	n.a.	n.a.

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception		
					Residual cost	Net asset value	% of NAV
<b>Hortifruti</b>	Consumer staples	ROW	Small/Mid-cap	2016	5'210'435	5'216'583	0.7%
<b>Varsity Brands</b>	Consumer discretionary	NAM	Small/Mid-cap	2014	0	5'094'547	0.7%
<b>Prosol</b>	Consumer staples	WEU	Special situations	2017	4'812'843	4'996'229	0.7%
<b>CSS Corporate Technologies</b>	Telecommunication services	APC	Small/Mid-cap	2013	n.a.	n.a.	n.a.
<b>European Sports Rights Company</b>	Consumer discretionary	WEU	Special situations	2006	4'835'568	4'933'084	0.7%
<b>Universal Hospital Services, Inc.</b>	Healthcare	NAM	Small/Mid-cap	2007	3'536'570	4'781'385	0.6%
<b>Seabras-1</b>	Telecommunication services	NAM	Special situations	2015	4'668'812	4'769'283	0.6%
<b>Education publisher 2</b>	Consumer discretionary	NAM	Large/mega-large-cap	2013	0	4'709'776	0.6%
<b>Key Retirement Group</b>	Financials	WEU	Small/Mid-cap	2017	3'475'235	4'293'010	0.6%
<b>CEVA Santé Animale</b>	Healthcare	WEU	Special situations	2014	3'987'893	4'170'449	0.6%
<b>SPi Global</b>	Information technology	APC	Small/Mid-cap	2017	3'922'145	4'109'150	0.5%
<b>Cegid Group SA</b>	Information technology	WEU	Special situations	2016	3'846'500	n.a.	n.a.
<b>ADT Corporation</b>	Information technology	NAM	Large/mega-large-cap	2016	3'001'991	3'962'790	0.5%
<b>Polyconcept</b>	Consumer discretionary	NAM	Small/Mid-cap	2016	3'164'389	3'681'174	0.5%
<b>Cooperation Pharmaceutique Francaise SAS</b>	Healthcare	WEU	Special situations	2015	3'260'900	n.a.	n.a.
<b>Black Knight Financial Services</b>	Financials	NAM	Large/mega-large-cap	2013	0	2'525'687	0.3%
<b>CapitalSpring Finance Company</b>	Financials	NAM	Mezzanine	2013	2'135'487	2'462'032	0.3%
<b>Infinite RF Holdings, Inc</b>	Industrials	NAM	Special situations	2016	1'847'074	2'396'629	0.3%
<b>eResearch Technology, Inc.</b>	Information technology	NAM	Special situations	2016	1'659'976	2'251'116	0.3%
<b>Photonis Holding S.A.S.</b>	Information technology	WEU	Special situations	2011	1'649'070	2'103'256	0.3%
<b>AAVAS Financiers Limited</b>	Financials	APC	Small/Mid-cap	2016	1'059'817	1'838'037	0.2%
<b>Grupo SBF</b>	Consumer discretionary	ROW	Growth	2012	2'079'566	1'803'935	0.2%
<b>Total fifty direct investments</b>					295698225	497634658	65.8%

The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the unaudited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles. Residual cost is the initial investment cost after receipt of distributions from such an investment until the end of the reporting period. Negative residual costs (receipt of distributions > initial investment cost) will result in an amount of zero.

## Twenty largest fund investments (in EUR)

Investment	Regional focus	Financing category	Vintage	Since inception		% of NAV
				Unfunded commitments	Net asset value	
<b>Anonymized Emerging Markets Venture Fund 2</b>	ROW	Venture capital	2008	685'521	9'823'776	1.3%
<b>3i Eurofund Vb</b>	WEU	Small/Mid-cap	2006	333'335	8'643'349	1.1%
<b>Ares Corporate Opportunities Fund III, L.P.</b>	NAM	Special situations	2008	814'888	8'634'610	1.1%
<b>Partners Group Global Real Estate 2008, L.P.</b>	WEU	Special situations	2008	1'759'056	7'036'924	0.9%
<b>Anonymized European Buyout Fund 7</b>	WEU	Small/Mid-cap	2007	1'026'787	6'352'439	0.8%
<b>Terra Firma Capital Partners III, L.P.</b>	WEU	Large/mega-large-cap	2006	79'547	4'683'205	0.6%
<b>Pitango Venture Capital Fund III</b>	ROW	Venture capital	2000	0	3'471'175	0.5%
<b>Index Ventures Growth I (Jersey), L.P.</b>	WEU	Growth	2008	0	3'189'914	0.4%
<b>Patria - Brazilian Private Equity Fund III, L.P.</b>	ROW	Small/Mid-cap	2007	n.a.	n.a.	n.a.
<b>MatlinPatterson Global Opportunities Partners III</b>	NAM	Special situations	2007	197'029	2'840'749	0.4%
<b>Fenway Partners Capital Fund II, L.P.</b>	NAM	Small/Mid-cap	1998	384'048	2'313'652	0.3%
<b>INVESCO Venture Partnership Fund II-A, L.P.</b>	NAM	Venture capital	2000	1'487'690	2'311'188	0.3%
<b>Penta CLO 1 S.A.</b>	WEU	Special situations	2007	0	2'070'000	0.3%
<b>SV Life Sciences Fund IV, L.P.</b>	NAM	Venture capital	2006	118'036	2'001'025	0.3%
<b>Levine Leichtman Capital Partners II, L.P.</b>	NAM	Mezzanine	1998	0	1'991'045	0.3%
<b>August Equity Partners II A, L.P.</b>	WEU	Small/Mid-cap	2007	n.a.	1'709'187	0.2%
<b>Innisfree PFI Secondary Fund</b>	WEU	Special situations	2007	29'648	1'635'803	0.2%
<b>Alinda Infrastructure Parallel Fund II, L.P.</b>	NAM	Special situations	2008	232'231	1'557'541	0.2%
<b>Summit Partners Europe Private Equity Fund, L.P.</b>	WEU	Growth	2008	20'966	1'529'652	0.2%
<b>Sterling Investment Partners II, L.P.</b>	NAM	Small/Mid-cap	2005	1'003'351	1'521'100	0.2%
<b>Total twenty fund investments</b>				8'799'895	76'339'220	10.1%

The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the unaudited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles.

## 5. Structural overview

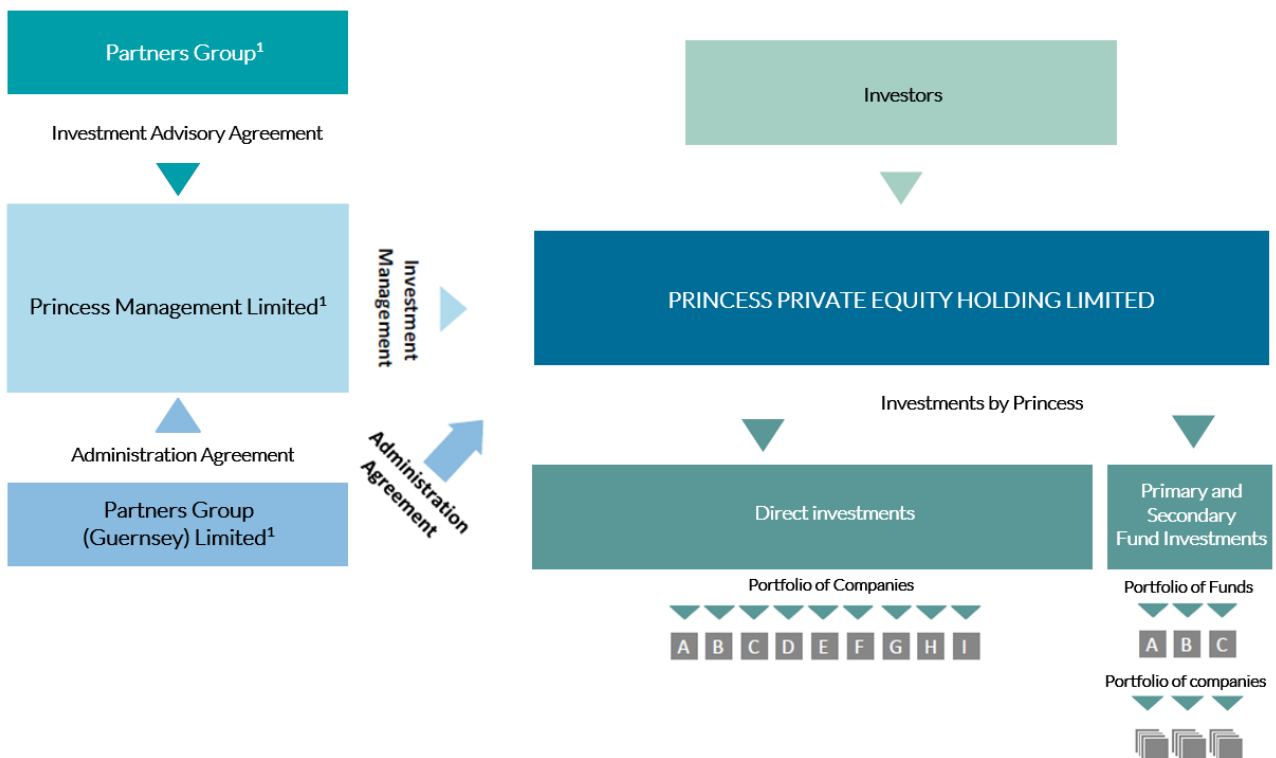
Princess Private Equity Holding Limited is a Guernsey-registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700 million through the issue of a convertible bond and invested the capital by way of commitments to private equity partnerships. The convertible bond was converted into shares in December 2006. Concurrently, the investment guidelines were amended and the reporting currency changed from the US dollar to Euro. The Princess shares were introduced for trading on the Frankfurt Stock Exchange (trading symbol: PEY1) on 13 December 2006 and on the London Stock Exchange (trading symbol: PEY) on 1 November 2007. Princess consolidated all trading activity to the London Stock Exchange on 6 December 2012 and ceased being listed on the Frankfurt Stock Exchange.

On 6 September 2017, the Company announced the intention to introduce an additional market quote in Sterling (trading symbol: PEYS) for its existing ordinary shares in the London Stock Exchange, alongside the Company's existing Euro market quote. The purpose of the introduction of the Sterling quote was to broaden the potential ownership of the Company's ordinary shares. Following the introduction of the Sterling quote, which was admitted for trading on 8

September, Shareholders have the option to make a dividend currency election to receive dividends in Sterling. For the avoidance of doubt, all dividends continue to be declared in Euros and the default currency for dividend payments remains Euros.

Princess aims to provide Shareholders with long-term capital growth and an attractive dividend yield. The Company's investments are managed on a discretionary basis by Princess Management Limited, a wholly-owned subsidiary of Partners Group Holding AG, registered in Guernsey. The Investment Manager is responsible for, inter alia, selecting, acquiring and disposing of investments and carrying out financing and cash management services.

The Investment Manager is permitted to delegate some or all of its obligations and has entered into an advisory agreement with Partners Group (the "Investment Advisor"), which is a global private markets investment management firm with EUR 61.9 billion in investment programs under management in private equity, private debt, private real estate and private infrastructure. Through the advisory agreement, Princess benefits from the global presence, the size and experience of the investment team and relationships with many of the world's leading private equity firms.



1 100% owned by Partners Group Holding AG



## 6. Company information

<b>Company</b>	Princess Private Equity Holding Limited
<b>Currency denomination</b>	Euro
<b>Dividends</b>	Princess intends to pay a dividend of 5-8% p.a. on NAV
<b>Incentive fee</b>	No incentive fee on primary investments; 10% incentive fee per secondary investment; 15% incentive fee per direct investment; subject in each case to a 8% p.a. preferred return (with catch-up)
<b>Incorporation</b>	1999
<b>Joint corporate brokers</b>	JPMorgan Cazenove Numis Securities Ltd.
<b>Listing</b>	London Stock Exchange
<b>Management fee</b>	1.5% p.a.: Of the higher of NAV or value of Princess' assets less any temporary investments plus unfunded commitments
<b>Securities</b>	Fully paid-up ordinary registered shares
<b>Structure</b>	Guernsey company, Authorised closed-ended fund in Guernsey
<b>Trading information</b>	ISIN (Euro and Sterling Quote): GG00B28C2R28 WKN (Euro and Sterling Quote): A0M5MA Trading symbol (Euro Quote): PEY Bloomberg (Euro Quote): PEY LN Reuters (Euro Quote): PEY.L Trading symbol (Sterling Quote): PEYS Bloomberg (Sterling Quote): PEYS LN Reuters (Sterling Quote): PEYS.L
<b>Voting rights</b>	Each ordinary registered share represents one voting right

## 7. Unaudited consolidated financial statements

### Unaudited consolidated statement of comprehensive income

for the period from 1 January 2018 to 31 March 2018

In thousands of EUR	Notes	01.01.2018 31.03.2018	01.01.2017 31.03.2017
<b>Net income from financial assets at fair value through profit or loss</b>		<b>16'219</b>	<b>46'361</b>
<i>Private equity</i>		15'716	46'184
Interest & dividend income		7'946	330
Revaluation	6	11'740	48'256
Net foreign exchange gains / (losses)	6	(3'970)	(2'402)
<i>Private debt</i>		630	667
Interest income (including PIK)		552	347
Revaluation	6	1'194	977
Withholding tax on direct private debt investments	6	(18)	-
Net foreign exchange gains / (losses)	6	(1'098)	(657)
<i>Private real estate</i>		(18)	(191)
Revaluation	6	(18)	(190)
Net foreign exchange gains / (losses)	6	-	(1)
<i>Private infrastructure</i>		(109)	(299)
Revaluation	6	262	(81)
Net foreign exchange gains / (losses)	6	(371)	(218)
<b>Net income from cash &amp; cash equivalents and other income</b>		<b>249</b>	<b>(20)</b>
Net foreign exchange gains / (losses)		249	(20)
<b>Total net income</b>		<b>16'468</b>	<b>46'341</b>
<b>Operating expenses</b>		<b>(4'989)</b>	<b>(6'865)</b>
Management fees		(2'727)	(2'877)
Incentive fees	10	(1'635)	(3'436)
Administration fees		(91)	(88)
Service fees		(63)	(63)
Other operating expenses		(239)	(346)
Revaluation of other long-term receivables		-	(1)
Other net foreign exchange gains / (losses)		(234)	(54)
<b>Other financial activities</b>		<b>2'190</b>	<b>2'222</b>
Setup expenses - credit facilities		(143)	(138)
Other finance cost		(102)	(59)
Net gains / (losses) from hedging activities		2'432	2'419
Other income		3	-
<b>Surplus / (loss) for period</b>		<b>13'669</b>	<b>41'698</b>

In thousands of EUR	Notes	01.01.2018 31.03.2018	01.01.2017 31.03.2017
Other comprehensive income for period; net of tax		-	-
<b>Total comprehensive income for period</b>		<b>13'669</b>	<b>41'698</b>
Weighted average number of shares outstanding		69'151'168.00	69'151'168.00
Basic surplus / (loss) per share for period		0.20	0.60
Diluted surplus / (loss) per share for period		0.20	0.60

The Euro earnings per share is calculated by dividing the surplus / (loss) for the financial period by the weighted average number of shares outstanding.

**Unaudited consolidated statement of financial position**

As at 31 March 2018

In thousands of EUR	Notes	31.03.2018	31.12.2017
<b>ASSETS</b>			
Financial assets at fair value through profit or loss			
Private equity	6,13	495'282	525'538
Private debt	6,13	100'440	100'711
Private real estate	6,13	7'037	7'816
Private infrastructure	6,13	19'411	19'520
Other long-term receivables		2'601	2'644
<b>Non-current assets</b>		<b>624'771</b>	<b>656'229</b>
Other short-term receivables		11'867	2'199
Hedging assets	13	-	2'166
Cash and cash equivalents	7	134'503	97'416
<b>Current assets</b>		<b>146'370</b>	<b>101'781</b>
<b>TOTAL ASSETS</b>		<b>771'141</b>	<b>758'010</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	69	69
Reserves	8	410'031	410'031
Cumulative change in net assets attributable to Partners		345'614	331'945
<b>Total equity</b>		<b>755'714</b>	<b>742'045</b>
Hedging liabilities	13	1'148	-
Accruals and other short-term payables		14'279	15'965
<b>Liabilities falling due within one year</b>		<b>15'427</b>	<b>15'965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>771'141</b>	<b>758'010</b>

**Unaudited consolidated statement of changes in equity**

for the period from 1 January 2018 to 31 March 2018

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	331'945	410'031	742'045
Other comprehensive income for period; net of tax	-	-	-	-
Surplus / (loss) for period	-	13'669	-	13'669
<b>Equity at end of period</b>	<b>69</b>	<b>345'614</b>	<b>410'031</b>	<b>755'714</b>

for the period from 1 January 2017 to 31 March 2017

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	254'083	448'756	702'908
Other comprehensive income for period; net of tax	-	-	-	-
Surplus / (loss) for period	-	41'698	-	41'698
<b>Equity at end of period</b>	<b>69</b>	<b>295'781</b>	<b>448'756</b>	<b>744'606</b>

**Unaudited consolidated statement of cash flows**

for the period from 1 January 2018 to 31 March 2018

In thousands of EUR	Notes	01.01.2018 31.03.2018	01.01.2017 31.03.2017
<b>Operating activities</b>			
Surplus / (loss) for the period before interest expense		13'669	41'698
Adjustments:			
Net foreign exchange (gains) / losses		5'424	3'352
Investment revaluation		(13'178)	(48'962)
Withholding tax on direct investments		18	-
Revaluation of other long-term receivables		-	1
Net (gain) / loss on interest		(634)	(628)
Net (gain) / loss on dividends		(7'864)	(49)
Revaluation on forward hedges		(2'432)	(2'419)
(Increase) / decrease in receivables		(9'855)	894
Increase / (decrease) in payables		(1'690)	2'133
Realized gains / (losses) from forward hedges		5'746	1'891
Purchase of private equity investments	6	(11'219)	(17'078)
Purchase of private debt investments	6	202	(4'055)
Purchase of private real estate investments	6	33	40
Distributions from and proceeds from sales of private equity investments	6	49'281	16'533
Distributions from and proceeds from sales of private debt investments	6	238	65
Distributions from and proceeds from sales of private real estate investments	6	728	494
Interest & dividends received		8'371	535
<b>Net cash from / (used in) operating activities</b>		<b>36'838</b>	<b>(5'555)</b>
<b>Financing activities</b>			
<b>Net cash from / (used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>36'838</b>	<b>(5'555)</b>
<b>Cash and cash equivalents at beginning of period</b>	7	<b>97'416</b>	<b>65'751</b>
Effects of foreign currency exchange rate changes on cash and cash equivalents		249	(20)
<b>Cash and cash equivalents at end of period</b>	7	<b>134'503</b>	<b>60'176</b>

## Notes to the unaudited consolidated financial statements

for the period from 1 January 2018 to 31 March 2018

### 1 Organization and business activity

Princess Private Equity Holding Limited (the "Company") is an investment holding company established on 12 May 1999. The Company's registered office is Tudor House, St. Peter Port, Guernsey, GY1 6BD. The Company is a Guernsey limited liability company that invests in a broadly diversified portfolio of private market investments through its wholly-owned subsidiary, Princess Private Equity Subholding Limited (the "Subsidiary"). The Subsidiary also holds certain investments through its wholly-owned subsidiary Princess Direct Investments, L.P. Inc. (the "Sub-Subsidiary"). The Sub-Subsidiary, the Subsidiary and the Company form a group (the "Group"). Both of these subsidiaries are consolidated as they are deemed to provide investment related services to the Company.

The shares of the Company were listed on the Prime Standard of the Frankfurt Stock Exchange from 13 December 2006 until 5 December 2012 (date of delisting). The shares of the Company remain listed on the Main Market of the London Stock Exchange, where they have been listed since 1 November 2007.

### 2 Basis of preparation

The condensed interim consolidated financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting. The condensed interim consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the period ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies adopted in the preparation of the of the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2017.

The following standards which are mandatory for future accounting periods, but where early adoption is permitted now, have not been duly adopted.

Annual improvements 2014-2016 (effective 1 January 2018) Amendments to IFRS 1 and IAS 28  
IFRS 15 (effective 1 January 2018) - Revenue from Contracts with Customers  
IFRS 9 (effective 1 January 2018) - Financial Instruments

The Directors of the Company are in the process of assessing the impact of these standards and believe that these new accounting standards will not significantly affect the Group's results of operations or financial position.

On adoption of IFRS 9 the Group's investment portfolio will continue to be classified as fair value through profit and loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Group's unaudited financial statements.

### 3 Shareholders above 5% of ordinary shares issued

In accordance with DTR 5.1.2R of the Financial Conduct Authority Handbook the following shareholders advised holdings above the 5% threshold until 31 March 2018:

Bayer-Pensionskasse VVaG - 7.56%

Brewin Dolphin Limited - 5.03%

CCLA Investment Management Limited - 5.05%

CVP / CAP Coop - 5.07%

Deutsche Asset & Wealth Management Investment GmbH - 7.66%

Rathbone Brothers - 5.26%

Societe Generale Option Europe - 5.31%

### 4 Dividends

No interim dividend was declared in the first quarter of 2018 (Total dividend in 2017: EUR 38.7 million).



## 5 Segment calculation

In thousands of EUR	01.01.2018 31.03.2018	01.01.2017 31.03.2017
<b>Private equity</b>		
Interest & dividend income	7'946	330
Revaluation	11'740	48'256
Net foreign exchange gains / (losses)	(3'970)	(2'402)
<b>Total net income private equity</b>	<b>15'716</b>	<b>46'184</b>
<b>Segment result private equity</b>	<b>15'716</b>	<b>46'184</b>
<b>Private debt</b>		
Interest income (including PIK)	552	347
Revaluation	1'194	977
Withholding tax on direct private debt investments	(18)	-
Net foreign exchange gains / (losses)	(1'098)	(657)
<b>Total net income private debt</b>	<b>630</b>	<b>667</b>
<b>Segment result private debt</b>	<b>630</b>	<b>667</b>
<b>Private real estate</b>		
Revaluation	(18)	(190)
Net foreign exchange gains / (losses)	-	(1)
<b>Total net income private real estate</b>	<b>(18)</b>	<b>(191)</b>
<b>Segment result private real estate</b>	<b>(18)</b>	<b>(191)</b>
<b>Private infrastructure</b>		
Revaluation	262	(81)
Net foreign exchange gains / (losses)	(371)	(218)
<b>Total net income private infrastructure</b>	<b>(109)</b>	<b>(299)</b>
<b>Segment result private infrastructure</b>	<b>(109)</b>	<b>(299)</b>
<b>Non attributable</b>		
Net foreign exchange gains / (losses)	249	(20)
<b>Total net income non attributable</b>	<b>249</b>	<b>(20)</b>
<b>Segment result non attributable</b>	<b>(4'740)</b>	<b>(6'885)</b>
Other financial activities not allocated	2'190	2'222
<b>Surplus / (loss) for the financial period</b>	<b>13'669</b>	<b>41'698</b>

## 6 Financial assets at fair value through profit or loss

### 6.1 PRIVATE EQUITY

In thousands of EUR	31.03.2018	31.12.2017
Balance at beginning of period	525'538	539'374
Purchase of Direct and Indirect Investments	11'219	70'224
Distributions from and proceeds from sales of Direct and Indirect Investments	(49'281)	(167'278)
Reclassification of investments	-	2'417
Accrued cash and PIK interest	36	25
Revaluation	11'740	106'572
Foreign exchange gains / (losses)	(3'970)	(25'796)
<b>Balance at end of period</b>	<b>495'282</b>	<b>525'538</b>

### 6.2 PRIVATE DEBT

In thousands of EUR	31.03.2018	31.12.2017
Balance at beginning of period	100'711	78'194
Purchase of Direct and Indirect Investments	(202)	34'524
Distributions from and proceeds from sales of Direct and Indirect Investments	(238)	(7'585)
Reclassification of investments	-	(2'417)
Accrued cash and PIK interest	91	372
Revaluation	1'194	4'013
Withholding tax on direct private debt investments	(18)	-
Foreign exchange gains / (losses)	(1'098)	(6'390)
<b>Balance at end of period</b>	<b>100'440</b>	<b>100'711</b>

### 6.3 PRIVATE REAL ESTATE

In thousands of EUR	31.03.2018	31.12.2017
Balance at beginning of period	7'816	11'397
Purchase of Direct and Indirect Investments	(33)	(252)
Distributions from and proceeds from sales of Direct and Indirect Investments	(728)	(2'608)
Revaluation	(18)	(720)
Foreign exchange gains / (losses)	-	(1)
<b>Balance at end of period</b>	<b>7'037</b>	<b>7'816</b>

## 6.4 PRIVATE INFRASTRUCTURE

In thousands of EUR	31.03.2018	31.12.2017
Balance at beginning of period	19'520	21'847
Distributions from and proceeds from sales of Direct and Indirect Investments	-	(671)
Revaluation	262	357
Foreign exchange gains / (losses)	(371)	(2'013)
<b>Balance at end of period</b>	<b>19'411</b>	<b>19'520</b>

## 7 Cash and cash equivalents

In thousands of EUR	31.03.2018	31.12.2017
Cash at banks	134'503	97'416
<b>Total cash and cash equivalents</b>	<b>134'503</b>	<b>97'416</b>

## 8 Share capital and reserves

### 8.1 CAPITAL

In thousands of EUR	31.03.2018	31.12.2017
<b>Issued and fully paid</b>		
69'151'168 Ordinary shares of EUR 0.001 each out of the bond conversion	69	69
<b>Total issued and fully paid shares</b>	<b>69</b>	<b>69</b>

The total authorized shares consists of 200'100'000 Ordinary shares of EUR 0.001 each (total value EUR 200'100).

During the reporting period, the Company has not purchased or cancelled any of its own shares (2017: nil).

### 8.2 RESERVES

In thousands of EUR	31.03.2018	31.12.2017
<b>Distributable reserves</b>		
Distributable reserves at beginning of reporting period	410'032	448'756
Dividend payment	-	(38'725)
<b>Total distributable reserves at end of reporting period</b>	<b>410'032</b>	<b>410'031</b>

## 9 Short-term credit facilities

On 14 December 2016, the Company renewed a multi-currency revolving credit facility with an international financial institution for EUR 50'000'000, which ends on 14 December 2020.

Interest on principal drawn is calculated at a margin of 2.95% to 3.25% per annum above the applicable LIBOR rate or, in relation to any loan in EUR, the applicable EURIBOR rate. A commitment fee of 0.90% per annum is charged on the daily undrawn facility commitment. In addition, an arrangement fee of EUR 425'000 is payable upon closing and a monitoring fee of EUR 25'000 payable annually.

The facility, in relation to the Company, is secured, inter alia, by way of a pledge over the shares in Princess Private Equity Subholding Limited, a wholly owned subsidiary of the Company and a pledge over the bank accounts and the inter-company loans within the Group.

The Company must maintain a total net asset value of at least EUR 350'000'000 and a total asset ratio (total debt plus current liabilities as a percentage of restricted net asset value, as defined in the credit facility agreement) not greater than 25%.

As at the end of the reporting period, no event of default has occurred.

## 10 Incentive fees

In thousands of EUR	31.03.2018	31.12.2017
Balance at beginning of period	11'070	19'448
Change in incentive fees attributable to General Partner	1'635	6'030
Incentive fees paid/payable	(6'397)	(14'408)
<b>Balance at end of period</b>	<b>6'308</b>	<b>11'070</b>

## 11 Commitments to Direct and Indirect Investments

In thousands of EUR	31.03.2018	31.12.2017
Unfunded commitments translated at the rate prevailing at end of period	116'554	119'213

## 12 Earnings per share and net assets per share

Basic earnings per share are calculated by dividing the surplus or loss for the financial period attributable to the shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares, if any. There were no dilutive effects on the Group's shares during 2018 and 2017.

The net assets per share is calculated by dividing the net assets in the consolidated statement of financial position by the number of shares outstanding at the end of the reporting period.

In thousands of EUR	31.03.2018	31.12.2017
Net assets of the Group	755'714	742'045
Outstanding shares at the end of the reporting period	69'151'168.00	69'151'168.00
<b>Net assets per share at end of period</b>	<b>10.93</b>	<b>10.73</b>

## 13 Fair value measurement

### 13.1 FAIR VALUE ESTIMATION REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Derivatives used for hedging	-	-	-	-
Financial assets at fair value through profit or loss - equity securities	3'836	3'963	513'931	521'730
Financial assets at fair value through profit or loss - debt investments	-	-	100'440	100'440
<b>Total assets</b>	<b>3'836</b>	<b>3'963</b>	<b>614'371</b>	<b>622'170</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	(1'148)	-	(1'148)
<b>Total liabilities</b>	<b>-</b>	<b>(1'148)</b>	<b>-</b>	<b>(1'148)</b>

### 13.2 FAIR VALUE ESTIMATION PREVIOUS REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Derivatives used for hedging	-	2'166	-	2'166
Financial assets at fair value through profit or loss - equity securities	13'311	-	539'563	552'874
Financial assets at fair value through profit or loss - debt investments	-	-	100'711	100'711
<b>Total assets</b>	<b>13'311</b>	<b>2'166</b>	<b>640'274</b>	<b>655'751</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 13.3 SIGNIFICANT UNOBSERVABLE VALUATION INPUTS

Level 3 investments may consist of direct and indirect equity and debt investments. Level 3 indirect investments are generally valued at the indirect investments' net asset values last reported by the indirect investments' governing bodies. When the reporting date of such net asset values does not coincide with the Group's reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the most recently available net asset value reported, and the end of the reporting period of the Group. The valuation may also be adjusted for further information gathered by the Investment Advisor during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions which involve such companies and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

The main inputs into the Group's valuation models for direct equity and debt investments include: EBITDA multiples (based on budgeted/forward looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for the equivalent period), discount rates, capitalization rates, price to book as well as price to earnings ratios and enterprise value to 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.

In order to assess level 3 valuations in accordance with the investment management agreement, the Investment Advisor reviews the performance of the direct and indirect investments held on a regular basis. The valuations are reviewed on an ongoing basis by the Investment Advisor's investment committee who report to the Investment Manager. The investment committee considers the appropriateness of the valuation model inputs as well as the valuation result using various valuation methods and techniques generally recognized within the industry. From time to time the Group may consider it appropriate to change the valuation model or technique used in the fair valuation depending on the individual investment circumstances, such as its maturity, stage of operations or recent transaction.

The Group utilizes comparable trading multiples in arriving at the valuation for the direct investments. Comparable companies 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. The Investment Advisor determines comparable public companies based on industry, size, development stage, strategy, etc. 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 ratio for earnings or price/book ratio for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization 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.

When applying the discounted cash flow method, the Investment Advisor discounts the expected cash flow amounts to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the direct investment. Direct investments can be valued by using the 'cash flow to investor' method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the 'free cash flow to company' method and subsequently subtracting the direct investment's net debt in order to determine the equity value of the relevant direct investment. The Investment Advisor determines the expected future cash flows based on agreed investment terms or expected growth rates. 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.

If broker quotes are available, direct debt investments are valued by the Investment Advisor utilizing such quotes, which are provided by an independent third party broker. Broker quotes are applied to the nominal value of such direct debt investments. Broker quotes utilized for valuing direct debt investments represent indicative quotes for investments traded in an inactive market.

The Group utilizes the sales comparison method in arriving at the valuation for direct real estate investments. The sales comparison method compares a direct real estate investment's characteristics with those of comparable properties which have recently been traded in the market. The Investment Advisor determines comparable assets based on, but not limited to, size, location, development stage and property type. Furthermore the most appropriate measure for determining the valuation of the relevant direct real estate investment is selected (amongst others price per room, price per square foot, price per square meter). The comparable price per unit might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property and access to public transportation. The indicated fair value of the direct real estate investment is determined by applying the relevant price per unit to the respective direct real estate investment. The sales comparison method is most appropriate for direct real estate investments where the investment's size (e.g. number of rooms, square feet, square meters or other square measures) is known and similar properties have recently traded in the market.

When applying the income method the Investment Advisor compares a direct real estate investment's net operating income to capitalization rates recently observed in the market to determine the present value. The Investment Advisor determines comparable assets based on, but not limited to, size, development stage and property type. The capitalization rates from recent

sales of comparable properties might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property, tenant mix and access to public transportation. The indicated fair value of the direct real estate investment is determined by applying the relevant capitalization rate to the direct real estate investment's net operating income. The income method is most appropriate for income generating direct real estate investments where the net operating income is known and similar properties have recently traded in the market.

The values of level 3 direct equity investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are generally valued using a waterfall approach including different seniority levels of debt. Thus the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation. No interrelationship between unobservable inputs used in the Group's valuation of its level 3 investments has been identified.

The tables below present the investments whose fair values are recognized in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

If presented, the category "Direct Investments" in the tables below may include certain indirect investments where the Investment Advisor has full visibility of the underlying portfolio and hence performs a full valuation on such investments as if they were direct investments. If presented, the category "Direct Investments" in the tables below may include certain investments using the valuation technique "Reported fair value". Such direct investments invest solely into underlying indirect investments, hence their fair value is based on reported fair value rather than a direct investment valuation.

The sensitivity analysis below represents the potential change in fair value for each category of investments presented in absolute values. Should the significant unobservable input for each category of investments increase or decrease by 5%, the value of each category of investments would follow by the absolute positive or negative amount respectively.

With regards to direct debt investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for direct equity investments would not result in a meaningful disclosure with added value for the reader of these consolidated financial statements. The reasons for this include, but are not limited to, the fact that the income generated from direct debt investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that direct debt investments are valued using a waterfall approach as described above. The credit risk resulting from investing into a direct debt investment is assessed by performing an enterprise valuation of the issuer's company. Provided that the results of such a valuation provides sufficient evidence that the equity of such a company still has a positive value, there is no indication that the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such direct debt investment at this value. Should a significant unobservable valuation input into such an enterprise valuation be changed in either direction, the value of a respective direct debt investment would not fluctuate proportionately. Any fluctuation in the enterprise value of a lender's company would only have an impact on the value of a direct debt investment if the results of such a valuation would provide sufficient evidence that the enterprise value of the company is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in.

With regards to direct real estate debt investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for direct equity investments would not result in a meaningful disclosure with added value for the reader of these consolidated financial statements. The reasons for this conclusion include, but are not limited to the fact that the income generated from direct real estate investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that direct real estate investments are valued using a waterfall approach as described above. The risk resulting from investing into a direct real estate debt investment is assessed by evaluating the gross asset value of the property. Provided that the results of such valuation provide sufficient evidence that the gross asset value exceeds the debt balance (i.e. the equity has a positive value), there is no indication that

the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such direct real estate debt investments at this value. Should a significant unobservable valuation input into the determination of gross asset value be changed in either direction, the value of a respective direct real estate debt investment would not fluctuate proportionately. Any fluctuation in gross asset value of the property would only have an impact on the value of a direct real estate debt investment in if the results of such a valuation would provide sufficient evidence that the gross asset value of the property is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in. With regards to direct real estate equity investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for direct equity investments would not result in a meaningful disclosure with added value for the reader of these consolidated financial statements. The reasons for this conclusion include, but are not limited to, the fact that variations in property location, quality and business plan result in comparisons across properties that are not meaningful. Unobservable inputs for a specific region will vary greatly based on the property's micro location, building finishes and amenities and leasing strategy. One-to-one comparisons are not possible even for buildings that are physically close to each other due to the differences in property features and occupancy. A sensitivity analysis has not been presented for direct investments that have been acquired within the last three months of the financial period and where the acquisition cost was deemed to be fair value in accordance with IFRS 13 as it is the view of the Investment Advisor that insufficient time has passed to determine a reliable sensitivity range based on valuation inputs that would be considered appropriate by market participants.

### 13.4 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE REPORTING PERIOD

Type of security	Fair value at 31.03.2018	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
<i>Fair value in thousands of EUR</i>						
<b>Direct Investments</b>						
Direct equity investments	180'777	Market comparable companies	Enterprise value to EBITDA multiple	3.00x - 17.90x (13.39x)	16'979	(16'979)
	15'626	Discounted cash flow	Discount factor	12.00% - 12.00% (12.00%)	112	(112)
	302	Exit price	Recent transaction price	n/a	n/a	n/a
	33'959	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	9'148	Market comparable companies	Enterprise value to EBITDA multiple	12.00x - 12.00x (12.00x)	n/a	n/a
	39'876	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
<b>Indirect Investments</b>						
	333'279	Adjusted reported net asset value	Reported net asset value	n/a	16'664	(16'664)
	1'404	Adjusted reported net asset value	Fair value adjustments	n/a	70	(70)

n/a - not meaningful as outlined in the note above



## 13.5 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE PREVIOUS REPORTING PERIOD

Type of security	Fair value at 31.12.2017	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
<i>Fair value in thousands of EUR</i>						
<b>Direct Investments</b>						
Direct equity investments	196'398	Market comparable companies	Enterprise value to EBITDA multiple	5.00x - 17.60x (13.05x)	17'808	(17'808)
	15'496	Discounted cash flow	Discount factor	12.00% - 12.00% (12.00%)	132	(132)
	5	Exit price	Recent transaction price	n/a	n/a	n/a
	26'605	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	11'099	Market comparable companies	Enterprise value to EBITDA multiple	6.59x - 13.00x (11.76x)	n/a	n/a
	40'062	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
<b>Indirect Investments</b>						
	348'954	Adjusted reported net asset value	Reported net asset value	n/a	17'448	(17'448)
	1'655	Adjusted reported net asset value	Fair value adjustments	n/a	83	(83)

n/a - not meaningful as outlined in the note above

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# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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