Annual Report

2017

castle
PRIVATE EQUITY

Contents

03 Castle Private Equity in 2017

04 Chairman's statement

06 Investment manager's report

14 Report of the statutory auditor on the consolidated financial statements

20 Consolidated financial statements

66 Report of the statutory auditor on the company financial statements

70 Company financial statements

79 Report of the statutory auditor on the remuneration report

80 Remuneration report

83 Corporate governance

94 Investors' information

Further information
Periodic updates of elements of this annual report and supplementary information can be retrieved from the company's website **www.castlepe.com**

Publication date
This report was released for publication on 20 February 2018.
The subsequent event notes in the financial statements have been updated to 14 February 2018.
Amounts in this report are stated in USD thousands (TUSD) unless otherwise stated.

Castle Private Equity in 2017

(All amounts in USD, unless when indicated otherwise)

	2017	2016	
Net asset value	453 million	458 million	
Payments to shareholders (CHF)	20 million	21 million	2016/2017: issuance of put options
Net asset value per share	18.52	17.03	
Share price (CHF)	17.90	15.35	
Discount to net asset value	0.8 per cent	11 per cent	
Private equity assets	229 million	331 million	
Capital calls	1 million	7 million	
In per cent of initial uncalled	2 per cent	13 per cent	
Distributions	152 million	118 million	
In per cent of initial PE assets	46 per cent	30 per cent	
Investment degree	51 per cent	72 per cent	
Uncalled commitments	53 million	50 million	
Uncalled as per cent of NAV	12 per cent	11 per cent	
Credit facility	—	5 million	The credit facility was terminated on 30 June 2017
Credit facility use	—	—	
Cash position	230 million	130 million	
Treasury shares (bought for cancellation)	1,876,234	2,320,072	
Cancelled shares	2,904,511	4,235,539	
Shares in circulation	24,447,716	26,908,389	

Chairman's statement

Maximising shareholder value remains key priority

Dear shareholders

Continuing NAV growth despite advanced portfolio maturity

I am pleased to report that 2017 as the fifth full year under the harvesting strategy also continued to be a successful year in fulfilling the company's realisation process. As a result, the company's value grew to over USD 25 per share, when combining the current net asset value (NAV) per share of USD 18.52 with cumulative distributions.

2017 was characterised by strong and accelerating global economic growth

The beginning of 2017 was marked by political uncertainty. In the US, newly inaugurated President Trump upheld his protectionist rhetoric, while in Europe, the spectre of right-wing nationalism and Eurozone break-up fears kept investors on guard. However, the Dutch and the French elections turned out to be benign and alleviated most immediate concerns. Meanwhile, global economic growth gained traction and led to the most synchronised recovery in a decade. Corporate earnings were bolstered by the expanding economic environment, providing a tailwind for investors. Struggling nations like Greece, Russia or Brazil, now boast a brighter economic outlook.

Over the past 12 months, the global private equity market has remained active. The exit activity was solid but slightly down from the recent record highs. Yet, as asset valuations have pushed steadily higher, it has become increasingly tough for private equity funds to find and close good deals at prices that allow the generation of satisfactory returns. Existing investments may further profit from elevated valuation levels and thus continue to boost realisation activity within Castle Private Equity's portfolio. Traditional buyouts remained at the core of the portfolio's value creation, while the segment of growth capital has become increasingly important to overall performance. Numerous successful realisations of portfolio companies within the past 12 months have led to a period of significant positive cumulative cash flows for the portfolio. As purchase price multiples are at historically high levels, the influence of multiple arbitrage in value creation is likely to decrease in the short- to medium-term. Therefore, a proven approach to deal sourcing and an ability to implement operational value creation is increasingly important for private equity managers.

Strong equity markets as well as effective value-creation strategies by Castle's fund managers supported the valuations of the underlying portfolio companies. The net asset value per share increased by 8.8 per cent to USD 18.52 by the end of 2017. The company's share price closed the year at USD 18.36 per share representing a discount to NAV of 0.8 per cent and an decrease of over 10 per cent versus year end 2016. The investment manager's report below outlines the performance drivers in more detail.

Distributions continue to significantly surpass capital calls

Distributions from the underlying portfolio remained at high levels during the course of the year. The company's portfolio generated total distributions from realisations in excess of USD 152 million in 2017, compared to USD 118 million for the year 2016.

On the investment side, as no new commitments were made, capital calls for new investments by the underlying private equity funds decreased further and represented, at only USD 1 million, a fraction of total distributions. The total amount of uncalled capital decreased correspondingly to an amount of USD 53 million by the end of 2017.

Current value and realised proceeds above USD 25 per share

Since the implementation of the harvesting strategy in April 2012, the company's management and its board have made significant progress in relation to further maximising shareholder value to its full potential.

Castle Private Equity's value grew to well over USD 25 per share. With further share buybacks on the company's second trading line as well as via the issuance of put options, a total of USD 43 million was returned to shareholders in 2017, which is equivalent to over 9 per cent of the beginning year's NAV. Overall, Castle has returned a total of over USD 465 million to its shareholders since August 2011.

General meeting 14 May 2018 in Switzerland

The company's 2018 annual general meeting is scheduled to take place on 14 May 2018 in Pfäffikon in Switzerland. The board welcomes the opportunity to discuss the progress of the company with interested shareholders.

As always, we thank you for your support.

Yours sincerely

Gilbert J. Chalk
Chairman

Investment manager's report

Harvesting process further progressing

Dear shareholders

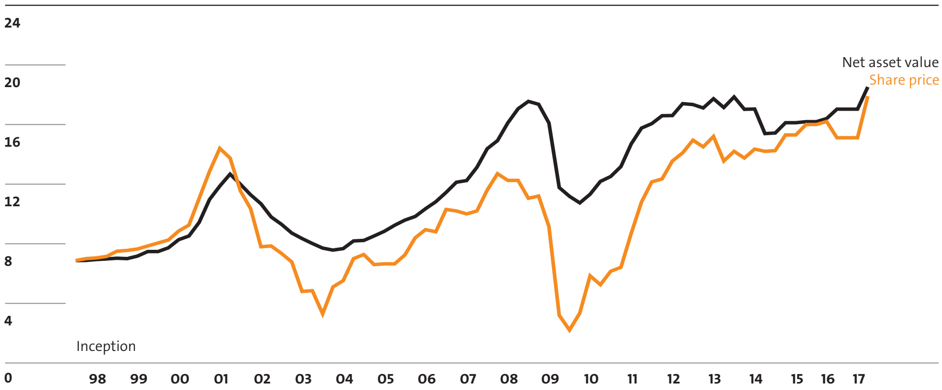
Continued NAV growth of 8.8 per cent

The net asset value (NAV) of Castle Private Equity continued to develop positively over the course of 2017 and increased to USD 18.52 per share, generating a return of 8.8 per cent. Positive valuation developments were again the largest performance driver over the course of the year further supported by positive currency effects.

On the economic front, 2017 ended on a high note

It was a tumultuous year marked by natural disasters, geopolitical tensions, and deep political divisions in many countries. On the economic front, however, 2017 ended on a high note, with GDP continuing to accelerate over much of the world in the broadest cyclical upswing since the start of the decade. One notable aspect of last year's upswing is its breadth. Growth accelerated in about three quarters of countries – the highest share since 2010. Even more important, some of the countries that had high unemployment for some time, for example, several in the euro area, participated in the growth surge and experienced strong employment growth. Some of the larger emerging market economies, such as Argentina, Brazil and Russia, exited their recessions. Still, in per capita terms, growth in almost half of emerging market and developing economies – especially the smaller ones – lagged behind advanced economies, and almost a quarter have seen declines. Countries that struggled included fuel exporters and low-income economies suffering from civil strife or natural disasters. Boosted by a recovery in investment, global trade growth rebounded from its slowest pace since 2001.

Share price and net asset value since inception
in USD per share

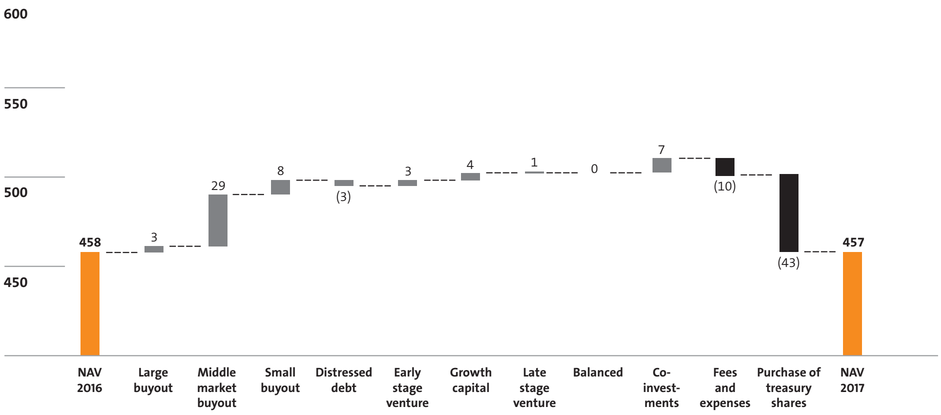


Metal and fuel prices were supported by stronger momentum in global demand as well as supply restraints in the energy sector, including hurricane-related stoppages in the United States, financial disruptions in Venezuela, and security problems in regions of Iraq. Equity valuations have continued their ascent to record highs, as central banks maintained accommodative monetary policy settings amid weak inflation. This was part of a broader trend across global financial markets, where low interest rates, an improved economic outlook, and increased risk appetite boosted asset prices and suppressed volatility. While easier financial conditions bolstered growth momentum, they also pose risks if the search for yield extends too far.

2017 has been an impressive year for private equity

Though geopolitical challenges could have disrupted activity in the private equity and venture capital space, 2017 was an impressive year for the asset class. Dealmaking, particularly in key jurisdictions such as the US, Australia and across Europe, remained strong in an increasingly sellers' market. With dry powder continuing to accumulate and new players entering the market, competition for assets turned increasingly fraught. Financial sponsors, strategic bidders, sovereign wealth funds and other asset managers entered the fray, helping to drive up prices. As a result of this increased competition, many sellers recorded high EBITDA multiples, particularly in the consumer and technology sectors.

NAV change by financial stage in 2017
in USD millions



Portfolio gains of USD 38 million and a USD 14 million currency gain
The net asset value of Castle Private Equity developed solidly throughout the year, increasing by close to 10 per cent as of 31 December 2017. This positive development was mainly driven by realisations of existing holdings over their carrying value. In 2017, the portfolio generated gains of USD 38 million and a USD 14 million currency gain. The buyout segment of the portfolio contributed most in absolute terms, with small-market transactions in particular providing solid returns. Yet, growth capital positions also added significant value to the year-end result.

Buyout investments contributed nicely during 2017, supported by significant gains from growth strategies

Investments in the buyout segment performed well during the year, with an average IRR of 35 per cent for funds focusing on small transactions and 26 per cent for funds focusing on mid-market buyout investments. The contribution of large buyouts ended at 16 per cent for 2017, partially driven by the continued return to health of the debt market as well as the global stock market development. With a share of private equity assets of 10, 39 and 12 per cent for small, mid-market and large buyout transactions respectively, buyouts accounted for approximately two-thirds of the portfolio by year-end.

Small buyout funds contributed a gain of USD 8 million for the year. The sector benefitted well from solid operating performances by underlying portfolio companies, as well as increased equity prices, leading to mark-to-market gains and positive movements in comparable valuation multiples. Returns were driven by a few funds. Key performer was Nmas1, a Spanish buyout fund investing primarily in well-established mid-market Spanish companies and opportunistically Portuguese companies with enterprise values of between EUR 30 and EUR 150 million.

Mid-market buyout oriented funds returned a gain of USD 29 million during the course of the year. A significant share stems from Polish VI, as a result of a number of successful realisations. Amongst others, the fund sold its entire stake in Netrisk.hu, Hungary's top online insurance broker.

Large buyout funds performed also positively, adding a gain of USD 3 million during the year. Clayton Dubilier & Rice Fund VII was one of the main performance drivers in this category, completing a number of successful realisations, including a block sale of US Foods common stock.

Venture stage investments contributed also to the performance in 2017 with IRRs of 9 per cent for early stage venture funds, 5 per cent for late stage venture investments. Funds focusing on growth capital investments represented the largest contributor with 40 per cent.

Early stage venture investments (13 per cent of private equity assets at year-end) returned a gain of over USD 3 million during the past 12 months. Galileo III contributed a gain of over USD 1 million during the course of the year.

Major exits

In 2017

Month	Partnership	Company	Sector, location	Exit channel
April	TPG Partners V, L.P.	United Health Group	health care, US	public markets
April	Polish Enterprise Fund VI, L.P.	Dino	consumer products, Poland	public markets
May	CDH China Fund III, L.P.	WH Group	consumer products, China	public markets
May	EOS Capital Partners IV, L.P.	Country Fresh	consumer products, US	secondary sale to Kainos Capital
June	OCM Principal Opportunities Fund IV, L.P.	APF	consumer products, US	trade sale to Tyson Foods
August	Hahn & Company I, L.P.	Daehan Cement	materials, South Korea	trade sale to Ssangyong Cement
September	STG III, L.P.	Symphony Health Solutions	health care, US	trade sale to PRA Health Sciences
September	Odyssey Investment Partners III, L.P.	EAG	industrials, US	trade sale to Eurofins Scientific
September	Clayton, Dubilier & Rice Fund VII, L.P.	US Foods	consumer products, US	public markets
December	CD&R Bounce Co-Investor, L.P.	Spie	industrial services, France	public markets

The **late stage venture** segment (6 per cent of assets) also saw positive valuation developments contributing close to USD 1 million during the course of 2017. Main driver in 2017 was Columbia IV who's remaining portfolio companies profited from favourable market comparables and strong financial performances of a number of portfolio companies.

Distressed debt investments recorded a negative performance during the year of 6 per cent. Most of the investments in this stage were valued using public debt market pricing.

Finally, **balanced** investments (2 per cent of assets) contributed positively during the past year, generating returns of close to 2 per cent.

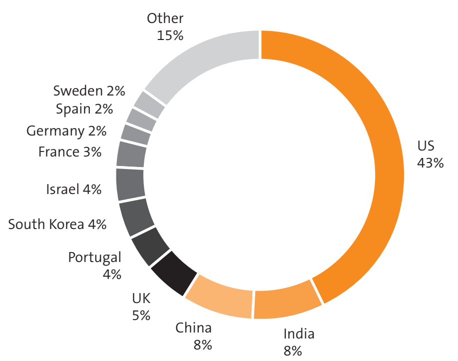
Increasingly mature and cash generating portfolio

The portfolio continued to mature in the past year. Underlying private equity funds in realisation mode represent USD 201 million or 88 per cent of net assets. NAV of even older investments, considered to be in their liquidation phase, amounted to USD 15 million (7 per cent). The NAV of investment phase exposure amounted to USD 13 million, or 6 per cent of overall net assets by year-end.

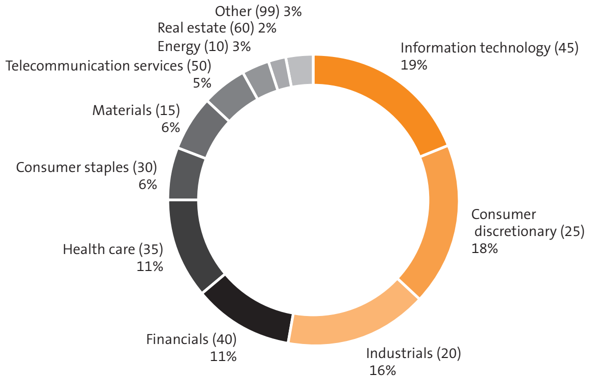
Portfolio review at the company level

Per December 2017

Geographical regions



Industry sectors (GICS)



Mature assets drive Castle's liquidity position

Continued high levels of net cash inflows
Partnership investments distributed a total of USD 152 million back to Castle during the course of the year vs. USD 118 million in 2016. Distributions were generated from almost all available exit channels, including sales to strategic buyers, secondary buyouts (sale of a private equity-backed company to another private equity manager) as well as IPO's and recapitalisations as a consequence of more robust credit markets.

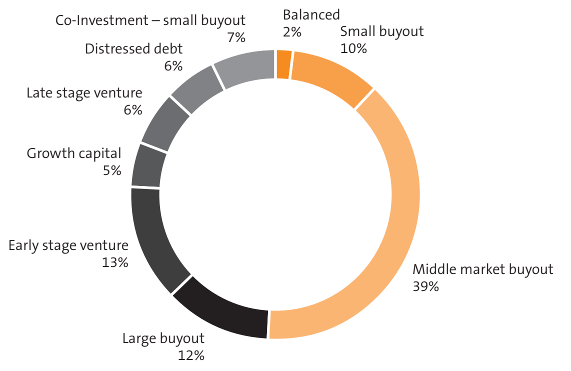
Capital calls of underlying partnerships proved to be less and less relevant for 2017, with annual drawdowns of just USD 1 million. This capital was mainly used to support add-on acquisitions and some new investments. In the previous year, capital calls amounted to USD 7 million.

Majority of uncalled capital can be considered stale

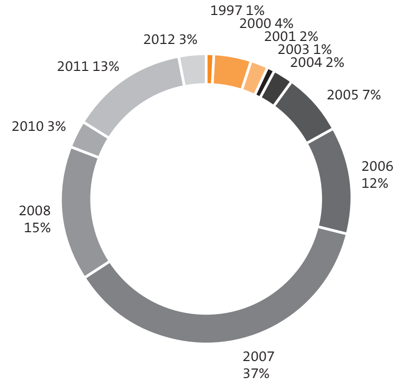
Uncalled capital remains at USD 53 million or 12 per cent of NAV
Castle terminated its investment activity with the adoption of the harvesting strategy in April 2012. The amount of uncalled capital – commitments that underlying funds can still call for new investments – was reduced further during the course of 2017. Most of the remaining uncalled capital can be considered as stale given that the maturity of virtually all funds in Castle's portfolio have matured beyond their investment period.

Asset allocation (asset value)
Per December 2017

Financing stage



Vintage year



Major underlying company positions in 2017[1)]

Year invested	Partnership	Company	GICS Industry, location
2012	Stirling Square Capital Partners Omni Co-Investment, L.P.	Omni Helicopters	airlines, Portugal
	Stirling Square Capital Partners Second Fund (VCOC), L.P.	International	
2007	SAIF Partners III, L.P.	One97	diversified telecommunication
	SAIF Partners III, L.P. (Secondary – Desert)	Communications	services, India
2014	Hahn & Company I, L.P.	H-Line Shipping	marine, South Korea
2008	Odyssey Investment Partners III, L.P.	Evans Analytical	chemicals, US
2005	Bain Capital Fund IX, L.P.	Quintiles IMS	health care technology, US
	Bain Capital Fund X, L.P.		
	TPG Parallel III, L.P.		
	TPG Partners V, L.P.		
	TPG Partners VI, L.P.		
2008	Carmel Ventures III, L.P.	Payoneer	diversified financial services, US
2008	Blackstone Capital Partners V, L.P.	Performance Food	food & staples retailing, US
	Wellspring Capital Partners IV, L.P.	Group	
2007	Fortress Investment Fund V (Coinvestment Fund D), L.P.	Florida East Coast	real estate management &
	Fortress Investment Fund V (Fund D), L.P.	Industries	development, US
2009	STG III, L.P.	MSC	internet software & services, US
2011	STG III, L.P.	Symphony Health	health care technology, US
		Solutions	
2011	Fortress Investment Fund V (Fund D), L.P.	OneMain Financial	thrifts & mortgage finance, US
2010	Bain Capital Asia Fund II, L.P.	Genpact	IT services, India
	Bain Capital Fund X, L.P.		
2007	Battery Ventures VII, L.P.	Sabre Holdings	software, US
	OCM Opportunities Fund VII, L.P.		
	Silver Lake Partners II, L.P.		
	TPG Partners IV, L.P.		
	TPG Partners V, L.P.		
2012	Carmel Ventures III, L.P.	IronSource	software, Israel
2012	Arsenal Capital Partners QP II-B, L.P.	WIRB	professional services, US
2006	Bain Capital Fund IX, L.P.	Michaels Stores	specialty retail, US
	Bain Capital Partners Coinvestment Fund IX, L.P.		
	Blackstone Capital Partners V, L.P.		
2011	E-Center Network Castilla y Leon, S.L. (Ambuiberica)	Ambuibérica	health care providers & services,
	ProA Capital Iberian Buyout Fund I Europa, F.C.R. de Régimen Simplificado		Spain
2007	SAIF Partners III, L.P.	National Stock	diversified financial services, India
	SAIF Partners III, L.P. (Secondary – Desert)	Exchange of India	
	SB Asia Investment Fund II, L.P.		
2005	PAI Europe IV, L.P.	Perstorp	chemicals, Sweden
2007	Apollo Overseas Partners VI, L.P.	Caesar’s	media, US
	Blackstone Capital Partners V, L.P.	Entertainment	
	OCM Opportunities Fund VII, L.P.		
	OCM Opportunities Fund VIIb, L.P.		
	OCM Principal Opportunities Fund IV, L.P.		
	TPG Partners V, L.P.		

1) Based on the latest available financial statements from the underlying private equity partnerships, i.e. primarily 30 September 2017.

Over USD 465 million returned to shareholders since implementation of harvesting strategy

Continuing cash generation will allow further distributions to shareholders

The tailwinds of the last few years also supported Castle over the course of the past 12 months and led to further cash generation. Patient harvesting and returning cash to shareholders in an effective and tax efficient way remained the company's key priority under the prevailing realisation scheme.

Castle continued to use share buyback programs as its main channel to return further capital to its shareholders. During the past year, Castle returned over USD 43 million via different share buyback programs to its shareholders. In reflection of high valuation levels for private equity assets after an almost decade long equity boom, the investment manager in the second half of the year undertook a review – within an overall portfolio assessment by LGT Capital Partners – to explore a potential sale of mature, fully valued assets. As a result, the company in December agreed to sell a portfolio of mature partnerships. While the sale will be realised in 2018, the sale price has been reflected in the December valuations. While the remaining portfolio is of high quality, the investment manager continues to benchmark expected returns with current pricing and may, should pricing on the secondary market prove attractive, consider accelerating the realisation of the portfolio in a punctual way.

Yours sincerely

LGT Private Equity Advisers AG

Report of the statutory auditor

to the general meeting of Castle Private Equity AG Pfäffikon (SZ)

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: USD 4.5 million.

The Group consists of 3 reporting units located in Switzerland, Cayman Islands and Ireland.
We concluded full scope audit work at all 3 reporting units.

Our audit scope therefore addressed 100% of the Group's assets, liabilities, equity, income and expenses and cash flows.

As key audit matters the following areas of focus have been identified:
- Valuation and ownership of private equity investments
- Performance fees

pwc

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	USD 4.5 million
How we determined it	1% of total shareholders' equity
Rationale for the materiality benchmark applied	We chose total shareholders' equity as the benchmark because, in our view, this is the key metric of interest to investors, and is a generally accepted benchmark for investment companies.

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

Valuation and ownership of private equity investments

Key audit matter	*How our audit addressed the key audit matter*
The investment portfolio comprises investments in private equity funds and direct private equity investments (the "Co-Investments"). All of the Group's investments are unquoted. We focused on this area because of the significance of the investments in the financial statements, and because determining the valuation methodology and the inputs requires estimation and significant judgement to be applied by the investment manager and the board of directors. As set out in notes 3 (Critical accounting estimates) and 20 e) (Fair value estimation) investments amount to USD 228.9 million or 49.8% of total assets. Refer to note 2 i) (iii) (Summary of accounting policies) for the valuation methods applied.	The investment valuations are prepared by the investment manager applying the valuation methods disclosed in note 2 i) (iii). We attended the meeting of the board of directors where these investment valuations were reviewed to observe this process. We tested the design and implementation of the controls around the valuation of investments at the investment manager, to determine whether appropriate controls are in place, as follows. As the valuation provided by the target fund manager is the primary source for valuation, we obtained information on the latest available valuation from the administrator or target fund manager, and checked that this information appropriately supported the valuations applied by the investment manager. We tested the fair value check process applied by the investment manager, which employs a risk-based approach to determine investments for which a fair value adjustment may be required. This process includes a review of the 2016 audited financial statements of each target fund with an assessment of how the underlying fund assesses fair value and how accurate the December 2016 estimated fair value was in comparison to the audited figure. On a sample basis we have tested those investments identified as having a higher risk of valuation error by the investment manager in the fair value check process described above. We challenged the procedures applied by the investment manager, including the adequacy of the inputs used as set out in note 20 e), focusing particular attention on co-investments and on other investments in private equity funds subject to adjustments using the results of the investment manager's own review and analysis. Where there was a time lag between the date of the latest available reporting and the balance sheet date of the Group and there was no valuation of the underlying fund as of December 2017, we tested the determination of the fair value by the investment manager. Our procedures were as follows: • For investments entered into during the year, we tested cash flow amounts on a sample basis to ensure that they were correctly reconciled to the relevant legal documents from the target fund.

Key audit matter	*How our audit addressed the key audit matter*
	• We tested cash flows from capital calls and distributions on a sample basis over the course of the year and subsequent to the year end. In particular, we ensured that the cash flow amounts recorded by the company were appropriately reconciled to call or distribution notices received from the target fund. We obtained sufficient audit evidence to conclude that the inputs, estimates and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the board of directors.
Private equity investments are not safeguarded by an independent custodian. There is a risk that the Group may not have sufficient legal entitlement to these investments.	We successfully verified the existence and legal ownership of private equity investments by confirming investment holdings with the target fund manager, registrar or transfer agent, as appropriate.

Performance fees

Key audit matter	*How our audit addressed the key audit matter*
Please refer to note 17 (Significant fee agreements), of the consolidated financial statements for details of the method of calculation of the Group's performance fees, which amounted to USD 5.2 million for the year. The performance fee is a related party transaction and is based on a complex calculation with a number of inputs. This complexity creates a risk that the performance fee may be incorrectly calculated. Furthermore, an error in calculation would potentially be material to the consolidated financial statements. As a result of the above combined factors, we consider performance fees to be a key audit matter, and have designed our audit procedures to appropriately test the calculation itself, and to verify the inputs, the most significant of which are net new gains by the end of the financial year, consolidated net asset value of the Group and market capitalisation of Castle Private Equity AG.	We have recalculated performance fees, checked the accuracy of inputs used in the calculation and ensured that the method of calculation was applied consistently in accordance with the investment advisory agreement. We obtained sufficient audit evidence over the accuracy of the inputs and the correct application of the calculation to conclude that the calculation is consistently applied and in compliance with the investment advisory agreement.

Other information in the annual report

The board of directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Castle Private Equity AG and our auditor's reports thereon.

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

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

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, Article 14 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Daniel Pajer	Jack Armstrong
Audit expert	
Auditor in charge	

Zurich, 20 February 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	Note	2017	2016
Income			
Income from non-current assets:			
Net gain on investments designated at fair value through profit or loss	12	51,301	32,111
Net loss on derivative financial instruments designated at fair value through profit or loss	12	—	(205)
Total gains from non-current assets		**51,301**	**31,906**
Income from current assets:			
Net loss on marketable securities designated at fair value through profit or loss	12	(6)	(55)
Loss on foreign exchange net		(98)	(46)
Interest income	5	61	4
Other income		28	42
Total losses from current assets		**(15)**	**(55)**
Total income		**51,286**	**31,851**
Expenses			
Management and performance fees	6	(9,763)	(4,716)
Expenses from investments		(1,314)	(1,044)
Other operating expenses	7	(1,334)	(1,280)
Total operating expenses		**(12,411)**	**(7,040)**
Operating profit		**38,875**	**24,811**
Finance costs	8	(4)	(1)
Profit for the year before taxes		**38,871**	**24,810**
Tax expenses	9	(928)	(581)
Profit for the year after taxes		**37,943**	**24,229**
Total comprehensive income for the year		**37,943**	**24,229**
Profit attributable to:			
Shareholders		37,943	24,229
Non-controlling interest		—	—
		37,943	**24,229**
Total comprehensive income attributable to:			
Shareholders		37,943	24,229
Non-controlling interest		—	—
		37,943	**24,229**
Earnings per share (USD) attributable to equity holders	2 (o)		
Weighted average number of shares outstanding during the year		25,562,022	28,448,799
Basic profit per share		USD 1.48	USD 0.85
Diluted profit per share		USD 1.48	USD 0.85

The accompanying notes on pages 24 to 65 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As of 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	Note	2017	2016
Assets			
Current assets:			
Cash and cash equivalents	10	230,212	129,750
Accrued income and other receivables	11	379	63
Total current assets		**230,591**	**129,813**
Non-current assets:			
Investments designated at fair value through profit or loss	12	228,925	330,591
Total non-current assets		**228,925**	**330,591**
Total assets		**459,516**	**460,404**
Liabilities			
Current liabilities:			
Accrued expenses and other payables	14	6,759	2,263
Total current liabilities		**6,759**	**2,263**
Equity			
Shareholders' equity:			
Share capital	15	893	99,434
Additional paid-in capital	15	151,624	62,965
Less treasury shares at cost (bought for cancellation)	15	(34,117)	(39,278)
Retained earnings		334,356	335,019
Total shareholders' equity before non-controlling interests		**452,756**	**458,140**
Non-controlling interests		**1**	**1**
Total equity		**452,757**	**458,141**
Total liabilities and equity		**459,516**	**460,404**
Net asset value per share (USD)	2 (n)		
Number of shares issued as at year end		26,323,950	29,228,461
Number of treasury shares (bought for cancellation) as at year end	15	(1,876,234)	(2,320,072)
Number of shares outstanding net of treasury shares as at year end		24,447,716	26,908,389
Net asset value per share		**18.52**	**17.03**

The accompanying notes on pages 24 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	Note	2017	2016
Cash flows from/(used in) operating activities:			
Purchase of investments		(1,200)	(6,454)
Proceeds from callable return of invested capital in investments		—	1,945
Proceeds from return of invested capital in investments		67,198	59,029
Proceeds from realised gains on investments		85,690	56,714
Proceeds from sales of securities		105	3,631
Interest received	5	61	4
Proceeds from other realised income		1	12
Investment expenses paid		(223)	(1,042)
Withholding taxes paid for investments	9	(1,506)	(1,854)
Withholding taxes refunded from investments		442	1,295
Other operating expenses paid	6,7	(6,029)	(13,520)
Capital tax paid		(31)	(31)
Net cash flows from operating activities		**144,508**	**99,729**
Cash flows from/(used in) financing activities:			
Finance costs		(33)	(49)
Purchase of treasury shares (bought for cancellation)	15	(44,029)	(48,090)
Net cash flows used in financing activities		**(44,062)**	**(48,139)**
Net increase in cash and cash equivalents		**100,446**	**51,590**
Cash and cash equivalents at beginning of year	10	129,750	78,261
Exchange gain/(loss) on cash and cash equivalents		16	(101)
Cash and cash equivalents at end of year		**230,212**	**129,750**
Cash and cash equivalents consist of the following as at 31 December:			
Cash at banks		224,212	126,750
Time deposits < 90 days		6,000	3,000
Total		**230,212**	**129,750**

The accompanying notes on pages 24 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	Note	Share capital	Additional paid-in capital	Less treasury shares	Retained earnings	Non-controlling interests	Total equity
1 January 2016		**113,844**	**62,965**	**(67,777)**	**373,408**	**1**	**482,441**
Total comprehensive income for the year		—	—	—	24,229	—	24,229
Purchase of treasury shares (bought for cancellation)	15	—	—	(48,529)	—	—	(48,529)
Cancellation of treasury shares	15	(14,410)	—	77,028	(55,372)	—	7,246
Impact of CHF/USD historical rates on the cancellation of treasury shares		—	—	—	(7,246)	—	(7,246)
31 December 2016		**99,434**	**62,965**	**(39,278)**	**335,019**	**1**	**458,141**
1 January 2017		**99,434**	**62,965**	**(39,278)**	**335,019**	**1**	**458,141**
Total comprehensive income for the year		—	—	—	37,943	—	37,943
Purchase of treasury shares (bought for cancellation)	15	—	—	(43,327)	—	—	(43,327)
Cancellation of treasury shares	15	(9,882)	—	48,488	(33,732)	—	4,874
Impact of CHF/USD historical rates on the cancellation of treasury shares		—	—	—	(4,874)	—	(4,874)
Nominal capital reduction	15	(88,659)	88,659	—	—	—	—
31 December 2017		**893**	**151,624**	**(34,117)**	**334,356**	**1**	**452,757**

The accompanying notes on pages 24 to 65 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year end 31 December 2017
(All amounts in USD thousands unless otherwise stated)

1 Organisation and business activity

Castle Private Equity AG, Pfäffikon (the “Company”), is a stock corporation established for an indefinite period by deed dated 19 February 1997. The Company’s registered office is Schützenstrasse 6, CH-8808 Pfäffikon. The Company’s business is principally conducted through two fully consolidated subsidiaries (the “Subsidiaries”); Castle Private Equity (Overseas) Ltd. (the “Overseas Subsidiary”) and Castle Private Equity (International) plc (the “Ireland Subsidiary”). The Company and the Subsidiaries together constitute the “Group”.

Subsidiaries

Castle Private Equity (Overseas) Ltd., Grand Cayman, was incorporated on 28 February 1997 as an exempted company under the laws of Cayman Islands. The authorised share capital of TUSD 57 is divided into voting non-participating management shares and non-voting participating ordinary shares. All voting non-participating management shares are held by LGT Group Foundation, Vaduz, the non-voting participating ordinary shares are entirely held by Castle Private Equity AG, Pfäffikon. The paid in share capital for these voting non-participating management shares amounts to USD 683 and is presented in the balance sheet as an non-controlling interest. The Group consolidated the Overseas Subsidiary per 31 December 2017 and 31 December 2016 in compliance with IFRS 10.

Castle Private Equity (International) plc, Dublin, was established on 18 December 2000 as an open-ended investment company with variable capital under the laws of Ireland. Its capital amounted to TUSD 229,359 per 31 December 2017 (per 31 December 2016: TUSD 333,304). It is a subsidiary of Castle Private Equity (Overseas) Ltd. The share capital is divided into management shares and participating shares. The management shares are held by LGT Group Foundation, LGT Bank (Ireland) Ltd. and LGT Fund Managers (Ireland) Limited. The participating shares are entirely held by the Overseas Subsidiary. The Ireland Subsidiary is an open-ended investment company with variable capital and limited liability authorised by the Central Bank of Ireland pursuant to the provisions of Part XIII of the Companies Act, 1990. The Group consolidated the Ireland Subsidiary per 31 December 2017 and 31 December 2016 in compliance with IFRS 10.

Stock market listing

Since 4 September 1998 the shares of the Company have been listed in Swiss Francs on the SIX Swiss Exchange. On 21 January 2002 a listing in US Dollar on the SIX Swiss Exchange followed. On 31 October 2016 the US Dollar trading line was terminated.

Business activity

The investment policy aims at a maximisation of the long-term value advancement by way of realising the Group’s funds by harvesting the portfolio or private equity investments as their underlying assets are realised.

Private equity investments mean professionally managed equity investments in securities of private and public companies (e.g. during the restriction period after an Initial Public Offering "IPO"). Equity investments can take the form of a security which has an equity participation feature. Investments are made alongside the management to start, develop or transform privately owned companies, which demonstrate the potential for significant growth. It comprises investments in various financing stages; e.g.: seed, early, later, mezzanine, special situations (distressed), management buyouts and leveraged buyouts. No assurance can be given that the Group's investment objective will be achieved and investment results may vary substantially over time.

From its inception in 1997 until 2012, the Group operated as an evergreen investment entity, re-investing proceeds from realisations into new investments. Following a vote at a shareholders' meeting in April 2012, the Group embarked upon a realisation strategy.

The consolidated financial statements are presented in US Dollar which is the Group's entities' functional currency and the Group's presentation currency.

As of 31 December 2017 and 31 December 2016 the Group did not employ any employees.

2 Summary of accounting policies for the consolidated financial statements

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The accompanying consolidated financial statements of the Group for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) and comply with Swiss Law and the accounting guidelines laid down in the SIX Swiss Exchange's Directive on Financial Reporting (DFR) for investment companies.

The consolidated financial statements of the Group have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The board considers the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.

a) Standards and amendments to published standards that are mandatory for the financial year beginning on or after 1 January 2017

There were no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2017 that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these could have a significant effect on the financial statements. Those standards, amendments and interpretations considered included:

– IFRS 9, "Financial instruments", (1 January 2018)

The board of directors has assessed this new standard and determined that its implementation will not have an impact on the consolidated financial statements of the Group and will not lead to any changes to the total shareholders' equity of the Group as all of the Group's investments are measured at fair value through profit or loss.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the Group.

c) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. See also note 2 i) iii).

d) Basis of consolidation

The consolidated financial statements are based on the financial statements of the individual Group companies prepared using uniform accounting principles and drawn up in accordance with the regulations governing the rendering of accounts in terms of the Listing Regulations of the SIX Swiss Exchange and with the International Financial Reporting Standards issued by the International Accounting Standards Board.

The consolidated financial statements include all assets and liabilities of the Company and its direct and indirect subsidiaries:

– Castle Private Equity (Overseas) Ltd., Cayman Islands; and
– Castle Private Equity (International) plc, Ireland.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those return through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases.

Non-controlling interests are disclosed separately in the consolidated financial statements.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

e) Associates

Further to the subsidiaries fully consolidated, the Group holds ownership interest of more than 20 per cent in Chancellor Private Capital Offshore Partners II, L.P. (28.6 per cent) and the Chancellor Offshore Partnership Fund L.P. (99.8 per cent). As per November 2012 Chancellor Private Capital Offshore Partners II, L.P. is in liquidation.

Under IAS 28, a holding of 20 to 50 per cent or more will indicate significant influence and these investments should be classified as associates and be accounted for using the equity method. However, these standards do not apply to investments in associates and interests in joint ventures, held by venture capital organisations, which are classified as fair value through profit or loss in accordance with IAS 39, resulting in the measurement of the investments at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The following schedule shows the latest available financial information of the associates.

As of 31 December 2017	Chancellor Private Capital Offshore Partners II, L.P. – in liquidation[1] TUSD	Chancellor Offshore Partnership Fund, L.P.[2] TUSD
Total assets	–	2,960
Total liabilities	–	(93)
Income	–	4
Loss	–	(131)

[1] In liquidation since 2012.
[2] The September 2017 figures have been annualised.

As of 31 December 2016	Chancellor Private Capital Offshore Partners II, L.P. – in liquidation[1] TUSD	Chancellor Offshore Partnership Fund, L.P.[2] TUSD
Total assets	–	4,162
Total liabilities	–	(93)
Income	–	2
Profit	–	912

[1] In Liquidation since 2012.
[2] The June 2016 figures have been annualised.

The Group has elected to measure these associates as investments at fair value through profit or loss with changes in fair value being recognised in the consolidated statement of comprehensive income.

f) Non-controlling interest holders

Non-controlling interest holders in the consolidated financial statements are presented as a component of equity. The profit or loss for the period and the total comprehensive income are allocated in the consolidated statement of comprehensive income to the amounts attributable to non-controlling interest holders and to the shareholders.

g) Foreign currency

The functional currency of the Group's entities is US Dollar. The US Dollar as the functional currency arises from the fact that the Group is investing in assets whose base currency is predominately in US Dollar. The Group has also used the US Dollar as its presentation currency.

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued into US Dollar at the exchange rates prevailing at the balance sheet date. Unrealised exchange gains and losses resulting from the revaluation of investments at fair value through profit or loss and denominated in foreign currency are recognised in the consolidated statement of comprehensive income. Other exchange gains and losses are also included in the consolidated statement of comprehensive income.

h) Cash and cash equivalents
Cash and cash equivalents comprise demand, call and term deposits with a maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise all cash, short-term deposits and other money market instruments with a maturity of three months or less, net of bank overdrafts on demand. Cash and cash equivalents are recorded at nominal value.

i) Financial assets and liabilities at fair value through profit or loss
Under IAS 39, the Group has designated all its investments and marketable securities into financial assets at fair value through profit or loss. This category was chosen as it reflects the business of an investment entity: the assets are managed and their performance evaluated on a fair value basis and management decisions are therefore reflected in the consolidated statement of comprehensive income. The Group's policy is for the investment manager and the board of directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. The category of financial assets and liabilities at fair value through profit or loss comprises:
– Financial instruments held-for-trading. These include futures, forward contracts, options and swaps.
– Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold.

Financial assets that are classified as loans and receivables include balances due from brokers and accounts receivable.

Financial liabilities that are not at fair value through profit or loss include balances due to brokers and accounts payable.

(i) Recognition and derecognition
The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.

A regular way purchase of financial assets held for trading is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. A regular way purchase of financial assets designated as fair value through profit or loss is recognised using settlement date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded. Financial liabilities are not recognised until the entity becomes party to the contractual provisions of the instrument.

(ii) Measurement
Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the consolidated statement of comprehensive income. Financial assets classified as loans and receivables are carried at amortised cost, less impairment losses, if any. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost.

(iii) Fair value measurement principles and estimation

Options
The Group enters into options to speculate on the price movements of the financial instrument underlying the option, or for use as an economic hedge against certain equity positions held in the Group's investment portfolio. When the Group writes or purchases put or call options, an amount equal to the premium received or paid is recorded as a liability or an asset and is subsequently marked-to-market in the consolidated balance sheet. Premiums received or paid from writing or purchasing put or call options which have expired or were unexercised are recognised on their expiry date as realised gains or losses in the consolidated statement of comprehensive income. If an option is exercised, the premium received or paid is included with the proceeds or the cost of the transaction to determine whether the Group has realised a gain or loss on the related investment transaction on the statement of comprehensive income. When the Company enters into a closing transaction, it will realise a gain or loss in its consolidated statement of comprehensive income depending upon whether the amount from the closing transaction is greater or less than the premium received or paid. The options are valued at close of business on the dealing day at the settlement price as provided by the counterparty LGT Bank Ltd.

Listed securities
The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year-end date. The board of directors considers markets to be active when transactions are occurring frequently enough on an ongoing basis to obtain reliable pricing information on an ongoing basis. If observed transactions are no longer regularly occurring, or the only observed transactions are distressed/forced sales, the market would no longer be considered active. In cases where it is judged that there is no longer an active market, any transactions that occur may nevertheless provide evidence of current market conditions which will be considered in estimating a fair value using the valuation technique as described. Financial instruments are assessed separately when determining if there is an active market. None of the investments outlined in the portfolio of investments belong to this category as of 31 December 2017 (31 December 2016: none).

Primary fund investments
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the board of directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds as of 30 September 2017, adjusted for

subsequent capital calls and distributions. If the board of directors comes to the conclusion upon recommendation of the investment manager after applying the above valuation methods, that the most recent valuation reported by the manager/administrator of a fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. Refer to note 3 for more details. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager. In estimating the fair value of fund investments, the investment manager in its valuation recommendation to the board of directors considers all appropriate and applicable factors (including a sensitivity to non-observable market factors) relevant to their value, including but not limited to the following:

- reference to the fund investment's reporting information including consideration of any time lags between the date of the latest available reporting and the balance sheet date of the Group in those situations where no December valuation of the underlying fund is available (68.1 per cent of private equity assets as of 25 January 2018). This includes a detailed analysis of exits (trade sales, initial public offerings, etc.) which the fund investments have had in the period between the latest available reporting and the balance sheet date of the Group, as well as other relevant valuation information. This information is a result of continuous contact with the investment managers and, specifically, by monitoring calls made to the investment managers, distribution notices received from the investment managers in the period between the latest available report and the balance sheet date of the Group, as well as the monitoring of other financial information sources and the assessment thereof;
- reference to recent transaction prices;
- result of operational and environmental assessments: periodic valuation reviews are made of the valuations of the underlying investments as reported by the investment managers to determine if the values are reasonable, accurate and reliable. These reviews include a fair value estimation using widely recognised valuation methods such as multiples analysis and discounted cash flow analysis;
- review of management information provided by the managers/administrators of the fund investments on a regular basis; and
- mark-to-market valuations for quoted investments held by the fund investments which make up a significant portion of the Group's net asset value.

All fair valuations may differ significantly from values that would have been used had ready markets existed, and the differences could be material. The valuation of the investments is performed on a regular basis, but at least quarterly.

Secondary fund investments
The fair value measurement principles applied to secondary investments are the same as those applied to primary investments with the exception that commitments to secondary fund investments are recognised in the Company's accounts when the sale and purchase agreement is signed but cost and fair value are not recognised until such time as the investment manager's consent has been received and any rights of first refusals have expired.

Where an investment manager valuation specific to the Group is not available, a comparable valuation pertaining to a similar commitment may be used as a representative of the fair value of the Group's investment.

(iv) Net gain on investments

Net gain on investments is comprised of realised and unrealised gains on investments. Realised gains are recognised as being the difference between the cost value of an investment and the proceeds received from the sale of the investment in the year that the investment was sold.

(v) Allocation of proceeds from investments

Distributions from primary investments are typically applied to return of capital and realised gains on the basis of the allocation provided by the investment manager. In the absence of this allocation the distribution is applied as a return of capital until all contributed capital has been returned and thereafter applied to realised gains. Distributions from secondary investments are typically applied as a return of capital until such time as the contributed capital has been recovered in full and thereafter applied to realised gains. Any portion of the distributions which is identified as recallable is included in the unfunded commitment of the relevant investment.

(vi) Dividends

Dividends are recognised in the consolidated statement of comprehensive income within realised gains at the time upon the declaration of such dividends.

(vii) Interest income and finance costs

Interest income and finance costs as well as other income and expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

j) Accrued income and other receivables

Accrued income and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method. Borrowings are shown as current liabilities unless the Group has the unconditional right to defer settlement for at least 12 months after the balance sheet date. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

l) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost.

m) Treasury shares

The Company can buy and sell treasury shares in accordance with the Company's articles of association, Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange. Treasury shares are recorded as a deduction from the consolidated shareholders' equity at the amount of considerations paid ("Total cost"). The gains and losses on sales of treasury shares are credited or charged to the retained earnings account. Upon cancellation, resulting differences between the exchange rates from the time of purchase of the treasury shares to the historical rates are also recognised in retained earnings. The FIFO (first in/first out) method is used for derecognition. The purchase price is booked gross with transaction costs and withholding tax.

n) Share capital

The share capital of the Company at 31 December 2017 amounts to TCHF 1,316 (TUSD 893) (31 December 2016: TCHF 146,142 (TUSD 99,434)) consisting of 26,323,950 (31 December 2016: 29,228,461) issued and fully paid registered shares with a par value of CHF 0.05 each (31 December 2016: CHF 5.00 each). Each share entitles the holder to participate in any distribution of income and capital.

o) Net asset value per share and earnings per share

The net asset value per share is calculated by dividing the net assets included in the consolidated balance sheet (excluding non-controlling interests) by the number of participating shares outstanding less treasury shares at the year end.

Basic profit per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares outstanding during the year. Diluted profit per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares.

p) Taxes

Taxes are calculated on reported income. Capital taxes paid are recorded in other operating expenses.

The Group currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Taxes are shown as a separate item in the consolidated statement of comprehensive income.

Castle Private Equity AG, Pfäffikon: for Schwyz cantonal and communal tax purposes, the Company is taxed as a holding company and is as such only liable for capital taxes. All relevant income of the Company, including the dividend income and capital gains from its investments, is exempt from taxation at the cantonal and communal level. The result of the participation exemption relief is that dividend income and capital gains are almost fully excluded from taxation.

Castle Private Equity (Overseas) Ltd., Grand Cayman: the activity of the Overseas Subsidiary is not subject to any income, withholding or capital gains taxes in the Cayman Islands. Generally, the Overseas Subsidiary intends to conduct its affairs so as not to be liable to taxation in any other jurisdiction.

Castle Private Equity (International) plc, Dublin: the Ireland Subsidiary is not liable to Irish tax on its income or gain.

q) Segment reporting

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The investment manager is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

The sole operating segment of the Group is investing in private equity investments. The investment manager works as a team for the entire portfolio, asset allocation is based on a single, integrated investment strategy and the Group's performance is evaluated on an overall basis. Thus the results published in this report correspond to the sole operating segment of investing in private equity.

r) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

3 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are the fair value of non-quoted instruments. The board of directors uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The majority of the Group's investments use either U.S. GAAP or utilise a combination of IFRS and International Private Equity and Venture Capital ("IPEVC") valuation guidelines to value their underlying investments. The predominant methodology adopted by the investment managers for the buyout investments in the Group is a market approach which takes market multiples using a specified financial measure (e.g. EBITDA), recent public market and private transactions and other available measures for valuing comparable companies.

The use of valuation techniques requires them to make estimates. Changes in assumptions could affect the reported fair value of these investments. As of 31 December 2017 and 31 December 2016 there were no investments for which the board of directors made valuation adjustments.

4 Foreign exchange rates

The following exchange rates have been applied to translate the foreign currencies of significance for the Group:

Foreign exchange rates		**Unit**	**2017 USD**	**2016 USD**
Swiss Francs	Year-end rates	1 CHF	1.025851	0.984204
British Pound	Year-end rates	1 GBP	1.353050	1.235800
Euro	Year-end rates	1 EUR	1.200550	1.055000
Swiss Francs	Average annual rates	1 CHF	1.017585	1.011764
British Pound	Average annual rates	1 GBP	1.295868	1.355403
Euro	Average annual rates	1 EUR	1.132211	1.101929

5 Interest income

Interest income for the year was earned on:

Interest income	**2017 TUSD**	**2016 TUSD**
Interest income from deposit at related party	1	1
Interest income from deposit at third party	60	3
Total	**61**	**4**

6 Management and performance fees

Management and performance fees are composed as follows:

Management and performance fees	**2017 TUSD**	**2016 TUSD**
Management fee – related party	4,565	4,716
Performance fee – related party	5,198	—
Total	**9,763**	**4,716**

7 Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses	2017 TUSD	2016 TUSD
Related party fees:		
Credit facility standby fees	8	23
Administrative fees	201	224
Directors' fees and expenses	246	247
General managers' expenses	100	98
Domicile fees	10	10
Third party fees:		
Custody fees	114	144
Annual and semi-annual reports	43	40
Legal fees	24	18
Tax advisory fees	189	118
Audit fees	145	134
Project expenses	2	—
Capital taxes Switzerland	32	31
Other expenses	220	193
Total	**1,334**	**1,280**

8 Finance costs

Interest expense for the year was paid on:

Finance costs	2017 TUSD	2016 TUSD
Due to banks – third party	4	1
Total	**4**	**1**

9 Taxes

Reconciliation of income tax calculated with the applicable tax rate:

Income tax reconciliation	2017 TUSD	2016 TUSD
Profit for the year before taxes	38,871	24,810
Applicable tax rate	7.8%	7.8%
Income tax	3,032	1,935
Effect from: non-taxable income	(3,032)	(1,935)
Total	—	—

The applicable tax rate is the same as the effective tax rate. Refer to note 2 p) for more information on taxes.

Taxes	2017 TUSD	2016 TUSD
Withholding tax expenses/(refund) for investments	928	581
Income tax	—	—
Total	**928**	**581**

The Group currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the consolidated statement of comprehensive income. Withholding taxes are shown as a separate item in the consolidated statement of comprehensive income.

10 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and cash equivalents	2017 TUSD	2016 TUSD
Cash at banks		
Related party	406	1,085
Third party	223,806	125,665
Time deposit		
Third party	6,000	3,000
Total	**230,212**	**129,750**

The Company has no cash holdings which are not at its disposal. The carrying amounts of the cash and cash equivalents approximate fair value.

Cash flow reconciliation

The following is a reconciliation between the cash flow statement on page 22 and the investment movement schedule on pages 44 and 45.

	Investments			Marketable securities	
1 January 2017 – 31 December 2017	**Additions (capital calls)**	**Disposals (returns of capital)**	**Realised gains and losses**	**Additions (capital calls)**	**Disposals (returns of capital) and realised losses**
Movement schedule (page 44)	**1,206**	**(68,471)**	**(83,290)**	**110**	**(110)**
Cash flows for investment activities	—	67,198	85,690	—	—
Purchase of investments	(1,200)	—	—	—	—
Proceeds from callable return of invested capital in investments	—	—	—	—	—
Purchase of marketable securities	—	—	—	—	—
Sale of marketable securities	—	—	—	—	110
Non-cash transactions	—	—	—	—	—
Deemed distributions and account reclassification[1)]	(6)	(2,621)	1,384	—	—
In kind distributions[2)]	—	—	110	(110)	—
Revaluation of foreign currency positions[3)]	—	3,894	(3,894)	—	—
Total cash and non-cash transactions	(1,206)	68,471	83,290	(110)	110
Reconciliation	—	—	—	—	—

	Investments			Marketable securities	
1 January 2016 – 31 December 2016	**Additions (capital calls)**	**Disposals (returns of capital)**	**Realised gains and losses**	**Additions (capital calls)**	**Disposals (returns of capital) and realised losses**
Movement schedule (page 45)	**5,256**	**(61,617)**	**(58,583)**	**3,686**	**(3,686)**
Cash flows for investment activities	—	59,029	56,714		
Purchase of investments	(6,454)	—	—	—	—
Proceeds from callable return of invested capital in investments	1,945	—	—	—	—
Purchase of marketable securities	—	—		—	
Sale of marketable securities	—	—	—	—	3,686
Non-cash transactions					
Deemed distributions and account reclassification[1)]	(747)	(628)	1,399	—	—
In kind distributions[2)]	—	188	3,498	(3,686)	—
Revaluation of foreign currency positions[3)]	—	3,028	(3,028)	—	—
Total cash and non-cash transactions	**(5,256)**	**61,617**	**58,583**	**(3,686)**	**3,686**
Reconciliation	—	—	—	—	—

1) Deemed distributions and account reclassification – when a general partner determines to retain and use distributable cash for a future contribution, the amount of such cash will be treated as a non-cash contribution and distribution. Account reclassification is required when such a deemed distribution is reported by the general partner.
2) In kind distributions – a distribution of marketable securities instead of a cash distribution.
3) Revaluation of foreign currency positions – as at every month-end the Group revalues the cumulative return of capital amount for foreign currency investments based on the average paid-in capital exchange rate. The resulting adjustment is booked as realised forex gain/(loss) on investments.

11 Accrued income and other receivables

Accrued income and other receivables are composed of:

Accrued income and other receivables	**2017 TUSD**	**2016 TUSD**
Receivable from investments	86	—
Other receivables	293	63
Total	**379**	**63**

12 Investments, marketable securities and derivative financial instruments designated at fair value through profit or loss

As of 31 December 2017 the Group had subscribed interests in 104 (31 December 2016: 105) private equity investment vehicles (mainly limited partnerships), domiciled in the United States of America, the Cayman Islands, Europe and other jurisdictions. The total committed capital amounted to TUSD 1,235,896 (31 December 2016: TUSD 1,213,643) of which TUSD 1,209,445 (31 December 2016: TUSD 1,163,351) was paid in. The details of the investments are shown in the investment table on pages 39 to 43.

All investments generally have an investment period of nine years or more and are subject to restrictions on transferability or disposal. The following investments do not directly invest into companies but invest in other private equity partnerships:

- Chancellor Partnership Fund, L.P.
- Chancellor Offshore Partnership Fund, L.P.
- Landmark Equity Partners III, L.P.
- Invesco Venture Partnership Fund II, L.P.
- Crown Global Secondaries plc
- Crown Asia-Pacific Private Equity plc
- Crown European Buyout Opportunities II plc
- PortPEP Ltd.

As part of the Group's harvesting strategy, the investment manager continues to regularly benchmark the remaining portfolio with current pricing on the secondary market. In late 2017, the investment manager agreed to a sale of selected funds, as certain programs are expiring or approaching the liquidation phase. A list of saleable funds with limited upside potential was identified for the sale. These investments were still held by the Group at 31 December 2017, and were valued in the investment portfolio at the agreed selling price. Subsequent to the year end, the sale transaction was formally finalised.

The valuation of the underlying private equity investments as per 31 December 2017 was reviewed during a meeting of the board of directors.

Investments, marketable securities and derivative financial instruments designated at fair value through profit or loss[1)]

As of 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	Deal currency	Vintage year	Geography	Commitment 31.12.2016	Cost 1.1.2016	Cost 31.12.2016	Fair value 31.12.2016	Commitment 31.12.2017	Cost 31.12.2017	Fair value 31.12.2017	FMV in %
Balanced stage											
Chancellor Offshore Partnership Fund, L.P.	USD	1997	North America	235,000	—	—	3,809	235,000	—	2,864	1.25%
Chancellor Partnership Fund, L.P.	USD	1997	North America	14,518	—	—	—	14,518	—	—	0.00%
Landmark Equity Partners III, L.P. (Secondary – Vinegar)[2),5)]	USD	1998	North America	12,171	—	—	—	12,171	—	—	0.00%
Crown Global Secondaries plc	USD	2004	North America	30,000	5,917	5,257	4,935	30,000	2,617	2,368	1.03%
Total balanced stage				**291,689**	**5,917**	**5,257**	**8,744**	**291,689**	**2,617**	**5,232**	**2.29%**
Buyout stage											
Large buyout											
Doughty Hanson & Co III, L.P. 15	USD	1997	Europe	10,000	2,292	2,292	3,207	10,000	734	79	0.03%
Clayton, Dubilier & Rice Fund VI, L.P.	USD	1998	North America	10,000	2,600	2,600	24	10,000	2,581	3	0.00%
BC European Capital VII[3)]	EUR	2000	Europe	10,550	2,132	2,132	51	12,005	2,132	58	0.03%
Permira Europe II, L.P. II[3)]	EUR	2000	Europe	10,550	2,280	2,280	94	12,005	2,280	108	0.05%
TPG Parallel III, L.P.	USD	2000	North America	5,000	1,253	1,218	75	5,000	1,178	22	0.01%
T3 Parallel, L.P.	USD	2001	North America	5,000	1,239	1,030	98	5,000	1,030	98	0.04%
Warburg Pincus Private Equity VIII, L.P.	USD	2001	North America	15,000	—	—	2,190	15,000	—	1,848	0.81%
Permira Europe III, L.P. II[3)]	EUR	2003	Europe	10,550	3,298	3,227	384	12,005	2,765	55	0.02%
TPG Partners IV, L.P.	USD	2003	North America	13,954	6,509	5,045	1,830	13,954	4,627	1,188	0.52%
Silver Lake Partners II, L.P.	USD	2004	North America	10,000	2,271	1,625	1,581	10,000	1,548	1,403	0.61%
Clayton, Dubilier & Rice Fund VII, L.P.	USD	2005	North America	15,000	2,889	1,712	5,152	15,000	—	35	0.02%
Greenhill Capital Partners II, L.P.	USD	2005	North America	10,000	4,590	4,090	1,508	10,000	3,650	1,016	0.44%
KKR European Fund II, L.P.[3)]	EUR	2005	Europe	10,550	6,332	3,068	430	12,006	2,737	145	0.06%
First Reserve XI, L.P.	USD	2006	North America	15,000	10,182	10,094	1,529	15,000	9,436	793	0.35%
Permira IV, L.P. 2[3)]	EUR	2006	Europe	11,077	3,253	2,094	20	12,605	2,095	64	0.03%
TPG Partners V, L.P.	USD	2006	North America	28,727	18,978	15,794	11,272	28,727	13,912	6,580	2.87%
Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P.	USD	2007	North America	3,000	796	132	1,463	3,000	—	12	0.01%
Bain Capital Fund X, L.P.	USD	2008	North America	12,000	6,735	5,474	5,827	12,000	4,008	4,065	1.78%
Bain Capital X Coinvestment Fund, L.P.	USD	2008	North America	420	279	238	197	420	214	100	0.04%
TPG Partners VI, L.P.	USD	2008	North America	18,000	11,291	10,465	11,358	18,000	9,277	9,008	3.93%
Total large buyout				**224,378**	**89,199**	**74,610**	**48,290**	**231,727**	**64,204**	**26,680**	**11.65%**
Middle market buyout											
Carlyle II Co-Investments[6)]	USD	1997	North America	395	108	108	3	395	108	3	0.00%
Carlyle International Partners II, L.P.	USD	1997	North America	—	71	—	—	—	—	—	0.00%
The Triton Fund (No. 9) L.P.[3)]	EUR	1999	Europe	9,170	720	720	139	10,434	720	158	0.07%

	Deal currency	Vintage year	Geography	Commitment 31.12.2016	Cost 1.1.2016	Cost 31.12.2016	Fair value 31.12.2016	Commitment 31.12.2017	Cost 31.12.2017	Fair value 31.12.2017	FMV in %
Warburg Pincus International Partners, L.P.	USD	2000	Europe	10,000	—	—	1,759	10,000	—	1,375	0.60%
Bain Capital Fund VII-E, L.P.	USD	2002	Europe	8,000	1,205	1,205	46	8,000	1,205	48	0.02%
J.W. Childs Equity Partners III, L.P.	USD	2002	North America	12,000	952	952	—	12,000	952	1	0.00%
Bain Capital Fund VIII-E, L.P.[3)]	EUR	2004	Europe	10,550	5,069	3,527	805	12,006	3,488	357	0.16%
Odyssey Investment Partners III, L.P.	USD	2004	North America	10,000	1,736	1,736	3,041	10,000	281	224	0.10%
Newbridge Asia IV, L.P.	USD	2005	Asia	10,000	3,722	3,722	963	10,000	3,722	907	0.40%
SB Asia Investment Fund II, L.P.	USD	2005	Asia	7,000	2,499	2,063	6,291	7,000	1,656	4,578	2.00%
Chequers XV, FCPR[3)]	EUR	2006	Europe	8,440	4,076	3,126	1,427	9,603	2,659	1,087	0.47%
Court Square Capital Partners II, L.P.	USD	2006	North America	15,000	6,800	5,416	3,701	15,000	5,043	3,418	1.49%
Polish Enterprise Fund VI, L.P.[3)]	EUR	2006	Europe	10,550	9,261	9,333	14,191	12,006	4,899	1,466	0.64%
The Triton Fund II, L.P.[3)]	EUR	2006	Europe	12,660	6,250	5,288	3,317	14,406	4,082	2,052	0.90%
Wellspring Capital Partners IV, L.P.	USD	2006	North America	10,000	4,152	4,152	4,993	10,000	428	—	0.00%
Advent Latin American Private Equity Fund IV, L.P.	USD	2007	Other	10,000	6,039	5,193	4,140	10,000	3,048	3,607	1.58%
CDH China Fund III, L.P.	USD	2007	Asia	9,000	1,962	—	5,760	9,000	—	968	0.42%
CDH Supplementary Fund III, L.P.	USD	2007	Asia	3,000	1,562	234	2,220	3,000	—	218	0.10%
Crown Asia-Pacific Private Equity plc	USD	2007	Asia	40,000	21,875	19,255	25,673	40,000	12,135	18,535	8.10%
EOS Capital Partners IV, L.P.	USD	2007	North America	15,000	8,444	8,718	12,556	15,000	6,542	10,203	4.46%
Genstar Capital Partners V, L.P.	USD	2007	North America	10,000	4,035	3,606	4,252	10,000	1,874	1,948	0.85%
SAIF Partners III, L.P.	USD	2007	Asia	10,000	6,936	6,204	14,699	10,000	5,269	14,284	6.24%
STG III, L.P.	USD	2007	North America	9,450	6,291	4,211	6,684	9,450	—	2,898	1.27%
Bain Capital Europe Fund III, L.P.[3)]	EUR	2008	Europe	10,550	7,211	3,648	5,017	12,006	2,006	2,713	1.19%
Hahn & Company I, L.P.	USD	2011	Asia	10,000	7,273	6,772	12,525	10,000	4,734	10,033	4.38%
Bain Capital Asia Fund II, L.P.	USD	2012	Asia	10,000	7,353	6,417	7,881	10,000	4,914	7,825	3.42%
Total middle market buyout				**270,765**	**125,602**	**105,606**	**142,083**	**279,306**	**69,765**	**88,906**	**38.84%**
Small buyout											
Chequers Capital FCPR[3)]	EUR	2002	Europe	8,967	2,661	1,933	207	10,205	1,933	529	0.23%
MBO Capital FCPR[3)]	EUR	2002	Europe	5,275	—	—	125	6,003	—	69	0.03%
Nmas1 Private Equity Fund No.2 L.P.[3)]	EUR	2002	Europe	5,275	1,256	1,255	158	6,003	918	132	0.06%
Arsenal Capital Partners QP II-B, L.P.	USD	2006	North America	13,000	4,899	3,724	5,480	13,000	3,769	5,652	2.47%
Bancroft II, L.P. (Secondary – Atlantic)[3),5)]	EUR	2006	Europe	3,688	—	—	215	4,197	—	139	0.06%
J.P. Morgan Italian Fund III (Secondary – Atlantic)[3),5)]	EUR	2006	Europe	7,160	6,183	6,183	—	8,148	6,085	—	0.00%
Wynnchurch Capital Partners II, L.P.	USD	2006	North America	7,500	3,570	2,827	2,087	7,500	2,258	375	0.16%
Crown European Buyout Opportunities II plc[3)]	EUR	2007	Europe	31,650	16,584	14,346	15,755	36,017	5,935	13,337	5.83%
PortPEP Limited (Secondary – Port)[3)]	EUR	2011	Europe	11,394	—	—	4,102	12,966	—	3,806	1.66%
Total small buyout				**93,909**	**35,153**	**30,268**	**28,129**	**104,039**	**20,898**	**24,039**	**10.50%**
Total buyout stage				**589,052**	**249,954**	**210,484**	**218,502**	**615,072**	**154,867**	**139,625**	**60.99%**

	Deal currency	Vintage year	Geography	Commitment 31.12.2016	Cost 1.1.2016	Cost 31.12.2016	Fair value 31.12.2016	Commitment 31.12.2017	Cost 31.12.2017	Fair value 31.12.2017	FMV in %
Special situations stage											
Distressed debt											
OCM Opportunities Fund IV, L.P.	USD	2001	North America	5,000	—	—	16	5,000	—	1	0.00%
OCM Principal Opportunities Fund II, L.P.	USD	2001	North America	5,000	—	—	5	5,000	—	—	0.00%
OCM Opportunities Fund IVb, L.P.	USD	2002	North America	5,000	—	—	13	5,000	—	—	0.00%
Sun Capital Securities Offshore Fund, Ltd.	USD	2004	North America	10,000	4,724	4,255	497	10,000	4,249	300	0.13%
OCM European Principal Opportunities Fund, L.P.	USD	2006	Europe	15,000	—	—	1	—	—	—	0.00%
OCM Principal Opportunities Fund IV, L.P.	USD	2006	North America	10,000	—	—	4,434	10,000	—	1,648	0.72%
Sun Capital Securities Offshore Fund, Ltd. (Second Tranche)	USD	2006	North America	10,000	1,930	1,837	826	10,000	1,797	376	0.16%
Fortress Investment Fund V (Coinvestment Fund D), L.P.	USD	2007	North America	7,200	5,481	4,689	2,634	7,200	4,261	1,492	0.65%
Fortress Investment Fund V (Fund D), L.P.	USD	2007	North America	7,500	3,926	3,320	7,532	7,500	2,090	4,114	1.80%
OCM Opportunities Fund VII, L.P.	USD	2007	North America	10,000	—	—	1,131	10,000	—	924	0.40%
Castlelake I, L.P.	USD	2007	North America	15,000	—	—	5,348	15,000	—	3,372	1.47%
Oaktree European Credit Opportunities Fund, L.P.[3]	EUR	2008	Europe	10,550	4,688	4,688	81	12,006	4,688	91	0.04%
OCM European Principal Opportunities Fund II, L.P.[3]	EUR	2008	Europe	7,912	1,718	—	1,614	9,004	—	1,366	0.60%
OCM Opportunities Fund VIIb, L.P.	USD	2008	North America	13,500	—	—	1,347	13,500	—	1,060	0.46%
Total distressed debt				**131,662**	**22,467**	**18,789**	**25,479**	**119,210**	**17,085**	**14,744**	**6.44%**
Total special situations stage				**131,662**	**22,467**	**18,789**	**25,479**	**119,210**	**17,085**	**14,744**	**6.44%**
Venture stage											
Early stage venture											
Strategic European Technologies N.V.[3]	EUR	1997	Europe	7,229	—	—	27	8,226	—	94	0.04%
Invesco Venture Partnership Fund II, L.P.	USD	1999	North America	15,000	1,658	1,355	90	15,000	1,355	51	0.02%
Balderton Capital I, L.P.	USD	2000	Europe	5,333	3,315	3,180	1,072	5,333	3,180	1,178	0.51%
Chancellor V, L.P.	USD	2000	North America	20,000	3,493	3,493	1,921	20,000	2,430	1,267	0.55%
Galileo III FCPR[3]	EUR	2000	Europe	6,666	2,775	1,024	2,627	7,585	—	—	0.00%
Jerusalem Venture Partners IV, L.P.	USD	2000	Other	8,000	—	—	293	8,000	—	291	0.13%
Global Life Science Venture Fund II, L.P.[3]	EUR	2002	Europe	5,275	3,429	3,174	15	6,003	3,174	18	0.01%
Amadeus II Fund C GmbH & Co. KG (Secondary – Vermont)[4,5]	GBP	2005	Europe	972	820	820	738	1,064	820	620	0.27%
Balderton Capital II, L.P.	USD	2005	Europe	4,000	3,416	3,416	546	4,000	3,134	313	0.14%
Battery Ventures VII, L.P.	USD	2005	North America	3,000	1,117	620	73	3,000	537	54	0.02%
BCPI I, L.P. (Secondary – Vermont)[5]	USD	2005	Other	1,833	1,057	895	194	1,833	811	150	0.07%
Benchmark Israel II, L.P.	USD	2005	Other	4,602	1,852	1,787	2,032	4,602	1,025	1,555	0.68%
H.I.G. Venture Partners II, L.P.	USD	2005	North America	5,000	4,107	4,107	2,240	5,000	3,773	2,250	0.98%

	Deal currency	Vintage year	Geography	Commitment 31.12.2016	Cost 1.1.2016	Cost 31.12.2016	Fair value 31.12.2016	Commitment 31.12.2017	Cost 31.12.2017	Fair value 31.12.2017	FMV in %
Jerusalem Venture Partners IV, L.P. (Secondary – Vermont)[5]	USD	2005	Other	662	—	—	40	662	—	39	0.02%
Battery Ventures VIII, L.P.	USD	2007	North America	4,000	2,321	2,330	2,404	4,000	2,330	2,680	1.17%
Battery Ventures VIII Side Fund, L.P.	USD	2008	North America	1,050	356	378	289	1,050	397	244	0.11%
Carmel Ventures III, L.P.	USD	2008	Other	6,000	5,201	5,450	12,180	6,000	4,645	12,129	5.30%
Mangrove III S.C.A. SICAR[3]	EUR	2008	Europe	5,275	5,666	5,558	5,257	6,003	5,558	5,961	2.60%
Total early stage venture				**103,897**	**40,583**	**37,587**	**32,038**	**107,361**	**33,169**	**28,894**	**12.62%**
Growth capital											
Kennet III A, L.P.[3]	EUR	2007	Europe	8,440	9,153	8,646	5,806	9,604	7,593	4,788	2.09%
Summit Partners Europe Private Equity Fund, L.P.[3]	EUR	2009	Europe	7,385	5,269	6,554	6,437	8,404	5,416	6,321	2.76%
Total growth capital				**15,825**	**14,422**	**15,200**	**12,243**	**18,008**	**13,009**	**11,109**	**4.85%**
Late stage venture											
WCAS Capital Partners III, L.P.	USD	1997	North America	15,000	616	—	—	15,000	—	—	0.00%
TCV III (Q), L.P.	USD	1999	North America	3,500	556	556	73	3,500	484	1	0.00%
TCV IV, L.P.	USD	1999	North America	7,000	2,589	2,589	8	7,000	2,589	10	0.00%
Columbia Capital Equity Partners III (Cayman), L.P.	USD	2000	North America	5,000	1,551	1,310	160	5,000	1,310	192	0.08%
New Enterprise Associates 10, L.P.	USD	2000	North America	10,000	6,964	7,114	3,337	10,000	7,114	3,493	1.53%
Index Ventures II (Jersey), L.P.	USD	2001	Europe	—	2,928	—	—	—	—	—	0.00%
Columbia Capital Equity Partners IV (Non-US), L.P.	USD	2005	North America	10,000	4,257	—	3,239	10,000	—	2,226	0.97%
Index Ventures III (Jersey), L.P.[3]	EUR	2005	Europe	7,385	4,274	4,274	4,555	8,404	4,051	4,029	1.76%
New Enterprise Associates 12, L.P.	USD	2006	North America	5,000	4,255	4,219	2,288	5,000	4,061	1,370	0.60%
Index Ventures IV (Jersey), L.P.[3]	EUR	2007	Europe	5,275	4,070	3,554	2,982	6,003	3,080	2,274	0.99%
Total late stage venture				**68,160**	**32,060**	**23,616**	**16,642**	**69,907**	**22,689**	**13,595**	**5.94%**
Total venture stage				**187,882**	**87,065**	**76,403**	**60,923**	**195,276**	**68,867**	**53,598**	**23.41%**
Co-Investment and other											
Large buyout											
Co-Investment 1[3]	EUR	2011	Europe	3,160	2,156	1,651	2,226	3,595	—	—	0.00%
Co-Investment 2	USD	2011	Asia	4,000	1,785	456	2,493	4,000	—	—	0.00%
Total large buyout				**7,160**	**3,941**	**2,107**	**4,719**	**7,595**	—	—	**0.00%**

	Deal currency	Vintage year	Geography	Commitment 31.12.2016	Cost 1.1.2016	Cost 31.12.2016	Fair value 31.12.2016	Commitment 31.12.2017	Cost 31.12.2017	Fair value 31.12.2017	FMV in %
Small buyout											
Co-Investment 4[3]	EUR	2011	Europe	1,978	2,526	2,527	3,494	2,252	2,525	2,963	1.29%
Co-Investment 5[3]	EUR	2011	Europe	4,220	5,440	5,440	8,730	4,802	5,440	12,763	5.58%
Total small buyout				**6,198**	**7,966**	**7,967**	**12,224**	**7,054**	**7,965**	**15,726**	**6.87%**
Total Co-Investment and other				**13,358**	**11,907**	**10,074**	**16,943**	**14,649**	**7,965**	**15,726**	**6.87%**
Total investments designated at fair value through profit or loss				**1,213,643**	**377,310**	**321,007**	**330,591**	**1,235,896**	**251,401**	**228,925**	**100.00%**
Derivative financial instruments designated at fair value through profit or loss											
Deferred put option (currency hedge)[7]	USD	2011	Asia	—	129	—	—	—	—	—	0.00%
Total derivative financial instruments designated at fair value through profit or loss				—	129	—	—	—	—	—	**0.00%**
Total				**1,213,643**	**377,439**	**321,007**	**330,591**	**1,235,896**[8]	**251,401**	**228,925**	**100.00%**

[1] Numbers may not fully add up due to rounding.
[2] Additionally, a commitment of TUSD 359 is maintained as a contingency reserve, should Landmark Equity Partners III, L.P. require capital for operating expenses.
[3] Total commitment translated from EUR value at 1.200550 as of 31 December 2017 and 1.055000 as of 31 December 2016.
[4] Total commitment translated from GBP value at 1.353050 as of 31 December 2017 and 1.235800 as of 31 December 2016.
[5] For the secondary investments no realised profit is recognised for capital distributions received until the cumulative returns on invested capital exceed the cost of a particular investment.
[6] Total paid in amount is maintained as the commitment.
[7] Deferred put option in JPY/USD due to Co-Investment 2.
[8] Total paid in amounted to TUSD 1,183,181 (31 December 2016: TUSD 1,163,351).

Movements in investments, marketable securities and derivative instruments designated at fair value through profit or loss[1]

For the year ended 31 December 2017 (all amounts in USD thousands unless otherwise stated)

	2017	Value per 1 January 2017	Additions (capital calls)[2]	Disposals (returns of capital)	Unrealised gains	Unrealised losses	Value per 31 December 2017	Total realised gains/(losses) per 31 December 2017[3]	Net gains/(losses) per 31 December 2017	Uncalled commitment amount
Marketable securities		—	**110**	**(110)**	—	—	—	**(6)**	**(6)**	—
Balanced stage		**8,744**	—	**(2,640)**	**73**	**(945)**	**5,232**	**998**	**126**	**10,858**
Buyout stage	large buyout stage	48,290	322	(10,729)	241	(11,444)	26,680	14,502	3,299	9,342
	middle market buyout stage	142,083	(787)	(35,127)	4,315	(21,578)	88,906	46,501	29,238	16,932
	small buyout stage	28,129	195	(9,565)	6,852	(1,572)	24,039	3,160	8,440	8,967
	Total buyout stage	**218,502**	**(270)**	**(55,421)**	**11,408**	**(34,594)**	**139,625**	**64,163**	**40,977**	**35,241**
Special situations stage	distressed debt stage	25,479	—	(1,704)	10	(9,041)	14,744	5,566	(3,465)	1,091
	Total special situations stage	**25,479**	—	**(1,704)**	**10**	**(9,041)**	**14,744**	**5,566**	**(3,465)**	**1,091**
Venture stage	early stage venture	32,038	(878)	(3,541)	3,102	(1,827)	28,894	1,433	2,708	4,161
	growth capital stage	12,243	(58)	(2,134)	1,058	—	11,109	2,496	3,554	949
	late stage venture	16,642	—	(923)	189	(2,312)	13,595	2,971	848	415
	Total venture stage	**60,923**	**(936)**	**(6,598)**	**4,349**	**(4,139)**	**53,598**	**6,900**	**7,110**	**5,525**
Co-Investment	large buyout stage	4,719	—	(2,108)	—	(2,612)	—	5,663	3,051	—
	small buyout stage	12,224	—	—	4,034	(532)	15,726	—	3,502	—
	Total Co-Investment	**16,943**	—	**(2,108)**	**4,034**	**(3,144)**	**15,726**	**5,663**	**6,553**	—
Total investments		**330,591**	**(1,206)**	**(68,471)**	**19,874**	**(51,863)**	**228,925**	**83,290**	**51,301**	**52,715**
Total investments, marketable securities and derivative financial instruments		**330,591**	**(1,096)**	**(68,581)**	**19,874**	**(51,863)**	**228,925**	**83,284**	**51,295**	**52,715**

1) Numbers may not fully add up due to rounding.
2) Includes callable returns of capital and adjustments due to sales of investments.
3) Includes callable distributed realised gains.

	2016	Value per 1 January 2016	Additions (capital calls)[2]	Disposals (returns of capital)	Unrealised gains	Unrealised losses	Value per 31 December 2016	Total realised gains/ (losses) per 31 December 2016[3]	Net gains/ (losses) per 31 December 2016	Uncalled commitment amount[4]
Marketable securities		—	**3,686**	**(3,686)**	—	—	—	**(55)**	**(55)**	—
Balanced stage		**10,245**	—	**(659)**	**136**	**(978)**	**8,744**	**1,170**	**328**	**10,858**
Buyout stage	large buyout stage	69,956	354	(14,945)	2,259	(9,334)	48,290	10,888	3,813	9,652
	middle market buyout stage	165,465	2,586	(22,512)	7,632	(11,088)	142,083	23,898	20,442	15,967
	small buyout stage	37,735	720	(5,604)	60	(4,782)	28,129	10,311	5,589	8,198
	Total buyout stage	**273,156**	**3,660**	**(43,061)**	**9,951**	**(25,204)**	**218,502**	**45,097**	**29,845**	**33,817**
Special situations stage	distressed debt stage	34,481	—	(3,678)	38	(5,362)	25,479	4,257	(1,067)	1,745
	Total special situations stage	**34,481**	—	**(3,678)**	**38**	**(5,362)**	**25,479**	**4,257**	**(1,067)**	**1,745**
Venture stage	early stage venture	36,135	304	(3,298)	4,056	(5,159)	32,038	5,240	4,137	3,262
	growth capital stage	12,261	1,144	(366)	327	(1,123)	12,243	309	(487)	195
	late stage venture	26,175	148	(8,593)	2,619	(3,707)	16,642	1,403	315	415
	Total venture stage	**74,571**	**1,596**	**(12,257)**	**7,002**	**(9,989)**	**60,923**	**6,953**	**3,966**	**3,872**
Co-Investment	large buyout stage	7,321	—	(1,833)	—	(769)	4,719	729	(40)	—
	small buyout stage	13,144	—	—	9	(929)	12,224	—	(920)	—
	Total Co-Investment	**20,465**	—	**(1,833)**	**9**	**(1,698)**	**16,943**	**729**	**(960)**	—
Total investments		**412,918**	**5,256**	**(61,488)**	**17,136**	**(43,231)**	**330,591**	**58,206**	**32,111**	**50,292**
Derivative financial instruments	Deferred put option (currency hedge)	712	—	(129)	—	(583)	—	378	(205)	—
	Total derivative financial instruments	**712**	—	**(129)**	—	**(583)**	—	**378**	**(205)**	—
Total investments, marketable securities and derivative financial instruments		**413,630**	**8,942**	**(65,303)**	**17,136**	**(43,814)**	**330,591**	**58,529**	**31,851**	**50,292**

[1] Numbers may not fully add up due to rounding.
[2] Includes callable returns of capital and adjustments due to sales of investments.
[3] Includes callable distributed realised gains.
[4] Does not include paid in capital for deferred put option.

In general, movements in investments and marketable securities designated at fair value through profit or loss, except for unrealised gains and losses, directly result in cash flows for the Group. In certain cases, such transactions may not be settled in cash. The consolidated statement of cash flows on page 22 shows the cash transactions in the portfolio and the cash flow reconciliation on page 37 shows the portfolio's non-cash transactions and provides a reconciliation to the movement schedules.

Movement of commitments and uncalled commitments

For the year 31 December 2017 (all amounts in USD thousands unless otherwise stated)

Movement of commitments	Investments			
	TEUR	TGBP	TUSD	Total in TUSD converted at year-end exchange rates
Commitments as of 1 January 2016	**264,758**	**786**	**958,757**	**1,232,501**
Liquidation/Sale of investments	—	—	(10,500)	(10,500)
Revaluation of foreign currency commitments	—	—	—	(8,358)
Commitments as of 31 December 2016	**264,758**	**786**	**948,257**	**1,213,643**

Movement of commitments	Investments			
	TEUR	TGBP	TUSD	Total in TUSD converted at year-end exchange rates
Commitments as of 1 January 2017	**264,758**	**786**	**948,257**	**1,213,643**
Liquidation/Sale of investments	—	—	(15,000)	(15,000)
Revaluation of foreign currency commitments	—	—	—	37,253
Commitments as of 31 December 2017	**264,758**	**786**	**933,257**	**1,235,896**

Movement of uncalled commitments	Investments			
	TEUR	TGBP	TUSD	Total in TUSD converted at year-end exchange rates
Uncalled commitments as of 1 January 2016	**10,962**	**104**	**43,560**	**56,125**
Capital calls paid	(2,093)	—	(3,562)	(5,789)
Recallable distributions	—	—	348	348
Revaluation of foreign currency commitments	—	—	—	(392)
Uncalled commitments as of 31 December 2016	**8,869**	**104**	**40,346**	**50,292**

Movement of uncalled commitments	Investments			
	TEUR	TGBP	TUSD	Total in TUSD converted at year-end exchange rates
Uncalled commitments as of 1 January 2017	**8,869**	**104**	**40,346**	**50,292**
Capital calls paid/recallable return of capital	(156)	—	1,181	993
Adjustments of uncalled due to exit of investments	—	—	—	(656)
Recallable distributions	590	—	—	632
Revaluation of foreign currency commitments	—	—	—	1,454
Uncalled commitments as of 31 December 2017	**9,303**	**104**	**41,527**	**52,715**

The following definitions explain the terms used on the previous page.

Commitment
"Commitment" refers to the Group's obligation to provide a certain amount of capital to a private equity partnership investment. In the ensuing three to six years after a commitment has been made, the partnership draws down the available capital as and when they need it to make investments and cover their costs.

Uncalled commitment
When a capital call is paid the amount is reduced from the commitment amount. The balance is defined as "uncalled commitment".

Recallable return of capital
In case a private equity partnership has not been able to use the called capital for the intended purpose over a certain period of time, the unused amount is returned as a "recallable return of capital" and the repaid amount is added back to the unfunded commitment amount.

Recallable distribution
In case a private equity partnership has been able to exit an investment and distributes the gains back to the Group within a relatively short period of time the proceeds are returned as a "recallable distribution" and the repaid amount is added back to the unfunded commitment amount.

Revaluation of foreign currency commitments
The commitment and unfunded commitment amounts are revalued into the Group's functional currency of US Dollar at the year-end exchange rates. This causes a movement in the commitment and unfunded commitment amounts.

Other changes
Fund size reductions and their impact on the Group's commitments as well as secondary commitment adjustments are shown under "other changes".

13 Borrowings

As of 30 June 2017 the Ireland Subsidiary terminated a credit facility with LGT Bank (Ireland) Ltd., Dublin (related party) and as of 31 December 2017 the Ireland Subsidiary had no borrowings from LGT Bank (Ireland) Ltd., Dublin (31 December 2016: Nil).

14 Accrued expenses and other payables

Accrued expenses and other payables consist of:

Accrued expenses and other payables	**2017 TUSD**	**2016 TUSD**
Accrued management fee payable – related party	1,148	1,148
Accrued performance fee payable – related party	5,198	–
Accrued administration fee payable – related party	29	43
Accrued custody fee payable – third party	16	22
Accrued credit facility standby fee payable – related party	–	4
Accrued withholding tax treasury shares 2nd line (bought for cancellation) – third party	148	737
Accrued general managers' expenses payable – related party	–	98
Other accrued liabilities – third party	220	211
Total	**6,759**	**2,263**

The carrying amounts of the accounts payable and accrued liabilities approximate fair value.

15 Shareholders' equity

Shareholders' equity

The share capital of the Company at 31 December 2017 amounts to TCHF 1,316 (TUSD 893) (31 December 2016: TCHF 146,142 (TUSD 99,434)) consisting of 26,323,950 (31 December 2016: 29,228,461) issued and fully paid registered shares with a par value of CHF 0.05 (31 December 2016: CHF 5.00) each. Each share entitles the holder to participate in any distribution of income and capital. During the general meeting on 15 May 2017 it was decided to carry out a nominal capital reduction from CHF 5.00 to CHF 0.05 per share from TCHF 131,620 to TCHF 1,316 The Company purchased 1.62 m treasury shares between 15 May 2017 (date of the general meeting of shareholders) and 25 September 2017 at a nominal value of CHF 5 per share. The nominal capital reduction of CHF 4.95 per share, effective on 25 September 2017, was transferred to a segregated capital account within the legal reserves from capital contributions. This reserve will be released when the general meeting of shareholders resolves a further reduction of share capital by cancellation of treasury shares.

During the period from 24 August 2011 to 31 December 2017 the Company purchased treasury shares on its second trading line. According to the program periods the second line treasury shares were cancelled in subsequent yearly tranches.

The Company's share buyback program is further detailed in note 7 on page 74 in the statutory report.

As at 31 December 2017 the Ireland Subsidiary held no treasury shares (31 December 2016: Nil) and are treated as a deduction from the consolidated shareholders' equity at cost. Gains and losses on sales of treasury shares are to be credited/debited to the retained earnings account.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average USD	Cost TUSD
Program initiated on 3 June 2013, announced on 15 May 2013						
Additions 2016	01.01.2016	04.05.2016	09.05.2016	576,364	16.05	9,251
Total				**576,364**	**16.05**	**9,251**
Program initiated on 5 July 2016, announced on 11 May 2016						
Additions 2016	07.05.2016	31.12.2016	26.09.2017	1,126,158	15.69	17,666
Additions 2016 via tradable put options	16.06.2016	29.06.2016	26.09.2017	1,193,914	18.10	21,612
Additions 2017	01.01.2017	12.05.2017	26.09.2017	584,439	15.76	9,211
Additions 2017	15.05.2017	31.05.2017	—	151,116	16.88	2,551
Total				**3,055,627**	**16.70**	**51,040**
Program initiated on 26 June 2017, announced on 21 June 2017						
Additions 2017	26.06.2017	31.12.2017	—	640,987	17.54	11,244
Additions 2017 via tradable put options	01.06.2017	19.06.2017	—	1,084,131	18.75	20,322
Total				**1,725,118**	**18.30**	**31,566**

Movement of treasury shares 2nd line and tradable put options (bought for cancellation)	Number of shares		Cost TUSD
Shares held as of 1 January 2016	**3,659,175**		**67,777**
Additions 2016 via 2nd line	1,702,522		26,914
Additions 2016 via tradable put options	1,193,914		21,613
Cancellation on 5 August 2016	(4,235,539)		(77,026)
Shares held as of 31 December 2016	**2,320,072**		**39,278**
Additions 2017 via 2nd line	1,376,542		23,005
Additions 2017 via tradable put options	1,084,131		20,322
Cancellation on 26 September 2017	(2,904,511)		(48,488)
Shares held as of 31 December 2017	**1,876,234**		**34,117**

16 Major shareholders

As of 31 December the following major shareholders were known by the Company:

Major shareholders	2017	2016
Between 10% and 33 1/3%	The Goldman Sachs Group, Inc.	The Goldman Sachs Group, Inc.
Between 10% and 20%	Swiss Life Asset Management AG	Swiss Life Asset Management AG
Between 3% and 10%	Deka International S.A.	Deka International S.A.
	Warburg Invest Luxembourg S.A.	Warburg Invest Luxembourg S.A.
	Berlin-AI Fund SCS, SICAV-FIS, Luxembourg	Berlin-AI Fund SCS, SICAV-FIS, Luxembourg
	LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations)	LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations)
	LGT Group Foundation, Vaduz AG, Liechtenstein	LGT Group Foundation, Vaduz AG, Liechtenstein

17 Significant fee agreements

In relation to its investment and administration activity the Company and/or its Subsidiaries entered into the following agreements:

a) LGT Private Equity Advisers AG, Vaduz, acts as the investment manager and receives a management fee of total 1 per cent (before deduction of the performance fee) per annum of the total consolidated net assets of Castle Private Equity AG, Pfäffikon, in US Dollar as at the close of business on the final business day of each quarter. The management fee is due quarterly (0.25 per cent) in US Dollar in arrears within 15 days after the net asset value calculation.

The performance fee is payable to LGT Private Equity Advisers AG, Vaduz and shall be calculated as 10 per cent of net new gains by the end of any financial year. Net new gains are the positive difference, if any, from the existing high watermark to the lower of:
- the consolidated net asset value of Company,
- plus the cumulative payments for distributions,
- plus any discount of a secondary sale occurring before 12 April 2017,
- plus wind-down expenses to the limit of USD 500,000 and for as long as more than 4,320,000 shares are in issue.

or
- the market capitalisation of the Company,
- plus the cumulative payments for distributions,
- plus any discount of a secondary sale occurring before 12 April 2017,
- plus wind-down expenses to the limit of USD 500,000.

The market capitalisation is calculated as the last price of the financial year paid in Swiss Franc for Castle Private Equity AG shares at the SIX Swiss Exchange translated into US Dollars at year-end exchange rate, multiplied by the shares in issue at the end of the financial year. The basis for the performance fee calculation per 31 December 2017 amounted to TUSD 867,384 or USD 18,36 per share. (Per 31 December 2016: TUSD 867,384 or USD 15,30 per share). The cumulative amount expended on share repurchases amounted to TUSD 294,358.

Shares in issue are calculated as shares issued as registered in the commercial register minus shares owned by the Company. The cumulative payment for distributions is the total of capital expensed for dividends, returns of capital, share buybacks for cancellations or other distributions to shareholders net of any proceeds from share sales. Such payments for distributions which occur in CHF-denominated transactions shall be converted to their US Dollar equivalent amount at their effective conversion rate or as of the day the distribution occurs.

b) Since 1 January 2017 LGT Group Holding took over the administrative services for the Company and charges an annual fee of TUSD 60 payable quarterly in arrears. LGT Bank Ltd., Vaduz, provided administrative services for the Company until 31 December 2016 (31 December 2016: TUSD 30).

c) LGT Fund Managers (Ireland) Limited, Dublin, acts as the administrator for the Overseas and Ireland Subsidiaries and receives an annual fee equal to 0.04 per cent to 0.06 per cent per annum of the net asset value at the end of each quarter.

18 Significant transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. In the opinion of the board of directors, the parties referred to in the schedule accompanying this note are related parties under IAS 24 "Related Party Disclosures". All related party transactions have been carried out within the normal course of business.

In 2017 and 2016 the Ireland Subsidiary was invested in the below investments which are all advised by LGT Capital Partners (Ireland) Ltd., an affiliate of Castle's investment manager, or have common directors with the Ireland Subsidiary.

Investments	Commitments
Crown Global Secondaries plc	TUSD 30,000
Crown Asia-Pacific Private Equity plc	TUSD 40,000
Crown European Buyout Opportunities II plc	TEUR 30,000
PortPEP Ltd.	TEUR 10,800

As Castle's investments are structured through a special non-fee-paying share class, no additional management and performance fees are charged. An annual administration fee of 0.06 per cent of net asset value is due to LGT Fund Managers (Ireland) Limited in its capacity as administrator for each of the funds.

LGT Bank Ltd., Vaduz acts as a custodian for Castle Private Equity AG, Pfäffikon.

Related party transactions

Entity	Related party Relationship/Agreement(s) Direct/indirect	Terms and conditions	Transaction type	2017 TUSD	2016 TUSD
Castle Private Equity (International) PLC	LGT Bank Ltd./ Administrator Services Agreement/direct	Note 10	Cash at banks	—	569
	LGT Private Equity Advisers AG/ Investment Management Agreement/direct	Note 6	Management fees	4,565	4,716
		Note 14	Management fees payable	1,148	1,148
		Note 6	Performance fees	5,198	—
		Note 14	Performance fees payable	5,198	—
	LGT Fund Managers (Ireland) Ltd./ Management Agreement/direct	Note 7	Administration fees	114	149
		Note 14	Administration fees payable	24	34
	LGT Bank (Ireland) Ltd./ Loan Agreement/direct	Note 5	Interest income on time deposits	4	1
		Note 7	Credit facility standby fees	8	23
		Note 14	Credit facility standby fees payable	—	4
	LGT Fund Managers (Ireland) Ltd./ Investment Management Agreement/indirect	No direct fees	Investment management fees	—	—
	LGT Capital Partners Ltd./ LGT Private Equity Advisers AG/ Advisory Agreement/indirect	No direct fees	Advisory fees	—	—
	Directors/indirect	Note 7/18	Directors' fees	2	2
Castle Private Equity (Overseas) Limited	LGT Fund Managers (Ireland) Ltd./ Administration Services Agreement/direct	Note 7	Administration fees	27	45
		Note 14	Administration fees payable	5	9
	LGT Bank Ltd./ Loan Agreement/direct	Note 10	Cash at banks	81	137
		Note 5	Interest income	1	1
		Note 7	Credit facility standby fees	—	—
	LGT Private Equity Advisers AG/ Investment Management Agreement/direct	Note 17	Management fees	—	—
	LGT Capital Partners Ltd./ LGT Private Equity Advisers AG/ Consulting Agreement/indirect	No direct fees	Consulting fees	—	—
	LGT Bank (Cayman) Ltd./ LGT Private Equity Advisers AG/ Advisory Agreement/indirect	No direct fees	Advisory fees	—	—
	Directors/indirect	Note 7/18	Directors' fees	5	5
Castle Private Equity AG	LGT Bank Ltd./ Administrator Services Agreement/direct	Note 7	Administration fees	—	30
		Note 10	Cash at banks	325	379
	LGT Group Holding Ltd./ Administrative Services Agreement/direct	Note 7	Administration fees	60	—
	LGT Capital Partners Ltd./ Domicile Agreement/direct	Note 7	Domicile fees	10	10
	LGT Capital Partners Ltd./Management Agreement/direct	Note 7/18	General managers expenses	100	98
		Note 14	General managers expenses payable	—	98
	Directors/direct	Note 7/18	Directors' fees	239	240

The table below shows the remuneration for the members of the board of directors and general managers in the year 2017 and 2016. In addition, the Group paid in 2017 a directors and officers liability insurance fee of TUSD 12 (2016: TUSD 14). Travel expenses amounted to TUSD 4 (2016: TUSD 3).

Board and management remuneration is defined and paid out in CHF. See also the remuneration report on pages 82 to 84. Dr Marcel Erni has waived any remuneration as board member.

Remunerations and expenses	**2017 TUSD**	**2016 TUSD**
Chairman	61	60
Deputy chairman	48	49
Committee chairman	49	49
Members	88	89
General managers	100	98
Total	**346**	**345**

The board of directors has delegated the operational management of the Company to Dr Hans Markvoort and Benedikt Meyer as general managers. The general managers are compensated by the Company. LGT Group Foundation is also the co-owner of LGT Private Equity Advisers AG which acts as investment manager to the Company and receives a management fee for these services.

19 Segment reporting

The sole operating segment of the Group reflects the internal management structure and is evaluated on an overall basis. Revenue is derived by investing in a portfolio of private equity investments with a view to achieving significant value growth and to help shareholders maximise long-term returns. The following results correspond to the sole operating segment of investing in private equity. Items which cannot be directly contributed to the operating segment are listed as "other".

	North America TUSD	Europe TUSD	Asia TUSD	Other TUSD	Total TUSD
As of 31 December 2017					
Income					
Net gain on investments designated at fair value through profit or loss	12,697	26,183	9,375	3,046	51,301
Net loss on marketable securities investments designated at fair value through profit or loss	(6)	—	—	—	(6)
Total income	**12,691**	**26,183**	**9,375**	**3,046**	**51,295**

	North America TUSD	Europe TUSD	Asia TUSD	Other TUSD	Total TUSD
As of 31 December 2016					
Income					
Net gain on investments designated at fair value through profit or loss	11,539	10,363	7,461	2,748	32,111
Net loss on derivative investments designated at fair value through profit or loss	—	—	(205)	—	(205)
Net loss on marketable securities investments designated at fair value through profit or loss	(55)	—	—	—	(55)
Total income	**11,484**	**10,363**	**7,256**	**2,748**	**31,851**

The non-current assets are geographically allocated as follows:

	2017 TUSD		2016 TUSD	
Non-current assets				
North America	69,370	30.3%	109,953	33.3%
Europe	78,972	34.4%	115,004	34.8%
Asia	57,347	25.1%	78,504	23.7%
Other	23,236	10.2%	27,130	8.2%
Total non-current assets	**228,925**	**100.0%**	**330,591**	**100.0%**

The Group has a diversified shareholder base. For more information on the largest shareholders see note 16.

20 Financial risk management

The Group is exposed to a variety of financial risks including: market risk, credit and liquidity risk. The investment manager attributes great importance to professional risk management, beginning with careful diversification, the sourcing of access to premier private equity investment opportunities, proper understanding and negotiation of appropriate terms and conditions, and active monitoring including ongoing interviews with managers, thorough analysis of reports and financial statements and review of investments made. It is also key to structure the proper investment vehicles for the portfolio taking into account issues such as liquidity or tax related issues. The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control the economic impact of these risks. The Group's investment manager provides the Group with investment recommendations that are consistent with the Group's objectives. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

a) Market risks

(i) Price risk – The investments held in the portfolio may be realised only after several years and their fair values may change significantly. The investment manager, LGT Private Equity Advisers AG, provides the Group with investments that are consistent with the Group's objectives.

At the annual general meeting on 12 April 2012 the investment policy of the Group was revised. The new investment policy aims at a maximisation of the long-term value enhancement by way of ceasing to enter further investment obligations and realising the Group's funds by harvesting the portfolio of private equity investments as their underlying assets are realised. The investment objective of the Group is to maximise value for shareholders. The investment manager may in its full discretion consider secondary sales of assets in exceptional cases, i.e. where there is no or no meaningful upside potential of the value of a particular asset, as a means to shorten the portfolio's expected cash flow duration and/or to assist in the realisation of assets based upon consideration of price relative to expected value, timing of expected future cash flows related to the asset(s) in question, and any other factor deemed relevant by the investment manager.

Up until 12 April 2012 the investment objective was to have a portfolio which would constantly be optimally allocated over the various: (i) industry sectors (e.g. technology, healthcare/biotech, retail, etc.); (ii) geographical regions (e.g. USA, Europe, other regions, etc.); and (iii) stages of financing (e.g. seed, early stage, later stage, buyouts, etc.). The investment vehicles and their respective fund managers were selected on qualitative research criteria including: (i) past performance in relation to investment style, expected returns, benchmarks and degree of risk; (ii) business structure and team organisation of the fund manager; (iii) fit of the fund manager/investment vehicle into the overall portfolio; (iv) amount under management and commitment of the principals of the fund manager; and (v) cost structure.

The Group allocated the majority of its assets to fund managers with a proven performance record of several years. The objective was to invest into top quality fund managers of the respective sectors. A minority part of the assets were invested with new and emerging fund managers. Under normal circumstances, no allocation to a fund manager was made prior to a visit by the investment manager to the fund manager's business location. It included a proper evaluation concerning the fund manager's business structure, its key employees, its track record, its relation with third parties and other relevant aspects. The investment manager carried out a monitoring procedure in order to implement the following risk control parameters: (i) changes in a fund manager's structure and organisation; (ii) major deviations from historical returns; (iii) changes regarding the fit into the overall portfolio; (iv) changes in investment styles; and (v) comparisons of fund managers performance versus that of their underlying investments.

The Group also invested in carefully selected secondary portfolios. Secondaries are existing private equity portfolios which are acquired from an investor that disposes of it's partnership interest, e.g. because of liquidity or regulatory requirements, or a change in asset allocation. The advantage of a secondary transaction resides in the fact that the partnerships acquired have often completed their investment phase and have already moved on to the realisation phase, thus yielding immediate returns. An additional advantage is that the individual companies in which the private equity partnerships have invested are known at this stage. The purchasing investor is therefore able to make a comprehensive assessment of the portfolio investments and the related realisation prospects.

The strategy of the Group was to diversify its investments by allocating no more than 20 per cent of the net asset value to any one investment fund or manager. For investments in fund-of-funds this limit was assessed on a look-through basis.

As of 31 December 2017, the Group's market risk is affected by two main components: changes in actual market prices and foreign currency movements. Foreign currency movements are covered in note 20 a) (ii) and note 2 g).

The Group has adopted the Listed Private Equity Index (LPX50) as the benchmark against which it checks its share price performance. The annual expected volatility for both the current and prior reporting periods is disclosed in the table below.

	2017 TUSD	**2016 TUSD**
Financial assets at fair value through profit or loss	228.925	330,591
Total assets subject to market risk	228.925	330,591
Annual expected volatility	8.39%	17.90%
Potential impact on consolidated balance sheet and consolidated statement of comprehensive income	19,207	59,176

Because the Group is generally exposed to a variety of market risk factors, which may vary significantly over time and measurement of such exposure at any given point in time may be difficult given the flexibility, complexity and limited transparency of the underlying investments. Therefore, a sensitivity analysis is deemed of limited explanatory value, or may be misleading.

As mentioned in note 2 i) the Group used cost and earnings multiples to value the private equity investments for which there were no fair values provided by the managers/administrators. The multiples used depended on the sector that the underlying investments where active in. For 2017, no investments were revalued by the Group.

(ii) Currency risk – The Group holds assets denominated in currencies other than the US Dollar, the functional currency. The Group is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The schedule on the below summarises the Group exposure to currency risks.

The impact on the consolidated statement of comprehensive income and shareholders' equity of any changes to the exchange rate between the Swiss Franc, Euro and British Pounds would not have been material. In accordance with the Group's policy, the investment manager monitors the Group's currency position on a monthly basis and the board of directors reviews it on a regular basis.
As of 31 December 2017, had the exchange rate between the Euro and the US Dollar increased or decreased by 13.8 per cent with all other variables held constant, the increase or decrease to the consolidated statement of comprehensive income and shareholders' equity would have amounted to approximately TUSD 9,287 (31 December 2016: 2.9 per cent or USD 2,658). Movements in the other foreign currencies wouldn't have had a significant impact on the consolidated financial statements.

In accordance with the Group's policy, the investment manager monitors the Group's currency position on a monthly basis and the board of directors reviews it on a regular basis.

Currency risk

As of 31 December 2017	**USD TUSD**	**EUR TUSD**	**GBP TUSD**	**CHF TUSD**	**JPY TUSD**	**Total TUSD**
Assets						
Cash and cash equivalents	228,210	269	—	1,733	—	230,212
Accrued income and other receivables[1]	221	155	—	3	—	379
Investments designated at fair value through profit or loss	161,362	66,943	620	—	—	228,925
Total assets	**389,793**	**67,367**	**620**	**1,736**	—	**459,516**
Liabilities						
Accrued expenses and other payables[1]	6,547	54	—	158	—	6,759
Total liabilities	**6,547**	**54**	—	**158**	—	**6,759**

As of 31 December 2016	**USD TUSD**	**EUR TUSD**	**GBP TUSD**	**CHF TUSD**	**JPY TUSD**	**Total TUSD**
Assets						
Cash and cash equivalents	128,987	1	—	762	—	129,750
Accrued income and other receivables[1]	—	61	—	2	—	63
Investments designated at fair value through profit or loss	239,565	90,288	738	—	—	330,591
Total assets	**368,552**	**90,350**	**738**	**764**	—	**460,404**
Liabilities						
Accrued expenses and other payables[1]	1,473	47	—	743	—	2,263
Total liabilities	**1,473**	**47**	—	**743**	—	**2,263**

[1] Provided for reconciliation purposes only.

(iii) Interest rate risk – The majority of the Group's financial assets and liabilities are non-interest bearing. As a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The schedule below summarises the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at fair values, categorised by the earlier of contractual reprising or maturity dates. The influence of changes in the market rates of interest is not expected to be significant.

In accordance with the Group's policy, the investment manager monitors the Group's overall interest sensitivity on a monthly basis, and the board of directors reviews it on a regular basis.

Interest rate risk

As of 31 December 2017	Less than 1 month TUSD	1 – 3 months TUSD	Non-interest bearing TUSD	Total TUSD
Assets				
Cash and cash equivalents	230,212	—	—	230,212
Accrued income and other receivables[1]	—	—	379	379
Investments designated at fair value through profit or loss	—	—	228,925	228,925
Total assets	**230,212**	—	**229,304**	**459,516**
Liabilities				
Accrued expenses and other payables[1]	—	—	6,759	6,759
Total current liabilities	—	—	**6,759**	**6,759**

As of 31 December 2016	Less than 1 month TUSD	1 – 3 months TUSD	Non-interest bearing TUSD	Total TUSD
Assets				
Cash and cash equivalents	129,750	—	—	129,750
Accrued income and other receivables[1]	—	—	63	63
Investments designated at fair value through profit or loss	—	—	330,591	330,591
Total assets	**129,750**	—	**330,654**	**460,404**
Liabilities				
Accrued expenses and other payables[1]	—	—	2,263	2,263
Total current liabilities	—	—	**2,263**	**2,263**

[1] Provided for reconciliation purposes only.

b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The below schedule summarises the Group's exposure to credit risk.

The Group's main credit risk concentration is from distributions to be received from the private equity investments in which the Group is invested as well as with cash and cash equivalents positions. The Group seeks to mitigate its exposure to credit risk by conducting its contractual transactions with institutions which are reputable and well established.

In accordance with the Group's policy, the investment manager monitors the Group's credit position on a monthly basis and the board of directors reviews it on a regular basis.

Credit risk

As of 31 December 2017	Fully performing TUSD	Total TUSD	S&P Rating
Cash at LGT Bank Ltd., Vaduz	406	406	A+
Cash at BNP Paribas Securities Services, Dublin Branch	6,493	6,493	n/a
Cash at Zuercher Kantonalbank, Zurich	223,313	223,313	AAA
Accrued income and other receivables[1]	379	379	n/a
Total exposure to credit risk	**230,591**	**230,591**	

As of 31 December 2016	Fully performing TUSD	Total TUSD	S&P Rating
Cash at LGT Bank Ltd., Vaduz	1,085	1,085	A+
Cash at BNP Paribas Securities Services, Dublin Branch	3,334	3,334	n/a
Cash at Zuercher Kantonalbank, Zurich	125,331	125,331	AAA
Accrued income and other receivables[1]	63	63	n/a
Total exposure to credit risk	**129,813**	**129,813**	

[1] Provided for reconciliation purposes only.
[2] LGT Bank Ltd., Vaduz.

c) **Liquidity risk**

The Group may have an inability to raise additional funds or to use credit lines, if any, to satisfy the commitments to the various private equity investments. In a private equity fund investment, a commitment is typically given to a newly established private equity fund. In the ensuing three to six years, the fund draws down the available funds as and when attractive investment opportunities become available. As a general rule, the fund already begins to realise shareholding interests before all the capital has been invested. This means that the funds made available by the investors are not expected to be 100 per cent invested in the private equity fund. Historically, the average exposure ranges from 60 to 70 per cent. To enable the investor to make a 100 per cent investment in private equity, overcommitments were entered into for the Group, meaning that the total commitments exceed the Group's total assets.

As noted in note 13, the Ireland Subsidiary no longer has access to a credit facility with LGT Bank (Ireland) Ltd. (31 December 2016: TUSD 5,000). The Group has a cash at bank position at 31 December 2017 of TUSD 230,212 (31 December 2016: TUSD 129,750). The amounts outstanding on the total committed capital of the investments as of 31 December 2017 are TUSD 52,715 (31 December 2016: TUSD 50,292) which are callable at any time. These amounts are off balance sheet and may be called up over the life of the investments. All of these open commitments, if called at all, will be covered by distributions from the more mature investments as well as by cash and cash equivalents.

The majority of the investments which the Group made are unquoted and subject to specific restrictions on transferability and disposal. Consequently, risks exist that the Group might not be able to readily dispose of its holdings in such markets or investments when it chooses and also that the price attained on a disposal is below the amount at which such investments are included in the Group's balance sheet.

The amounts in the schedule are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

In accordance with the Group's policy, the investment manager monitors the Group's liquidity position on a monthly basis and the board of directors reviews it on a regular basis.

Liquidity risk

As of 31 December 2017	**Less than 1 month TUSD**	**1 – 3 months TUSD**	**Total TUSD**
Liabilities			
Accrued expenses and other payables[1]	221	6,538	6,759
Total current liabilities	**221**	**6,538**	**6,759**
Total outstanding commitment amount[2]	**52,715**	–	**52,715**

As of 31 December 2016	**Less than 1 month TUSD**	**1 – 3 months TUSD**	**Total TUSD**
Liabilities			
Accrued expenses and other payables[1]	912	1,351	2,263
Total current liabilities	**912**	**1,351**	**2,263**
Total outstanding commitment amount	**50,292**	–	**50,292**

[1] Provided for reconciliation purposes only.
[2] The amounts outstanding on the total committed capital of the investments as of 31 December 2017 are not necessarily due within one month, but are callable at any time.

d) Capital risk management

Discount control – The directors recognise the importance to shareholders of the Company's share price performance in the secondary market. Accordingly, the directors may take steps from time to time with a view to seeking to limit the prevailing discount to net asset value at which the shares trade. In particular, the directors may authorise repurchases of shares for cancellation and the utilisation of the Company's powers to buy back shares to be held in treasury for re-sale from time to time.

Repurchase of shares to be held in treasury or for cancellation – The directors may consider repurchasing shares in the market for treasury or for cancellation if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the shares. Pursuant to the Swiss Code of Obligations, the Company is not required to obtain a general authority from shareholders to effect the repurchase of shares to be held in treasury or for cancellation. Any purchase of shares by the Company for treasury and for cancellation will generally be made through the market at prices (after allowing for costs) below the prevailing net asset value per share and will otherwise be in accordance with the Listing Rules in force at the time and with guidelines established from time to time by the board. Swiss law limits the right of a company to purchase and hold its own shares.

e) Fair value estimation

Further to the valuation approach discussed in note 2 i) (iii), IFRS 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Group's financial assets (by class) measured at fair value at 31 December 2017 and 31 December 2016.

As of 31 December 2017	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	—	—	228,925	228,925
Total	—	—	**228,925**	**228,925**

As of 31 December 2016	**Level 1 TUSD**	**Level 2 TUSD**	**Level 3 TUSD**	**Total TUSD**
Assets				
Assets designated at fair value through profit or loss:				
Investments	—	—	330,591	330,591
Total	—	—	**330,591**	**330,591**

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Group does not adjust the quoted price for these investments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources, supported by observable inputs are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity investments for which observable prices are not available. The Group values these investments as described under note 2 i) (iii) fair value measurement principles and estimation.

The following table shows the allocation of the level 3 investments according to financing stage, in percentage of the total fair value of these investments.

Diversification by financing stage (FV)	2017 %	2016 %
Balanced stage	2%	3%
Buyout stage		
Large buyout stage	12%	14%
Middle market buyout stage	38%	43%
Small buyout stage	11%	9%
Special situations stage		
Distressed debt stage	6%	8%
Venture stage		
Early stage venture	13%	9%
Growth capital stage	5%	4%
Late stage venture	6%	5%
Co-Investment		
Large buyout stage	0%	1%
Small buyout stage	7%	4%
Total	**100%**	**100%**

For a sensitivity analysis on the level 3 investments please refer to note 20 a) (i).

During the year ended 31 December 2017 there were no transfers (31 December 2016: Nil) between the three levels of financial assets and liabilities.

The following table presents a reconciliation disclosing the changes during 2017 and 2016 for financial assets classified as being level 3.

As of 31 December 2017	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	330,591
Net unrealised loss	(31,989)
Purchase of investments	(1,206)
Returns of capital	(68,471)
Transfers in/out	—
At 31 December 2017	**228,925**
Total unrealised loss for the year included in the statement of comprehensive income for investments held at the end of the year	**(31,989)**

As of 31 December 2016	**Investments designated at fair value through profit or loss TUSD**
Assets	
At 1 January	412,918
Net unrealised loss	(26,095)
Purchase of investments	5,256
Returns of capital	(61,488)
Transfers in/out	—
At 31 December 2016	**330,591**
Total unrealised loss for the year included in the statement of comprehensive income for investments held at the end of the year	**(26,095)**

For further information please see note 20 a) (i).

The carrying values of all other assets and liabilities are a reasonable approximation of fair value.

21 Commitments, contingencies and other off-balance-sheet transactions

Beyond the uncalled commitments to investments disclosed in note 12, no further contingent liabilities exist as of 31 December 2017 (31 December 2016: Nil).

22 Subsequent events

The consolidated financial statements have been authorised at the 12 February 2018 board meeting for issue 20 February 2018. The annual general meeting called for 14 May 2018 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2017 Castle Private Equity AG purchased 28,000 treasury shares on its second trading line at a cost amount of TUSD 519. As at 14 February 2018 the Company held in total 1,904,234 treasury shares (16 February 2017: 2,581,882).

It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2018.

Since the balance sheet date of 31 December 2017, there have been no material events that could impair the integrity of the information presented in the financial statements.

Report of the statutory auditor

to the general meeting of Castle Private Equity AG Pfäffikon (SZ)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Castle Private Equity AG (the Company), which comprise the balance sheet as at 31 December 2017, the statement of income and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2017 comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Overall materiality	CHF 4.4 million
How we determined it	1% of total shareholders' equity
Rationale for the materiality benchmark applied	We chose total shareholders' equity as the benchmark because, in our view, this is the key metric of interest to investors and it is a generally accepted benchmark for investment companies.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the board of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

pwc

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Daniel Pajer Audit expert Auditor in charge	Jack Armstrong

Zurich, 20 February 2018

Page intentionally left blank

Balance sheet

As of 31 December 2017 (all amounts in Swiss Francs thousands unless otherwise stated)

	Note	2017	2016
Assets			
Current assets:			
Cash and cash equivalents		218,002	127,727
Other receivables		2	3
Total current assets		**218,004**	**127,730**
Non-current assets:			
Participations	3	223,653	338,780
Total non-current assets		**223,653**	**338,780**
Total assets		**441,657**	**466,510**
Liabilities			
Current liabilities:			
Other accrued liabilities		310	1,019
Total current liabilities		**310**	**1,019**
Equity			
Shareholders' equity:	7		
Share capital		1,316	146,142
Legal reserves			
Reserves from capital contributions		217,280	94,995
Additional reserves from capital contributions – treasury shares purchased before nominal capital reduction[1]		8,019	—
Accumulated surplus brought forward		247,930	262,814
Treasury shares at cost (bought for cancellation)		(33,198)	(38,460)
Total shareholders' equity		**441,347**	**465,491**
Total liabilities and equity		**441,657**	**466,510**

[1] The Company purchased 1.62 m treasury shares between 15 May 2017 (date of the general meeting of shareholders) and 25 September 2017 at a nominal value of CHF 5 per share. The nominal capital reduction of CHF 4.95 per share, effective on 25 September 2017, was transferred to a segregated capital account within the legal reserves from capital contributions. This reserve will be released when the general meeting of shareholders resolves a further reduction of share capital by cancellation of treasury shares.

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2017 (all amounts in Swiss Francs thousands unless otherwise stated)

	Note	2017	2016
Income			
Valuation adjustments on participations	2 b)	(20,998)	(73,823)
Dividends from participations		45,537	103,087
Other income		27	41
Loss on foreign exchange, net		(23)	—
Other translation differences		(5,312)	2,168
Total income		**19,232**	**31,473**
Expenses			
Administrative expenses		(888)	(727)
Financial expenses		(30)	(72)
Total expenses		**(918)**	**(799)**
Profit before taxes		**18,314**	**30,674**
Taxes	5	(31)	(31)
Profit for the year		**18,282**	**30,643**
Accumulated surplus			
Accumulated surplus brought forward		262,814	286,456
Profit for the year		18,282	30,643
Cancellation of treasury shares		(33,166)	(54,285)
Accumulated surplus brought forward		**247,930**	**262,814**
Proposal of the board of directors for appropriation of accumulated surplus			
To be carried forward		247,930	262,814
Total		**247,930**	**262,814**

Notes to the company financial statements

For the year ended 31 December 2017
(All amounts in Swiss Francs thousands unless otherwise stated)

1 Organisation and business activity

Castle Private Equity AG, Pfäffikon (the "Company"), is a stock corporation established for an indefinite period in the Canton of Schwyz, Switzerland, by deed dated 19 February 1997. The Company's registered office is Schützenstrasse 6, CH-8808 Pfäffikon.

Since 4 September 1998 the shares of the Company are listed in Swiss Francs on the SIX Swiss Exchange and on 21 January 2002 a listing in US Dollar on the SIX Swiss Exchange followed. Due to the low trading activity as compared to the Company's Swiss Franc trading line the board of directors decided to terminate the trading on the Company's separate US Dollar trading line (ticker: CPED SW) by the end of October 2016. The last trading was done on 31 October 2016.

The main activity of the Company is investing in a portfolio of private equity investments through its subsidiary, Castle Private Equity (Overseas) Ltd., Grand Cayman (the "Overseas Subsidiary"). The Company is indirectly participating in one additional subsidiary: Castle Private Equity (International) plc, Dublin (the "Ireland Subsidiary"). All Subsidiaries and the Company together: the "Group".

As of 31 December 2017 and 31 December 2016 the Company did not employ any employees.

2 Accounting principles

These Company financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (Art. 957 to 963b CO).

a) Participations
The participation in the Overseas Subsidiary is stated at acquisition cost or at the lower net realisable value. As in the prior year the participation was revalued into Swiss Francs using the net asset value of the Overseas Subsidiary.

b) Accounting and reporting currency
The books of the Company are kept in US Dollar (functional currency). The board of directors resolved that the Company's financial statements shall be presented in Swiss Francs, in line with the provisions of the CO. In 2015 the Company discontinued to value its participation at the historic exchange rate and applies the modified current/non-current method as follows:
– All assets and liabilities by applying the year-end exchange rate;
– The shareholders' equity at the historical exchange rate; and
– Income and expenses at the average exchange rate for the year.

The translation difference from the conversion of the functional currency to the reporting currency are recorded in the statement of income as other translation differences. Net foreign exchange losses from the revaluation of an asset or liability not denominated in the Company's functional currency are charged to the statement of income, whereas net translation gains are deferred (unless such translation gains are a recovery of translation losses previously charged to the statement of income).

Balance sheet reconciliation of participation carrying value	2017 TCHF	2016 TCHF
1 January	**338,780**	**412,603**
Impairment of participation	(7,303)	(78,173)
Redemption	(94,129)	—
Foreign exchange translation differences on participation	(13,695)	4,350
31 December	**223,653**	**338,780**

3 Participations

The Company's participation as of 31 December 2017 and 31 December 2016 is composed of a 100 per cent interest in the issued non-voting participating share capital of the Overseas Subsidiary. Where a dividend distribution has been approved by a subsidiary, the participation income from the subsidiary is recognised based on an economic standpoint, i.e. at the same time as the corresponding liability is recorded in the subsidiary.

Nominal share capital, issued and fully paid	Overseas Subsidiary TUSD	Total book value of participations TCHF
31 December 2016	25	338,780
31 December 2017	**25**	**223,653**

4 Foreign exchange rates

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

Foreign exchange rates		Unit	2017 CHF	2016 CHF
US Dollar	Year-end rates	1 USD	0.974800	1.016050
British Pound	Year-end rates	1 GBP	1.353050	1.235800
Euro	Year-end rates	1 EUR	1.200550	1.055000
US Dollar	Average annual rates	1 USD	0.982719	0.988373
British Pound	Average annual rates	1 GBP	1.273474	1.339644
Euro	Average annual rates	1 EUR	1.112645	1.089117

5 Taxes

The Company is taxed as a holding company and is as such only liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through 31 December 2017.

6 Commitments, contingencies and other off-balance-sheet transactions

The Company has no open derivative financial instruments contracts as at 31 December 2017 (31 December 2016: Nil).

7 Shareholders' equity

Shareholders' equity

The share capital of the Company at 31 December 2017 amounts to TCHF 1,316 (TUSD 893) (31 December 2016: TCHF 146,142 (TUSD 99,434)) consisting of 26,323,950 (31 December 2016: 29,228,461) issued and fully paid registered shares with a par value of CHF 0.05 (31 December 2016: CHF 5.00) each. Each share entitles the holder to participate in any distribution of income and capital. During the general meeting on 15 May 2017 it was decided to carry out a nominal capital reduction from CHF 5.00 to CHF 0.05 per share from TCHF 131,620 to TCHF 1,316 The Company purchased 1.62 m treasury shares between 15 May 2017 (date of the general meeting of shareholders) and 25 September 2017 at a nominal value of CHF 5 per share. The nominal capital reduction of CHF 4.95 per share, effective on 25 September 2017, was transferred to a segregated capital account within the legal reserves from capital contributions. This reserve will be released when the general meeting of shareholders resolves a further reduction of share capital by cancellation of treasury shares.

Treasury shares

Buyback programs	From	To	Cancelled	Number of shares	Average CHF	Cost TCHF
Program initiated on 3 June 2013, announced on 15 May 2013						
Additions 2016	01.01.2016	04.05.2016	09.05.2016	576,364	15.70	9,046
Total				**576,364**	**15.70**	**9,046**
Program initiated on 5 July 2016, announced on 11 May 2016						
Additions 2016	07.05.2016	31.12.2016	26.09.2017	1,126,158	15.49	17,446
Additions 2016 via tradable put options	16.06.2016	29.06.2016	26.09.2017	1,193,914	17.60	21,013
Additions 2017	01.01.2017	12.05.2017	26.09.2017	584,439	15.79	9,229
Additions 2017	15.05.2017	31.05.2017	—	151,116	16.49	2,492
Total				**3,055,627**	**16.42**	**50,180**
Program initiated on 26 June 2017, announced on 21 June 2017						
Additions 2017	26.06.2017	31.12.2017	—	640,987	17.02	10,910
Additions 2017 via tradable put options	01.06.2017	19.06.2017	—	1,084,131	18.26	19,795
Total				**1,725,118**	**17.80**	**30,705**

Movement of treasury shares 2nd line and tradable put options (bought for cancellation)	Number of shares		Cost TCHF
Shares held as of 1 January 2016	**3,659,175**		**66,414**
Additions 2016 via 2nd line	1,702,522		26,496
Additions 2016 via tradable put options	1,193,914		21,013
Cancellation on 5 August 2016	(4,235,539)		(75,463)
Shares held as of 31 December 2016	**2,320,072**		**38,460**
Additions 2017 via 2nd line	1,376,542		22,632
Additions 2017 via tradable put options	1,084,131		19,795
Cancellation on 26 September 2017	(2,904,511)		(47,689)
Shares held as of 31 December 2017	**1,876,234**		**33,198**

Treasury shares
The Company can buy and sell treasury shares in accordance with the Company's articles of association, Swiss company law and in compliance with the listing rules of the SIX Swiss Exchange.

As at 31 December 2017 no subsidiaries held treasury shares (31 December 2016: Nil).

Share buyback 2nd line (bought for cancellation)
Since 2011, the Company has announced openings of second trading lines on a yearly basis for the Company's shares on the SIX Swiss Exchange. The Company is always the exclusive buyer on these trading lines and repurchases shares for the purpose of subsequently reducing its share capital. The treasury shares are treated as a deduction from shareholder's equity at the average purchase price.

Share buyback via tradable put options (bought for cancellation)
On 13 June 2016, the Company announced the issuance of put options tradable on the SIX Swiss Exchange. Each shareholder was granted 1 put option free of charge for each registered share held. Every 20 put options entitled shareholders to tender one registered share with a nominal value of CHF 5 at the exercise price of CHF 17.50. The put options were traded from 16 June 2016 until 29 June 2016. On 1 July 2016, the Company announced that a total of 23,878,280 put options were declared for exercise. Furthermore, following the termination of the buyback via issuance of tradable put options, the board of directors decided to launch a new share buyback programme on a second trading line at the SIX Swiss Exchange. It started on 5 July 2016 (first trading day) and a maximum of 1,728,932 registered shares were to be be purchased for cancellation purposes.

On 30 May 2017, the Company again announced the issuance of put options tradable on the SIX Swiss Exchange. Every 20 put options entitled shareholders to tender one registered share with a nominal value of CHF 5 at the exercise price of CHF 18.15. The put options were traded from 01 June 2017 until 19 June 2017. On 1 June 2017, the Company announced that a total of 21,682,620 put options were declared for exercise. The net purchase price (exercise price minus 35 per cent withholding tax calculated on the difference between exercise price and the nominal value) was paid on 22 June 2017. It is intended that approval for the cancellation of all registered shares repurchased will be sought at the Annual General Meeting in 2018. Furthermore, following the termination of the buyback via issuance of tradable put options, the board of directors decided to launch a new share buyback programme on a second trading line at the SIX Swiss Exchange. It started on 26 June 2017 (first trading day) and a maximum of 1,548,264 registered shares will be purchased for cancellation purposes.

Furthermore, following the termination of the buyback via issuance of tradable put options, the board of directors decided to launch a new share buyback programme on a second trading line at the SIX Swiss Exchange. It started on 26 June 2017 (first trading day) and a maximum of 1,548,264 registered shares will be purchased for cancellation purposes.

Allocation of legal reserves from capital contributions

Under Swiss tax law effective 1 January 2011, repayments of capital contribution reserves established since 1997 are no longer subject to withholding tax deduction. In order to establish the amount of capital contribution reserves that the Company may be able to repay to shareholders without being subject to the withholding tax deduction that applies to dividends paid out of retained earnings, the board of directors received shareholder approval at the 2011 annual general meeting for the allocation of the general reserves, effective 1 January 2011. The general reserves to the amount of TCHF 258,666 were allocated to the legal reserves from capital contributions on 1 January 2011. The amount the Company allocated to the legal reserves from capital contributions deviates slightly from the standard practice of the Swiss tax authorities in that the Company has not deducted the share capital increase expenses.

As at 31 December 2017 the reserves from capital contributions that are available for distribution to shareholders amounts to TCHF 217,280.

Shareholders' equity

In 2017 (all amounts in Swiss Francs thousands unless otherwise stated)

	Share capital	Legal reserves		Accumulated surplus/ (deficit)	Treasury shares 2nd line at cost (bought for cancellation)	Total
		Reserves from capital contributions	Additional reserves from capital contributions[1]			
31 December 2016	**146,142**	**94,995**	**—**	**262,814**	**(38,460)**	**465,491**
Profit for the year	—	—	—	18,282	—	18,282
Purchase of treasury shares 2nd line (bought for cancellation)	—	—	—	—	(42,427)	(42,427)
Cancellation of treasury shares 2nd line	(14,522)	—	—	(33,167)	47,689	—
Nominal capital reduction	(130,304)	122,285	8,019	—	—	—
31 December 2017	**1,316**	**217,280**	**8,019**	**247,930**	**(33,198)**	**441,347**

[1] The Company purchased 1.62 m treasury shares between 15 May 2017 (date of the general meeting of shareholders) and 25 September 2017 at a nominal value of CHF 5 per share. The nominal capital reduction of CHF 4.95 per share, effective on 25 September 2017, was transferred to a segregated capital account within the legal reserves from capital contributions. This reserve will be released when the general meeting of shareholders resolves a further reduction of share capital by cancellation of treasury shares.

8 Major shareholders

As at 31 December the following major shareholders are known by the Company:

Major shareholders	2017	2016
Between 10% and 33 1/3%	The Goldman Sachs Group, Inc.	The Goldman Sachs Group, Inc.
Between 10% and 20%	Swiss Life Asset Management AG	Swiss Life Asset Management AG
Between 3% and 10%	Deka International S.A. Warburg Invest Luxembourg S.A. Berlin-AI Fund SCS, SICAV-FIS, Luxembourg LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations) LGT Group Foundation, Vaduz AG, Liechtenstein	Deka International S.A. Warburg Invest Luxembourg S.A. Berlin-AI Fund SCS, SICAV-FIS, Luxembourg LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations) LGT Group Foundation, Vaduz AG, Liechtenstein

9 Compensation and share ownership

The annual remuneration and expense allowances paid to the members of the board of directors as well as the premium paid for the officers liability insurance are detailed within the remuneration report on pages 80 to 82 of this report.

The board of directors has delegated the operational management of the Company to Dr Hans Markvoort and Benedikt Meyer as general managers. The management is compensated by the Company.

No further compensation by the Company or its subsidiaries for their activities has been due, nor did directors receive shares, options or loans.

Share ownership	2017	2016
Castle Private Equity AG		
Members of the board of directors		
Gilbert Chalk	1,750	1,750
Dr Konrad Bächinger (indirectly held through a company)	110,000	110,000
Dr Marcel Erni	4,900	4,900
Total	**116,650**	**116,650**

Share ownership	2017	2016
LGT Private Equity Advisers AG		
Members of the board of directors		
Alfred Gantner	10,000	10,000
Urs Wietlisbach	15,000	15,000
Dr André Lagger	6,000	6,000
General managers		
Dr Hans Markvoort	35,000	45,000
Benedikt Meyer	—	6,500
Total	**66,000**	**82,500**

10 Auditors

PricewaterhouseCoopers Ltd., Zurich, are the auditors of the Company. They accepted the mandate in 2001. Daniel Pajer, the auditor in charge, took up office in 2015.

Total audit fees charges by PricewaterhouseCoopers for the audit 2017 of the Company to TCHF 103 (2016: TCHF 103).

11 Subsequent events

The company financial statements have been authorised at the 12 February 2018 board meeting for issue 20 February 2018. The annual general meeting called for 14 May 2018 will vote on the final acceptance of the company financial statements.

Since the balance sheet date of 31 December 2017 Castle Private Equity AG purchased 28,000 treasury shares on its second trading line at a cost amount of TCHF 488. As at 14 February 2018 the Company held in total 1,904,234 treasury shares (16 February 2017: 2,581,882).

It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2018.

Since the balance sheet date of 31 December 2017, there have been no material events that could impair the integrity of the information presented in the financial statements.

Report of the statutory auditor

to the general meeting of Castle Private Equity AG
Pfäffikon (SZ)

We have audited the remuneration report of Castle Private Equity AG for the year ended 31 December 2017.

Board of directors' responsibility

The board of directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The board of directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Castle Private Equity AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Pajer	Jack Armstrong
Audit expert	
Auditor in charge	

Zurich, 20 February 2018

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Remuneration report

The remuneration report contains information about the principles of remuneration, procedures for determining remuneration and components of remuneration for the board of directors and management of Castle Private Equity AG. It also details the remuneration awarded in 2016 and 2017 as well as the planned components of remuneration in 2018. It is based on the provisions of the articles of association, the transparency requirements set out in Articles 13 – 16 of the Swiss Ordinance against Excessive Compensation in Listed Companies (VegüV) and Article 663bbis of the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse.

Principles of Remuneration

- Transparency (simplicity, clarity)
- Adherence to market rates of executive pay
  (benchmarking of similar companies, qualifications and experience)

Governance

The board of directors has appointed a remuneration committee comprising Heinz Nipp (chairman), and Marcel Erni (member).

The remuneration committee draws up proposed remuneration guidelines for the board of directors. The members of the board of directors are entitled to reimbursement of their expenses incurred in the interest of the Company as well as to compensation corresponding to their activities, as determined by the board of directors.

The remuneration committee meets as often as required, but at least once a year.

The board of directors has delegated the operational management of the Company to Dr Hans Markvoort and Benedikt Meyer as general managers, in accordance with Art. 716b CO and the articles of association and organisational regulations of the Company. This work for the Company on average takes up approximately 20 per cent of their working time.

Procedures for determining remuneration

The level of remuneration awarded to the board of directors is based on sector and market comparisons. The remuneration committee also consults comparative figures and surveys of listed companies operating in the same sector.

Structure of remuneration

The board of directors is compensated in cash for all of its duties, including expenses for ordinary and extraordinary meetings, committee activities and other extraordinary activities. Neither shares nor options were allocated in the reporting year.

Remuneration policy

Remuneration of the board of directors and general managers of Castle Private Equity AG shall be effected in accordance with the provisions of the articles of association, notably article 17. The board of directors and general managers determined that its members be remunerated annually as follows (pro-rata when a mandate is not executed for a full year):

Remuneration	2017 CHF	2016 CHF
Chairman	55,000	55,000
Deputy chairman	44,000	44,000
Committee chairman	44,000	44,000
Member	33,000	33,000
General managers	100,000	100,000

The remuneration of the board of directors shall be payable by the end of each quarter. The remuneration of the general managers shall be payable once per year in arrears.

Travel and other expenses related to attendance at board meetings shall be covered by an expense allowance for each meeting in Switzerland, physically attended, as follows:

Travel and other expenses	2017 CHF	2016 CHF
Switzerland based	250	250
Europe based	1,500	1,500
Overseas based	7,000	7,000

Expense accounts in excess of CHF 7,000 shall be signed off by the chairman (or, in the chairman's case, by the deputy chairman). Accounts below this amount may be signed off by the general manager.

Directors may furthermore be paid all other expenses properly incurred by them in connection with the business of the Company. The board may, in addition, grant special remuneration to any director who performs special or extra services to or at the request of the Company.

Remuneration for financial years 2017 and 2016 (Article 14 VegüV)

The following tables show the remuneration for the members of the board of directors in the year 2017 and 2016. The total remuneration of the Company does not include the employers contributions to social security of CHF 10,097 (31 December 2016: CHF 11,356). In addition, the Company paid in 2017 a Directors and Officers liability insurance fee of USD 11,924 (31 December 2016: USD 13,531). Travel expenses amounted to USD 3,840 (31 December 2016: USD 3,407).

The board of directors remuneration is defined and paid out in Swiss Francs. For the financial year 2017, Dr Marcel Erni waived any remuneration as board member.

	Cash Compensation CHF	Social security payments CHF	Travel and other expenses CHF	Total remuneration CHF
As of 31 December 2017				
Gilbert Chalk, chairman	53,042	1,958	1,500	56,500
Dr Konrad Bächinger, deputy chairman	42,606	1,394	500	44,500
Heinz Nipp, committee chairman – remuneration committee	42,606	1,394	500	44,500
Thomas Amstutz, committee chairman – audit committee	41,745	2,255	1,250	45,250
Robert Knapp, member	33,000	—	—	33,000
Dr Marcel Erni, member	—	—	—	—
General managers	100,000	—	—	100,000
Total	**312,999**	**7,001**	**3,750**	**323,750**

	Cash Compensation CHF	Social security payments CHF	Travel and other expenses CHF	Total remuneration CHF
As of 31 December 2016				
Gilbert Chalk, chairman	53,042	1,958	1,960	56,960
Dr Konrad Bächinger, deputy chairman	42,606	1,394	500	44,500
Heinz Nipp, committee chairman – remuneration committee	42,032	1,968	250	44,250
Thomas Amstutz, committee chairman – audit committee	41,745	2,255	500	44,500
Robert Knapp, member	33,000	—	—	33,000
Dr Marcel Erni, member	—	—	—	—
General managers	100,000	—	—	100,000
Total	**312,425**	**7,575**	**3,210**	**323,210**

Loans and credits to board members and the management (Article 15 VegüV)
No further loans or credits by the Company or its subsidiaries for their activities have been granted to members of the board of directors in the financial year 2017.

Compensation, loans and credits to related parties (Article 16 VegüV)
No further compensation, loans or credits by the Company or its subsidiaries for their activities have been granted to any related party in the financial year 2017.

Heinz Nipp **Benedikt Meyer**

Pfäffikon, 20 February 2018

Corporate governance

In accordance with the corporate governance directive of the SIX Swiss Exchange

1. Group structure and shareholders

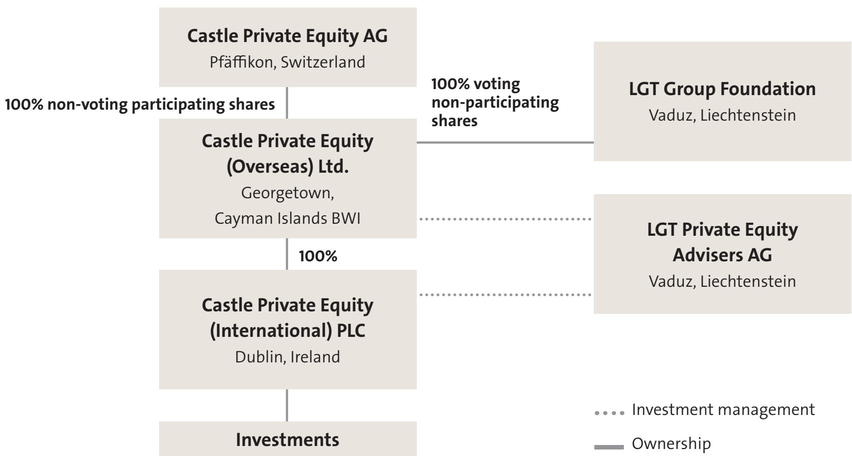
Castle Private Equity ("the Group") consists of Castle Private Equity AG ("the Company") and two fully consolidated subsidiaries, as shown below and as listed in note 1 to the consolidated financial statements. The Company's registered office is Schützenstrasse 6, 8808 Pfäffikon (Freienbach community), Switzerland. Within the Group, only the Company is a listed company.

Significant shareholders
The shareholding structure of the Company as of 31 December 2017 is shown below:

- The Goldman Sachs Group, USA reported a shareholding of 25.13 per cent.
- Swiss Life Asset Management AG Switzerland, reported a holding of 15.16 per cent.
- Berlin-AI Fund SCS, SICAV-FIS, reported a holding of 6.84 per cent.
- LGT Capital Partners AG, Switzerland (as asset manager of LGT's pension foundations) reported a holding of 5.42 per cent.
- LGT Group Foundation, Liechtenstein, reported a holding of 5.34 per cent.
- Deka-StBV-NW-AI II, Luxembourg reported a holding of 3.48 per cent.
- Warburg Invest Luxembourg S.A., reported a holding of 3.08 per cent.

An update on shareholdings can be obtained from the SIX website at
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html#

The Group has not entered into any cross-shareholdings that exceed 5 per cent of the capital shareholding as voting rights on either side.



2. Capital structure

Capital

The Company's share capital consists of 26,323,950 registered shares with a par value of CHF 0.05 each. The shares are listed in Swiss Francs at the SIX Swiss Exchange in Zurich with ISIN CH0048854746 and valor number 4885474. The Company completed a 2011 share buyback programme with the purchase of 1.5 million shares in April 2012. These shares were cancelled on 10 July 2012. A new programme for up to 10 per cent of the Company's share capital commenced in May 2012. On 26 April 2013 the Company completed the 2012 – 2013 share buyback programme with the purchase of 4.17 million shares. These shares were cancelled on 22 August 2013. The share buyback programme of up to 15.55 per cent of the Company's share capital was terminated on 14 October 2015 with the purchase of 5.12 million shares. On 28 October 2015 the Company completed its share buyback programme via the issuance of tradable put options. In total, 2,354,105 registered shares were tendered to the Company which corresponds to 7.03 per cent of the share capital. On 15 June 2016 the Company terminated its share buyback programme, which started on 2 November 2015. On 13 June 2016 the Company announced a share buyback programme by issuing tradable put options. In total, 1,193,914 registered shares were tendered which correspond to 3.57 per cent of the Company's share capital. On 5 July 2016 the Company launched a further share buyback programme on a second trading line at SIX Swiss Exchange of up to 1,728,932 registered shares. On 31 May 2017 the Company, terminated its share buyback programme, which started on 5 July 2016, with the purchase of 1,696,352 registered shares. On 31 May 2017 the Company decided to launch a new share buyback programme by issuing tradable put options. In total, 1,084,131 registered shares were tendered which correspond to 4.12 per cent of the Company's share capital. On 26 June 2017 the Company launched a further share buyback programme on a second-trading line at SIX Swiss Exchange of up to 1,548,264 registered shares. On 25 September 2017 the Company announced the cancellation of 2,904,511 registered shares and reduction of par value of to CHF 0.05 per share as approved at the 15 May 2017 general meeting of shareholders. As of 31 December 2017, the Company held 1,876,234 shares from the current and previous buyback programs. It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2018. The Company does not have conditional and authorised share capital. The Company has not issued any participation certificates (Partizipationsscheine), preference shares (Vorzugsaktien) or profit sharing certificates (Genussscheine). Shares of the subsidiaries are not listed.

A detailed overview of the capital structure is shown in note 7 of the Company's financial statements. Changes in capital within the last two financial years can be seen from the consolidated statements of changes in shareholders' equity on page 23 of the 2017 annual report.

The market capitalisation of the Company per year end 2017 amounted to approx. CHF 471 million. There are no outstanding convertible bonds or options issued by the Company or any of its subsidiaries on the Company's securities.

Voting rights, share registration

Each share confers the right to one vote. Entry in the share register of registered shares with voting rights is subject to the approval of the Company. Persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirement of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act).

Entry of registered shares with voting rights may be refused in the following situations:

Persons not expressly declaring themselves to be holding shares for their own account (nominees) shall be entered in the share register with voting rights without further inquiry up to a maximum of 1.5 per cent of the outstanding share capital available at the time. Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question makes known the names, addresses and shareholdings of the persons for whose account he is holding 0.3 per cent or more of the outstanding share capital at the time and provided that the disclosure requirement stipulated by the Stock Exchange Act is complied with. The board of directors has the right to enter into agreements with nominees concerning their disclosure requirements.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with intent to evade the entry restriction are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above regulations. After due consultation with the person concerned, the Company is further authorised to remove the shareholder from the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information required.

No agreements with nominees were entered into, nor were exceptions to the above regulations granted in 2017.

3. Board of directors

As of 31 December 2017, all members of the board of directors are non-executive. None of the members have been members of management of the Company or one of its subsidiaries over the last three years. Dr Marcel Erni is affiliated with Partners Group, which, together with LGT Group Foundation, owns the investment manager that manages the Group's investments.

No other member of the board of directors has any significant business connections with any members of the Group.

The board is composed of the following members:

Gilbert J. Chalk, chairman of the board

Gilbert Chalk (British citizen, 1947) completed his BSc and MA in Business at Lancaster University and obtained an MBA from Columbia University in 1972. He worked in corporate finance at Hill Samuel Bank before joining Hambros Bank in 1980 as a manager and, subsequently, director in their corporate finance department. In 1987 he founded and became managing director of Hambro European Ventures, a position he held until 1994. Since 1994 he has been active as director and adviser of a number of privately financed companies. From 2000 to 2010 he was chairman of the Baring English Growth Fund.
Gilbert Chalk was elected at the general meeting held on 29 October 2008. He was re-elected at the annual shareholders' meeting in May 2017 for a term ending at the 2018 annual shareholders' meeting. He currently is a director of Vantage Goldfields Limited, IRIS Software Systems Limited and is an investor representative at Cognito IQ Limited.

Dr Konrad Bächinger, deputy chairman of the board

Dr Konrad Bächinger (Swiss citizen, born 1950) received a Ph.D. in law from the University of Zurich. He was admitted to the bar in 1977. He acted subsequently as legal counsel for the St. Gallische Creditanstalt and as head of legal department of Adolph Saurer AG. In 1984, he joined LGT Bank in Liechtenstein as general counsel. In 1989 he was appointed managing director and head of legal matters and project department. In 1990 he became member of the executive board of the bank, heading commercial banking and legal matters. In 1998 he became chief executive officer of LGT Capital Management. Dr Bächinger was member of the group executive committee of Liechtenstein Global Trust (now known as LGT Group Foundation) between 2001 and 2006, subsequently becoming a senior advisor of LGT Group Foundation until his retirement in 2010.
Dr Bächinger is also deputy chairman of the board of directors of Castle Alternative Invest AG and serves on the board of several LGT-managed or affiliated investment and management companies, including LGT Capital Partners Limited.
Dr Bächinger was elected to the board of directors in 1997.

Dr Marcel Erni, member of the board and the remuneration committee

Dr Marcel Erni (Swiss citizen, born 1965) completed his undergraduate studies in economics and finance at the University of St. Gallen, received an MBA from the University of Chicago and a Ph.D. in finance from the University of St. Gallen. Dr Erni worked three years as consultant for McKinsey & Co. in Switzerland, prior to joining Goldman, Sachs & Co. Bank in Zurich in 1994. In 1996, Dr Erni was one of the founders of Partners Group, of which he currently serves as vice chairman and chief investment officer. He is a member of the business development committee and the global portfolio investment committee.
Dr Erni was elected to the board of directors of Castle Private Equity AG in 1997. He was re-elected at the annual shareholders' meeting in May 2017 for a term ending at the 2018 annual shareholders' meeting.

Heinz Nipp,
member of the board and
remuneration committee chairman

Heinz Nipp (citizen of the Principality of Liechtenstein, born 1951) completed a banking apprenticeship and training as a financial analyst which were later followed by executive management studies at Stanford University.

Prior to joining LGT Bank in Liechtenstein in 1982, Mr Nipp spent several years abroad to gain practical banking experience. Mr Nipp was the CEO of LGT Bank in Liechtenstein until 2001 when he was appointed member of the Group executive committee of Liechtenstein Global Trust, now known as LGT Group Foundation. In 2006, Heinz Nipp was appointed executive chairman wealth management Asia of LGT Group Foundation. He retired from his functions at LGT in 2008.

In 2014, Heinz Nipp joined the board of LGT Capital Partners (Ireland) Limited.

Heinz Nipp was elected to the board in 1997. He was re-elected at the annual shareholders' meeting in May 2017 for a term ending at the 2018 annual shareholders' meeting.

Thomas Amstutz,
member of the board and
audit committee chairman

Thomas Amstutz (Swiss citizen, born 1962) completed his bank apprenticeship at Credit Suisse and graduated from Commercial School of Business Administration. From 1981 until 2004 he held a variety of management positions with Credit Suisse Group. In 1987 he was appointed Managing Director of CSFB Geneva, Head of Foreign Exchange/ Precious Metals Options. Between 1991 and 1996 he held different positions within Credit Suisse in Zurich, before heading the Sales and Trading department in Frankfurt. In 1999 he was appointed Member of the Executive Board of Credit Suisse Private Banking and from August 2002 until December 2004 he was Member of the Executive Board of Credit Suisse Financial Services and Head of the Division Investment Management.

From 2005 until 2014 he was Chairman of Absolute Private Equity AG, Zug, Absolute Invest AG, Zug (both listed Swiss investment companies) and Absolute Investment Services Ltd., Zurich. Thomas Amstutz is currently owner of JAAM AG, Zurich. He holds several positions as a Member of the Board of the following companies: Alpine Select AG, Zug; Baloise Bank SoBa, Solothurn; Model Holding AG, Weinfelden; Vicenda Asset Management AG, Zug; Jade Invest SA, Neuchatel. Furthermore Mr Amstutz is a Member of the Asset Allocation Committee of Spida Personalvorsorgestiftung, Zurich, Mr Amstutz was elected to the board of directors of Castle Private Equity AG at the annual meeting in April 2012. He was re-elected at the annual shareholders' meeting in May 2017 for a term ending at the 2018 annual shareholders' meeting.

Robert Knapp,
member of the board and
the audit committee

Robert Knapp (US citizen, born 1966) acts as Chief Investment Officer of Ironsides Partners LLC. Mr Knapp specialises in closed end funds, corporate restructurings and distressed debt. In addition to Ironsides, he serves as the lead independent director of MVC Capital Inc. (NYSE: MVC), and is also a director of the Africa Opportunity Fund (LSE: AOF) and the Pacific Alliance Asia Opportunity Fund, as well as Emergent Capital (OTC: EMGC).

Mr Knapp previously was a managing director with Millennium Partners from 1997 to 2006. He earned a BSc in Electrical Engineering from Princeton University in 1989 and a BA in Politics, Philosophy and Economics from New College, Oxford University in 1993.

Mr Knapp was elected to the board of directors in 2012. He was re-elected at the annual shareholders' meeting in May 2017 for a term ending at the 2018 annual shareholders' meeting.

Responsibilities

The principal responsibilities of the board of directors as defined in the Swiss Code of Obligations and the Company's articles of association and organisational regulations are:

(i) organisation of the Company's main structures, including planning, management and reporting procedures and its internal risk control systems;
(ii) determination of the investment policy and supervision of its implementation; and
(iii) appointment and supervision of the Company's general manager and the investment manager.

Board members share these responsibilities jointly. No specific tasks have been allocated to individual members of the board.

Committees

The board of directors established an audit committee comprising Thomas Amstutz (chairman) and Robert Knapp (member). The audit committee's duties include:

(i) selecting the auditor (for approval at the shareholders' meeting), as well as determining and supervising the terms of their engagement;
(ii) monitoring the integrity of the financial statements; and
(iii) reviewing the internal control systems in place in the Company.

Furthermore, a remuneration committee was introduced composed of Heinz Nipp (chairman) and Marcel Erni (member). The duties of the remuneration committee can be found in the remuneration report on page 81.

Organisation

The board of directors has delegated the operational management of the Company to Dr Hans Markvoort and Benedikt Meyer as general managers (see next page), in accordance with Art. 716b CO and the articles of association and organisational regulations of the Company.

The board has delegated the management of the Company's assets in accordance with the investment policy and guidelines to LGT Private Equity Advisers AG, the investment manager (see next pages).

The board resolves by majority vote with the presence of a majority of members. Decisions can be taken by phone conference or circular resolution unless a board member requests otherwise. The board of directors meets as often as business matters require, as a rule four times a year.

The board considers agenda items laid out in the notice and agenda which are formally circulated to the board in advance of any meeting as part of the board papers. The members of the board may request any agenda items to be added that they consider appropriate for board discussion. In addition each director is required to inform the board of any potential or actual conflict of interest prior to board discussion. In 2017, four board meetings and three audit committee meetings were held, with an average duration of between two and four hours. Board meetings are attended by representatives of the investment manager and the general managers. In addition to the physical meetings, various ad hoc meetings and phone conference calls were held throughout the year to deal with matters substantially of an administrative nature and these were attended by the directors available at the time.

In addition to board meetings, individual members of the boards of the Company and of the investment manager and the general managers interact frequently.

Information and control
In addition to information received in board meetings, the directors receive regular reports on the course of business, including the status of the portfolio. Directors may request additional information or details through the general manager.

4. Management

General manager
The board of directors has delegated the operational management of the Company to Dr Hans Markvoort and Benedikt Meyer as general managers.

Dr Hans Markvoort
(Swiss citizen, born 1965) graduated with a Ph.D. in economics from the University of St. Gallen in 1995 after studies in the Netherlands and Switzerland. He was head of controlling and company secretary of Industrieholding Cham, a diversified Swiss industrial group, until 1998. He subsequently served as chief financial officer of Universal Holding, a European subsidiary of a US industrial equipment supplier. He joined LGT Capital Partners' private equity team in 2000, serving as general manager of Castle Private Equity AG as well as coordinating the private markets investment structuring activities. Dr Markvoort is a director of various private equity investment entities as well as of LGT Capital Partners (Ireland) Limited. He is also a board member of LGT Group's Swiss pension foundation.

Benedikt Meyer
Mr Meyer (Swiss citizen, born 1983) is an executive director at LGT Capital Partners Ltd. Prior to joining LGT Capital Partners in 2010, Mr Meyer worked in business development and investor relations for Partners Group AG in Zug and London. Mr Meyer holds a Diploma of Higher School of Business Studies HF (BSc in Economics). He is fluent in English and German, and conversant in French.

There are no other activities and vested interests of the members of the management.

Investment manager
LGT Private Equity Advisers AG, Vaduz, has been appointed investment manager. The investment manager is responsible for the management of the Company's assets in accordance with the investment policy and guidelines. The investment manager does not have any duties or responsibilities in relation to the operational management of the Company. The main responsibilities of the investment manager are:
(i) implementation of the investment policy, including identifying, purchasing and selling investments;
(ii) monitoring of investments; and
(iii) analysis and forecast of cash flows.

The role of the investment manager is governed through investment management agreements with the subsidiaries. These agreements do not have a fixed termination date but can be terminated by either party at 90 days' notice. The compensation of the investment manager is shown in notes 6, 17 and 18 of the consolidated financial statements.

The board members of the investment manager are affiliated with LGT Group Foundation or with Partners Group. LGT Group Foundation owns 60 per cent, Partners Group owns 40 per cent of the investment manager. The members of the board of directors of LGT Private Equity Advisers AG are:

Alfred Gantner
Swiss citizen, born 1968. He received his MBA from the Brigham Young University in Utah with a specialisation in finance. He worked at Cantrade Privatbank in Switzerland and joined Goldman, Sachs & Co. in New York and London prior to transferring to their Zurich office in 1994. Alfred Gantner co-founded Partners Group in 1996 and serves full-time as the firm's executive chairman, leading the business strategy and corporate development of the firm. He is a member of the business development committee and the global portfolio investment committee.

Ivo Klein
Citizen of Liechtenstein, born 1961. He completed his studies in business administration at the University of Applied Sciences in St. Gallen, Switzerland, subsequent to which he trained to be a chartered accountant. Ivo Klein was working in the Group Internal Audit Department of the LGT Group for 15 years of which 10 years was spent as deputy head of the department. In 2001 he took over the newly created function of Head of Group Compliance at LGT. Ivo Klein was a member of the Liechtenstein Landtag (parliament) between 2001 and 2009, of which as vice chairman between 2005 and 2008. In 2011 he was appointed as member of the executive board at LGT Bank AG.

Dr André Lagger
Dr André Lagger, Swiss citizen, born 1962 received a Ph.D. in business administration from the University of Berne and completed studies at the Swiss Banking School. He began his career at Union Bank of Switzerland in Zurich, moving to UBS London in 1994 as head of corporate development. In 1997, he joined LGT Services in Zurich as head of corporate controlling. Subsequently, he became, in 1998, member of the executive board and chief financial officer of LGT Capital Management in Vaduz and, in 2001, chief executive officer of LGT Financial Services. Since 2006, he is CEO of the business unit operations & technology of LGT Group Foundation.

Dr Roberto Paganoni
Dutch citizen, born 1961. Roberto Paganoni completed his mechanical engineering studies at the Technical University of Aachen and received a Ph.D. in business administration from the University of St. Gallen. He joined McKinsey & Co. in 1989, for whom he worked in their Duesseldorf, Brussels and Zurich offices. In 1997, he joined Liechtenstein Global Trust as head of alternative assets. Since 2001, Roberto Paganoni is managing partner and chief executive officer of LGT Capital Partners Ltd.

Urs Wietlisbach
Urs Wietlisbach co-founded Partners Group in 1996. He is a member of Partners Group Holding AG's board of directors and chairman of the Markets Committee, based in Zug. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen, Switzerland.

Investment advice
For the investment management LGT Private Equity Advisers AG makes use of the private equity investment team of LGT Capital Partners Ltd. The team consists of over 50 private equity professionals combining American and European education, investment experience and networks on a global basis. The key private equity investment professionals of LGT Capital Partners Ltd. are as follows:

Maximilian Brönner
German citizen, born 1966. Maximilian Brönner was educated at the Université de Fribourg and the London School of Economics. Mr Brönner started his career at Dresdner Bank AG in Frankfurt and worked in investment banking for Banco Bilbao Vizcaya in Madrid and for Jones Lang Wootton in Berlin. Prior to joining LGT Capital Partners in 1999, he was a corporate finance manager at Pricewaterhouse mainly responsible for private equity transactions. He is a managing partner at LGT Capital Partners.

Dr Roberto Paganoni
See on page 90.

Ivan Vercoutère
French citizen, born 1966. He received a BSc in Finance from San Diego State University. Prior to joining LGT Capital Partners in 1998, Mr Vercoutère was Vice President and investment committee member of Pacific Corporate Group, Inc (PCG), a California-based global private equity advisor and manager. Ivan Vercoutère is a managing partner at LGT Capital Partners.

5. Compensation, shareholdings and loans

The remuneration of the board of directors is as follows:

Remuneration	TCHF
Chairman	55
Deputy chairman	44
Committee chairman	44
Member	33

Dr Marcel Erni waived any remuneration as board member.

Travel and other expenses related to attendance of board meetings were covered by an expense allowance for each meeting in Switzerland, physically attended, as follows: Switzerland based CHF 250, Europe based CHF 1,500, Overseas based CHF 7,000. Expense accounts in excess of CHF 6,000 shall be signed off by the chairman (or, in the chairman's case, by the deputy chairman). Accounts below such may be signed of by the general managers.

The Company appointed Dr Hans Markvoort and Benedikt Meyer as general managers, in accordance with Art. 716b CO and the articles of association and organisational regulations of the Company. This work for the Company on average takes up approximately 20 per cent of their working time. For 2017, the management of the Company was compensated by the investment advisor.

Remuneration	TCHF
General managers	100

No further compensation or fees, shares, options or loans by the Company or its subsidiaries for their activities have been due.

6. Voting and representation restrictions

Voting restrictions
The articles of association do not contain any statutory voting rights restrictions other than those disclosed in section 2 above. No exceptions were granted in the year under review.

The convocation of the general meeting of shareholders and the addition of items to its agenda are conform with the regulations of the Swiss code of obligations.

General meeting of shareholders
The next shareholders' meeting is scheduled for 14 May 2018 and shall be convened by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the date of the meeting.

Shareholders registered with voting rights in the shareholders' register until and including 6 May 2018 shall receive, with their invitation to the annual general meeting, a registration card to apply for an admission card and voting documentation. No new share registrations with voting rights shall be made in the shareholders' register between 6 May 2018 and the end of the general meeting.

Shareholders representing at least 10 per cent of the share capital may request that an extraordinary shareholders' meeting be convened. Shareholders representing shares with an aggregate nominal value of at least CHF 1 million may request that an item be included in the agenda of the shareholders' meeting. Such requests must be made in writing at least 35 days before the date of the meeting, specify the item to be included in the agenda and contain the proposal on which the shareholder requests a vote.

Statutory quorums
The articles of association contain the following voting quora that extend beyond the thresholds of simple and qualified majority prescribed in the Swiss Code of Obligations:
- the easement or abolition of the restriction of the transferability of the registered shares;
- the conversion of registered shares into bearer shares and bearer shares into registered shares; and
- the abolition of restrictions in the articles of association concerning the passing of a resolution by the shareholders' meeting.

The dissolution of the Company with a liquidation requires a resolution of the shareholders' meeting passed by at least 80 per cent of all share votes.

7. Change of control

The Company has stated in article 6h of its articles of association that a party acquiring shares above the legal threshold potentially triggering a public offer in the Company is not obliged to make a public offer to acquire all shares of the Company pursuant to articles 32 and 52 of the Stock Exchange Act (opting-out clause).

The members of the board of directors, the general manager and the investment manager do not benefit from contractual clauses on change-of-control situations.

8. Auditors

PricewaterhouseCoopers Ltd., Zurich, are the auditors of the Company. They accepted the mandate in 2001. Daniel Pajer, the auditor in charge, took up office in 2015.

Total audit related fees charged by PricewaterhouseCoopers for the 2017 audit amounted to TCHF 139 (2016: TCHF 134).

Supervision of the audit takes place in various meetings and discussions between the auditors and board members throughout the year as well as through the internal audit department of LGT Group Foundation.

Principal means of information between the external auditor and the board of directors (in particular through the audit committee) is the annual audit report submitted by the auditor to the directors. The report is generally discussed with representatives of the auditor at the spring board meeting that also resolves on approval of the annual report. Prior to discussion of the auditors' report, audit committee meetings – typically in the form of conference calls – take place to discuss progress of the audit and any specific matters noted. Preparation of the audit (which includes an update on changes in accounting and reporting standards and audit requirements by the auditor) usually take place in autumn, either in the form of the auditor's presence at a board meeting or by means of a phone discussion.

9. Information policy

The Company publishes an audited annual report per 31 December and a semi-annual report per 30 June. Furthermore, the Company publishes monthly portfolio updates.

The Company publishes these and other documents on the Company's website www.castlepe.com. Subscribers listed on the Company's distribution schedule generally receive these documents (or references to their website location) upon publication by e-mail. Ad-hoc messages and announcements (e.g. regarding general meetings) are also distributed by e-mail. Several documents are available in print form. Please contact representatives of the Company through the website or by letter or phone to be added to the mailing list.

The financial calendar can be downloaded from the Company's website www.castlepe.com.

Non-applicability/negative disclosure
It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided in the Corporate Governance Directive and the commentary thereto).

Share information

Exchange rate CHF/USD: 0.9748

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Since inception
Share information												
Number of issued shares at year end (000)[1]	4,320[2]	43,200	43,200	43,200[3]	43,200[4]	41,700[5]	37,530[6]	35,630[7]	33,464[8]	29,228[9]	26,324[10]	
USD net asset value[1]	17.06	11.77	12.18	14.70	15.76	17.40	17.13	15.39	16.19	17.03	18.52	
CHF closing price[1]	13.81	3.43	5.40	8.11	10.10	13.00	11.95	14.35	16.40	15.35	17.90	
Share performance[11]												
USD net asset value	29.9%	(31.0%)	3.5%	20.7%	7.2%	10.4%	10.6%[12]	6.3%[13]	5.2%	5.2%	8.7%	169.8%[12],[13]
USD closing price	20.1%	(73.9%)	64.1%	65.7%	24.1%	30.6%	11.5%	6.6%	12.7%	—	—	
CHF closing price	10.5%	(75.2%)	57.4%	50.2%	24.5%	28.7%	7.3%	20.1%	14.3%	(6.4%)	16.6%	72.1%

[1] Adjusted for the ten for one share split.
[2] Of which 800,000 owned by the Group.
[3] Of which 191,853 owned by the Group.
[4] Of which 1,726,060 owned by the Group.
[5] Of which 3,771,129 owned by the Group (575,885 in treasury and 3,195,244 for cancellation). On 12 July 2012, the 1,500,000 shares purchased in the 2011 share buyback program were cancelled.
[6] Of which 1,782,385 owned by the Group (575,885 in treasury and 1,206,500 for cancellation). On 22 August 2013, the 4,170,000 shares purchased on the 2012/2013 share buyback program were cancelled.
[7] Of which 2,057,885 owned by the Group (575,885 in treasury and 1,482,000 for cancellation). On 12 August 2014, 1,900,000 shares purchased on the 2013/2014 share buyback program were cancelled.
[8] Of which 3,659,175 owned by the Group (3,659,175 for cancellation). On 6 August 2015, 2,166,000 shares purchased on the 2013/2014 share buyback program were cancelled.
[9] Of which 2,320,072 owned by the Group. On 5 August 2016, 4,235,539 shares purchased via share buyback programs were cancelled.
[10] Of which 1,876,234 owned by the Group. On 26 September 2017, 2,904,511 shares purchased via share buyback programs were cancelled.
[11] Trading on Castle's USD trading line (ticker: CPED SW) was terminated on 31 October 2016.
[12] Adjusted for capital repayments of CHF 0.75 cents/USD 0.77 cents on 23 May 2013, CHF 1.25 cents/USD 1.37 cents on 6 December 2013.
[13] Adjusted for capital repayments of CHF 1.25/USD 1.40 on 22 May 2014, and CHF 1.40/USD 1.43 on 5 December 2014.

Listing

SIX Swiss Exchange 4885474 (Swiss security number)

Price information

Reuters: CPE.S

Bloomberg: CPEN SW <Equity>

Publication of net asset value

www.castlepe.com

Registered office

Castle Private Equity AG, Schützenstrasse 6, CH-8808 Pfäffikon, Switzerland

Telephone +41 55 415 94 94, Fax +41 55 415 94 97

Investment manager

LGT Private Equity Advisers AG, Herrengasse 12, FL-9490 Vaduz, Principality of Liechtenstein

Telephone +423 2352929, Fax +423 2352955, lgt.pea@lgt.com

Benedikt Meyer, general manager,

Telephone +423 235 2324, benedikt.meyer@lgt.com

Dr Roberto Paganoni, chairman of the board of directors,

Telephone +423 235 2332

www.castlepe.com

Registered office
Castle Private Equity AG
Schützenstrasse 6, CH-8808 Pfäffikon
Switzerland
Telephone +41 55 415 9494
Fax +41 55 415 9497

Investment manager
LGT Private Equity Advisers AG
Herrengasse 12, FL-9490 Vaduz
Principality of Liechtenstein
Telephone +423 235 2929
Fax +423 235 2955
E-mail lgt.pea@lgt.com

www.castlepe.com