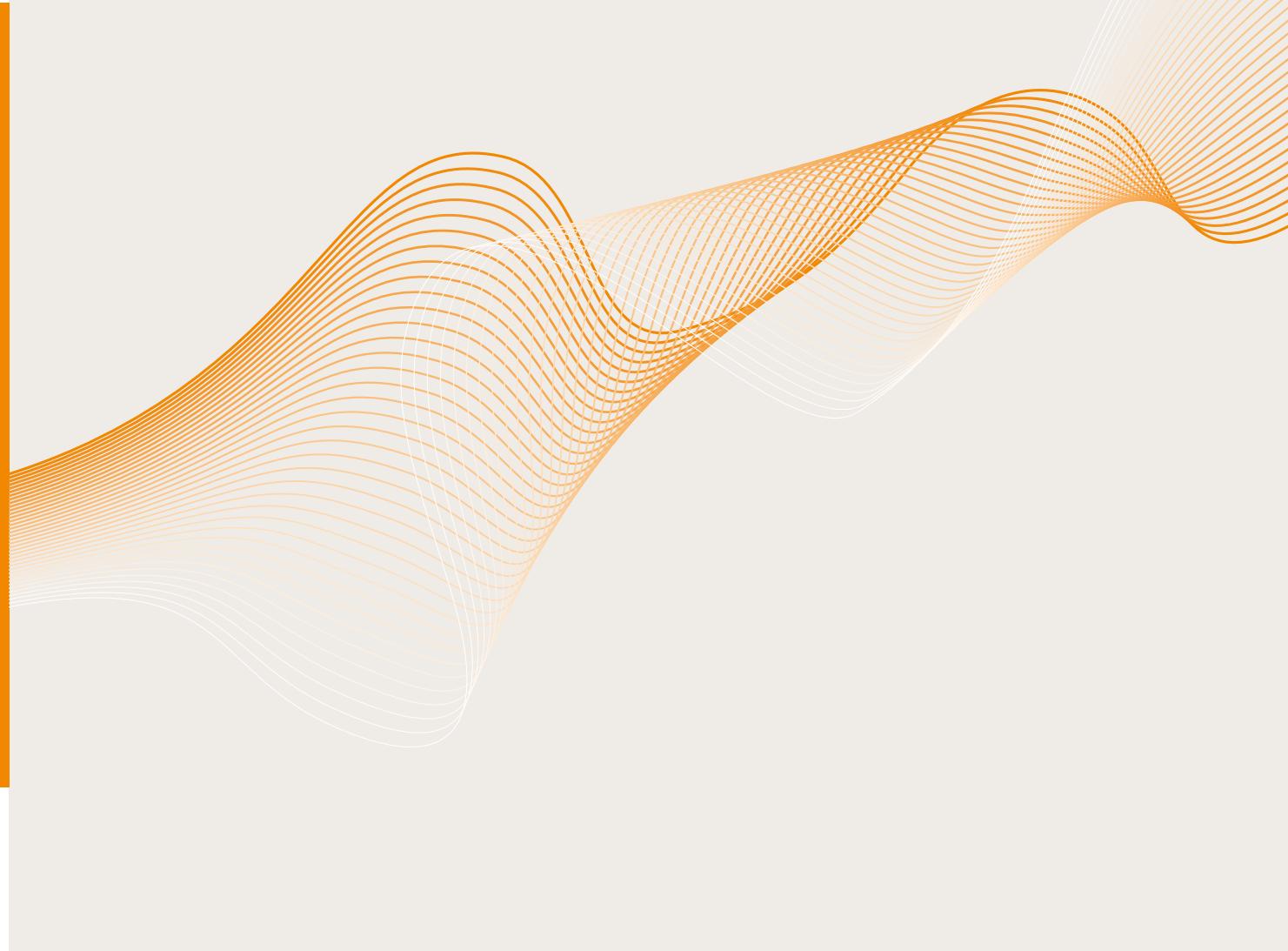


Annual Report 2018



castle
PRIVATE EQUITY

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Castle Private Equity AG 2018

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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 2019.

The subsequent event notes in the financial statements have been updated to 18 February 2019.
Amounts in this report are stated in USD thousands (TUSD) unless otherwise stated.

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All statements contained herein that are not historical facts including, but not limited to, statements regarding anticipated activity are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Readers are cautioned, not to place undue reliance on any such forward-looking statements, which statements, as such, speak only as of the date made.
The complete disclaimer can be obtained from www.castlepe.com.

Castle Private Equity in 2018

(All amounts in USD, unless when indicated otherwise)

| | 2018 | 2017 | |
|---|--------------|--------------|---|
| Net asset value | 212 million | 453 million | |
| Payments to shareholders (CHF) ⁱ⁾ | 226 million | 20 million | Fixed price buyback and tradable put options and a distribution for the general reserves of CHF 1 per share |
| Net asset value per share | 17.96 | 18.52 | |
| Share price (CHF) ⁱ⁾ | 16.20 | 17.90 | |
| Discount to net asset value | 8.4 per cent | 0.8 per cent | |
| Private equity assets | 163 million | 229 million | |
| Capital calls | 1 million | 1 million | |
| Distributions | 82 million | 152 million | |
| Investment degree | 77 per cent | 51 per cent | |
| Uncalled commitments | 46 million | 53 million | |
| Uncalled as per cent of NAV | 22 per cent | 12 per cent | |
| Credit facility | — | — | The credit facility was terminated on 30 June 2017 |
| Cash position | 43 million | 230 million | |
| Treasury shares 2 nd line (bought for cancellation) | 6,231,357 | 1,876,234 | |
| Cancelled shares | 8,301,455 | 2,904,511 | 8,301,455 shares cancelled on 7 August 2018 |
| Shares in circulation | 11,791,138 | 24,447,716 | |

ⁱ⁾ Representing the closing trade price on the last day of the quarter.

Chairman's statement

Patient harvesting approach continues to remain primary focus

Dear shareholders

Continuing NAV growth despite advanced stage of harvesting process

The year to 31 December 2018 marked the sixth full year under the Company's harvesting strategy and further progress has been made in relation to maximising shareholder value to its full potential. As a result, the Company's value grew to almost USD 24 per share, when combining the current NAV per share of USD 17.96 with cumulative distributions.

2018 was characterised by rising interest rates, increasing volatility and market uncertainty

At the beginning of the year, 2018 set out to continue the positive market trends that prevailed throughout 2017. The reigning market regime of steady positive returns with record low volatility came to an abrupt end in February, when unwinding lop-sided investors' positioning triggered spikes in volatility. Market uncertainty persisted thereafter, as the US government began what many label as a "trade war", introducing several rounds of new tariffs on imported goods from China. The confluence of headwinds in global trade and rising interest rates, most notably in the US, where economic growth was strongest and allowed the Federal Reserve to go ahead with policy normalisation, weighed on many financial markets for the rest of the year.

Despite the environment, the past twelve months again saw attractive returns and stable cash distributions for Castle. On the heels of a robust 2017, the Company saw solid exit activity, although not reaching peak levels seen in 2007 and 2014. Active corporate buyers remained the preferred exit route for private equity owned assets, however 2018 also saw some extraordinary successful IPO's on both sides of the Atlantic. While venture and growth capital became increasingly important for the overall performance, traditional buyouts in particular mid-markbet buyouts remained at the core of the portfolio's value creation. Numerous successful realisations of portfolio companies within the past twelve months have led to a period of positive cumulative cash flows.

The patient harvesting approach that remained our company's primary focus during 2018 paid off, even if more mature portfolios such as Castle's tend to have less upside potential compared to younger portfolios. Although Castle realised a distribution-adjusted NAV per share increase of 5.3 per cent in 2018 to USD 17.96 by the end of 2018, the Company's share price closed the year at CHF 16.20 per share, representing a decrease of 9.5 per cent versus year-end 2017 and a discount to NAV of 8.4 per cent. The investment manager's report below outlines the performance drivers in more detail.

Distributions significantly exceed capital calls

Distributions from the underlying portfolio remained at high levels during the course of the year, mainly because of the harvesting strategy adopted at the 2012 AGM to realise the Group's portfolio and cease new investment commitments. The company's portfolio generated total distributions from realisations in excess of USD 82 million in 2018, compared to USD 152 million for the year 2017.

Given that no new commitments have been made on the investment side since 2012, capital calls for new investments by underlying private equity funds decreased further and represented, at less than USD 1 million, a fraction of total distributions. The total amount of uncalled capital decreased correspondingly to an amount of USD 46 million by the end of 2018.

Current value and realised proceeds almost USD 24 per share

In April 2019, Castle will reach its seventh anniversary since the adoption of the harvesting strategy. In retrospect, the realisation strategy has been favourable for shareholders. Castle Private Equity's value grew to almost USD 24 per share. Through a combination of various share buyback programs and a further distribution from general legal reserves from capital contributions in May 2018, a total of over USD 226 million was returned to shareholders in 2018, which is equivalent to over 44 per cent of the beginning year's NAV. In total, Castle has returned over USD 665 million to its shareholders since August 2011.

**General meeting
14 May 2019 in Switzerland**

The company's 2019 annual general meeting is scheduled to take place on 14 May 2019 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 materialises further

Dear shareholders

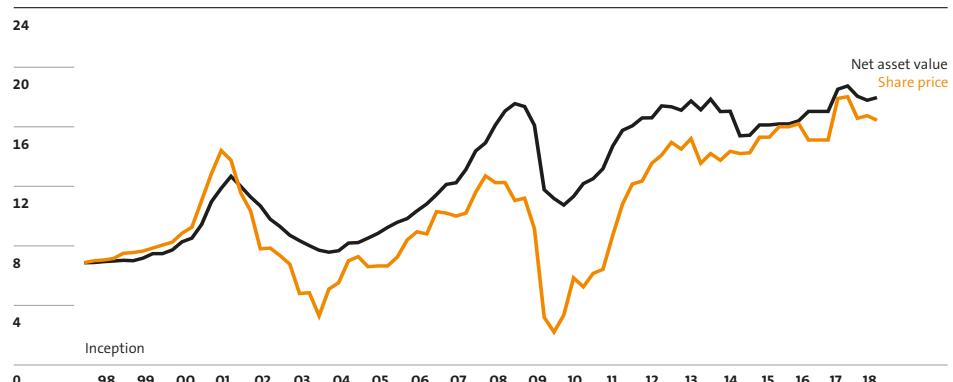
Continued NAV growth of 5.3 per cent

The net asset value (NAV) of Castle Private Equity continued to develop positively over the course of 2018 and increased to USD 17.96 per share, generating a return of 5.3 per cent, when including distributions to investors. Positive valuation developments coupled with realisations above their carrying value were the largest performance driver over the course of the year while currency effects had a slightly negative impact.

Global markets in 2018 were marked by increasing uncertainty causing higher volatility

After two years of steady growth in asset prices, 2018 proved more of a challenge for investors particularly in the last three months of the year. US tax cuts had provided an added boost for investors heading into 2018, and US GDP growth accelerated to 4.2 per cent on an annualised quarterly basis in Q2 2018. However, economic growth elsewhere, notably in the Eurozone, decelerated and global growth became less synchronised. Meanwhile the prospect of fading US policy support in 2019, together with escalation in the US-China trade conflict, reduced monetary stimulus and global growth concerns eventually took their toll on investor confidence. Stock markets in particular suffered in 2018. Stocks had been a major beneficiary of the low interest rate and loose monetary policy environment since the global financial crisis. Companies had been able to borrow money cheaply to strengthen their balance sheets while also benefiting from a pick-up in demand as the global economy recovered. Now that interest rates started to rise and monetary policy began to tighten, investors began to speculate upon how company profits will be impacted. As a result, volatility picked up. During the last three months of the year, the Chicago Board Options Exchange Volatility Index (VIX), otherwise known as the "fear gauge", hit its highest level (25.2 per cent) since February 2018, when concerns over economic growth in China caused stock markets to retreat.

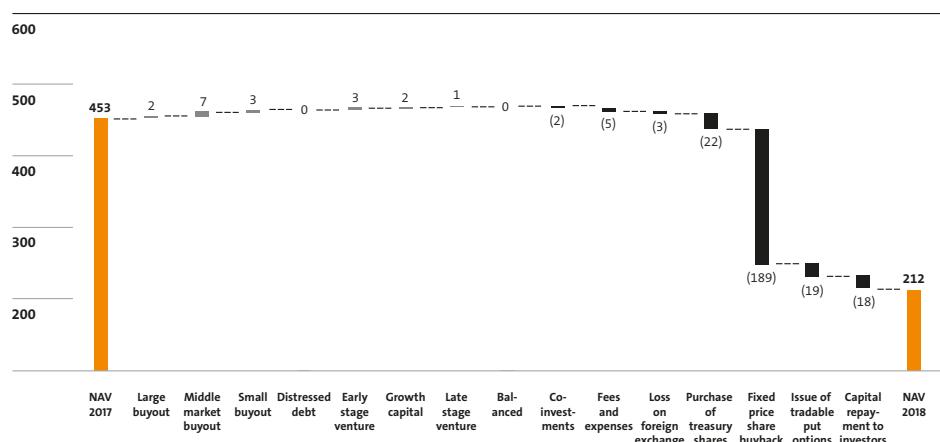
Share price and net asset value since inception
in USD per share



**2018 has been
another strong year
for private equity**

2018 was another strong year for private equity buyout activity sustained by a combination of low interest rates, largely supportive credit markets, and record levels of dry powder to deploy. At the same time, private equity firms faced increasing competition from cash-rich corporates, driving up multiples and requiring firms to be more thoughtful and creative in their deal theses. Q4 market volatility and global political uncertainty indicate challenges ahead, however the abundance of capital meant that firms are willing to take a view and move quickly and with conviction continued to find opportunities.

NAV change by financial stage in 2018
in USD millions



Growth mainly driven by venture capital and mid-market buyout investments

Portfolio gains of USD 16 million and a USD 3.5 million currency loss

The net asset value of Castle Private Equity developed nicely throughout the year, increasing by 5.3 per cent as of 31 December 2018 when including distributions to investors in the year. In 2018, the portfolio generated gains of close to USD 16 million and a USD 3.5 million currency loss, given a 4.8 per cent decline in EUR versus the USD. This positive development was mainly driven by realisations of existing holdings over their carrying value. The venture capital segment of the portfolio contributed most in absolute terms, with growth capital transactions in particular providing solid returns.

Buyout investments contributed nicely during 2018

Buyout investments performed well, in particular funds focusing on mid-market buyout transactions with an average IRR of 9.4 per cent and 2.4 per cent for funds focusing on small buyout transactions. Large buyouts contributed also positively in 2018, mainly driven by positive valuation adjustments of underlying portfolio holdings.

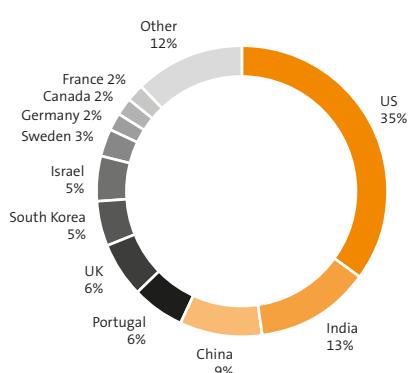
Small buyout funds contributed a gain of over USD 3 million for the year. One of the main performance drivers was Arsenal II, which completed a number of successful realisations and also reported increases in the unrealised fair value of some of its remaining portfolio holdings.

Mid-market buyout oriented funds realised a gain of USD 7 million during the course of the year. A significant share stems from EOS IV, as a result of a number of write-up's in the portfolio on the basis of strong earnings coupled with partial realisations of some publicly listed holdings within their portfolio.

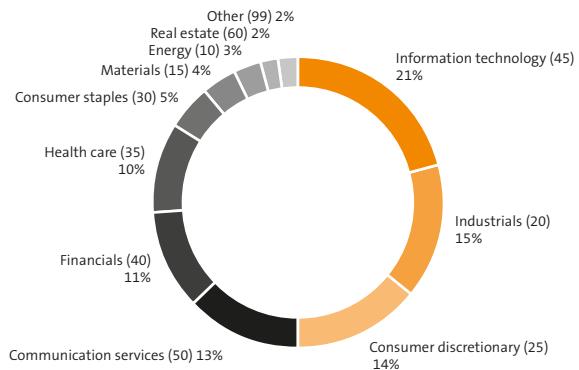
Portfolio review at the company level

Per December 2018

Geographical regions



Industry sectors (GICS)



Large buyout funds performed positively in 2018, contributing a gain of USD 2 million during the year. TPG IV and TPG V experienced a number of positive valuations adjustments of some of their underlying portfolio holdings.

Venture stage investments contributed nicely to the overall performance in 2018 with IRRs of 12.7 per cent for early stage venture funds, 2.8 per cent for late stage venture investments and funds focusing on growth capital investments representing the largest contributor with 26.4 per cent.

Early stage venture investments (15 per cent of private equity assets at year-end) returned a gain of close to USD 3 million during the past twelve months. Battery VIII contributed a gain of over USD 1 million during the course of the year on the back of some successful realisation events and some positive write-up's in the remaining portfolio.

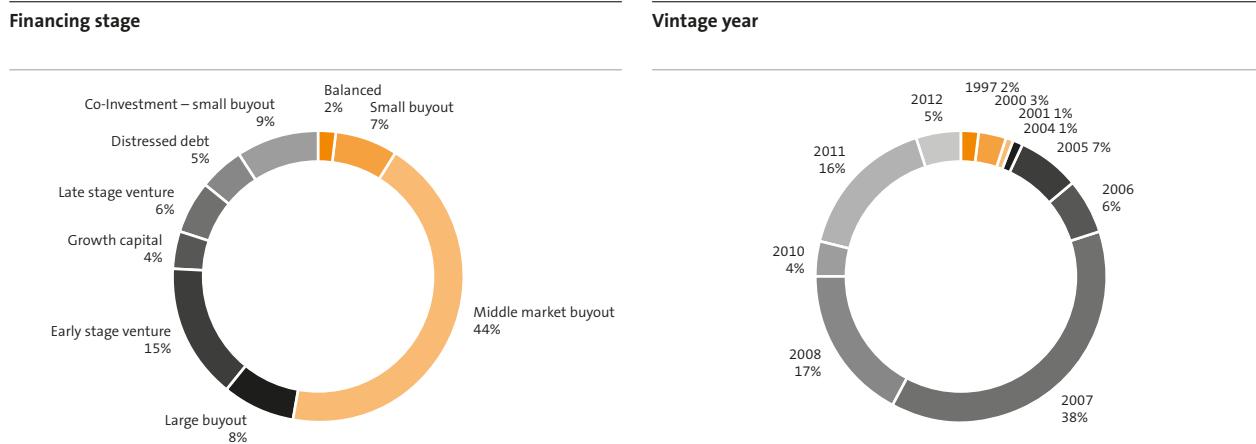
The **late stage venture** segment (6 per cent of assets) saw some positive valuation developments contributing over USD 1 million during the course of the year. As in the previous year, Columbia IV's remaining portfolio companies profited from favourable market comparables and strong financial performance in a number of portfolio companies was the main driver in this segment in 2018.

Distressed debt investments recorded a negative performance during the year of 16 per cent. Most of the investments in this stage were valued using public debt market pricing.

Finally, **balanced** investments (2 per cent of assets) had a slightly negative impact during the past year, generating returns of minus 3 per cent.

Asset allocation (asset value)

Per December 2018



Increasing portfolio maturity leading to lower levels of net cash inflows

Lower levels of net cash inflows reflecting increased portfolio maturity

Partnership investments distributed over USD 82 million back to Castle during the course of the year vs. USD 152 million in 2017. The drop in distributed capital is a direct reflection of Castle's advanced portfolio maturity as a result of the company's harvesting strategy. 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.

Capital calls of underlying partnerships proved to be less and less relevant for 2018, with annual drawdowns of less than USD 1 million. In general, this capital was used to support add-on acquisitions and to meet management fee liabilities. In the previous year, capital calls amounted to USD 1 million.

Majority of uncalled capital can be considered stale

Uncalled capital remains at USD 46 million or 22 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 2018. 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. Part of the reduction in uncalled capital was due to the liquidation of some underlying partnerships.

Major exits

In 2018

| Month | Partnership | Company | Sector, location | Exit channel |
|-----------|---|------------------------|--------------------------------------|--------------------------------------|
| January | Chequers XV, FCPR | SES | electronic labelling, France | sale to BOE Technology Group |
| January | Newbridge Asia IV, L.P. | BTPN | financial services, Malaysia | public markets |
| February | Bain Capital Europe Fund III, L.P. | Nets | electronic payments, US | secondary sale to Hellman & Friedman |
| February | Index Ventures III (Jersey), L.P. | Viagogo | online events ticketing, Switzerland | partial exit |
| March | Hahn & Company I, L.P. | H-Line Shipping | shipping, South Korea | public markets |
| June | Fortress Investment Fund V (Fund D), L.P. | One Main | consumer lending, US | secondary sale to Apollo |
| June | EOS Capital Partners IV, L.P. | Natural Products Group | personal care products, US | sale to Groupe Rocher |
| September | TPG Partners VI, L.P. | Saxo Bank | banking, Denmark | sale to Geely |
| September | Polish Enterprise Fund VI, L.P. | Kofola | food and beverage, Czech Republic | public markets |
| November | Silver Lake Partners II, L.P. | Sabre | travel software, US | public markets |
| December | Balderton Capital I, L.P. | Globoforce | software, Ireland | public markets |
| December | Index Ventures III (Jersey), L.P. | Oanda | financial services, UK | partial exit |

**Over USD 665 million
returned to shareholders
since implementation
of harvesting strategy**

Harvesting approach materialises more and more

The tailwinds of the last few years also supported Castle over the course of the past twelve months and led to further cash generation. However, net cash inflows for the past twelve months were significantly lower compared to previous years due to the increased maturity profile of the underlying investments. An effective and efficient distribution process for its available liquidity remained one of Castle's key priorities also during the past year. Castle used various share buyback programs as well as repayments from general legal reserves from capital contributions. In total, Castle returned over USD 200 million to its shareholders during the course of 2018. This brings the overall distributions made since the implementation of the harvesting strategy in April 2012 to over USD 665 million or in other words, 99 per cent of the company's NAV as per end of April 2012. While the remaining portfolio is of high quality, the investment manager continues to benchmark expected returns with current pricing and, should pricing on the secondary market prove attractive, may consider accelerating the realisation of the portfolio on a case-by-case basis.

Yours sincerely

LGT Private Equity Advisers AG

Major underlying company positions in 2018¹⁾

| Year invested | Partnership | Company | GICS Industry, location |
|---------------|---|--|--------------------------------|
| 2007 | SAIF Partners III, L.P. | One97 | mobile payment services, India |
| | SAIF Partners III, L.P. (Secondary – Desert) | Communications | |
| 2012 | Stirling Square Capital Partners Omni Co-Investment, L.P. | Omni Helicopters International | air services, Portugal |
| 2014 | Hahn & Company I, L.P. | H-Line Shipping | marine services, South Korea |
| 2008 | Carmel Ventures III, L.P. | Payoneer | financial services, US |
| 2005 | Bain Capital Fund IX, L.P. | IQVIA | health care, US |
| | Bain Capital Fund X, L.P. | | |
| | TPG Parallel III, L.P. | | |
| | TPG Partners VI, L.P. | | |
| 2012 | Carmel Ventures III, L.P. | IronSource | software, Israel |
| 2007 | SAIF Partners III, L.P. | National Stock Exchange of India Limited | financial services, India |
| | SAIF Partners III, L.P. (Secondary – Desert) | | |
| | SB Asia Investment Fund II, L.P. | | |
| 2010 | Bain Capital Asia Fund II, L.P. | Genpact | IT services, India |
| | Bain Capital Fund X, L.P. | | |
| 2013 | Bain Capital Fund X, L.P. | Canada Goose | consumer discretionary, Canada |
| 2011 | Warburg Pincus International Partners, L.P. | Kosmos Engery | oil & gas, US |

¹⁾ Based on the latest available financial statements from the underlying private equity partnerships, i.e. primarily 30 September 2018.



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 2018 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.

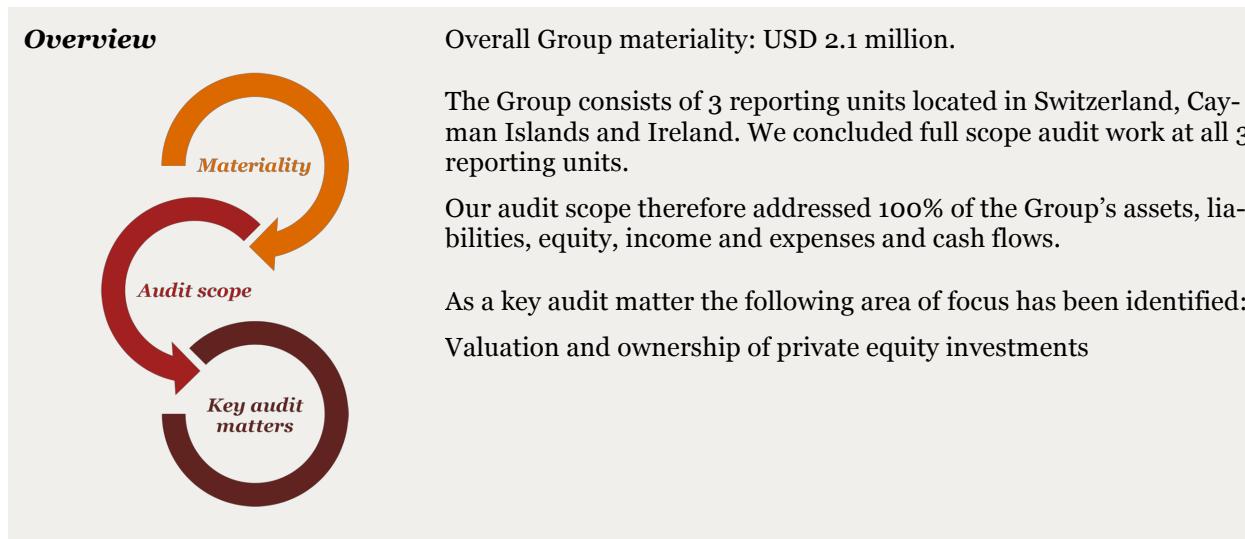
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial 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



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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.

| | |
|--|---|
| <i>Overall Group materiality</i> | USD 2.1 million |
| <i>How we determined it</i> | 1% of total consolidated shareholder's equity |
| <i>Rationale for the materiality benchmark applied</i> | 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. |

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 consolidated 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.

Key audit matters

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

Valuation and ownership of private equity investments

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|--|--|
| Valuation of private equity investments | 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. The investment valuations are prepared by the investment manager applying the valuation methods disclosed in note 2 i) (iii). We attended a meeting of the board of directors where these investment valuations were reviewed to observe this process. |



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 162.6 million or 76.2% of total assets. Refer to note 2 i) (iii) (Summary of accounting policies) for the valuation methods applied.

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 prior year audited financial statements of each investee fund with an assessment of how the investee fund assesses fair value and how accurate the prior year estimated fair value was in comparison to the audited net asset value.

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 investee fund as of December 2018, we tested the determination of the fair value by the investment manager, by testing 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 investee 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.



Ownership of private equity investments

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 obtained sufficient audit evidence to verify the existence and legal ownership of private equity investments by confirming investment holdings with the investee fund manager, registrar or transfer agent, as appropriate.

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

Audit expert

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Consolidated statement of comprehensive income

For the year ended 31 December 2018 (all amounts in USD thousands unless otherwise stated)

| | Note | 2018 | 2017 |
|---|-------|----------------|-----------------|
| Income | | | |
| Income from non-current assets: | | | |
| Net gain on investments designated at fair value through profit or loss | 12 | 15,574 | 51,301 |
| Total gains from non-current assets | | 15,574 | 51,301 |
| Income from current assets: | | | |
| Net loss on marketable securities designated at fair value through profit or loss | 12 | (16) | (6) |
| Loss on foreign exchange net | | (3,489) | (98) |
| Interest income | 5 | 375 | 61 |
| Other income | | 10 | 28 |
| Total losses from current assets | | (3,120) | (15) |
| Total income | | 12,454 | 51,286 |
| Expenses | | | |
| Management and performance fees | 6 | (2,916) | (9,763) |
| Expenses from investments | | (709) | (1,314) |
| Other operating expenses | 7 | (1,565) | (1,334) |
| Total operating expenses | | (5,190) | (12,411) |
| Operating profit | | 7,264 | 38,875 |
| Finance costs | 8 | (3) | (4) |
| Profit for the year before taxes | | 7,261 | 38,871 |
| Tax expenses | 9 | (494) | (928) |
| Profit for the year after taxes | | 6,767 | 37,943 |
| Total comprehensive income for the year | | 6,767 | 37,943 |
| Profit attributable to: | | | |
| Shareholders | | 6,767 | 37,943 |
| Non-controlling interest | | — | — |
| Total comprehensive income attributable to: | | 6,767 | 37,943 |
| Shareholders | | 6,767 | 37,943 |
| Non-controlling interest | | — | — |
| Earnings per share (USD) attributable to equity holders | 2 (o) | 6,767 | 37,943 |
| Weighted average number of shares outstanding during the year | | 18,246,812 | 25,562,022 |
| Basic and diluted profit per share | | USD 0.37 | USD 1.48 |

The accompanying notes on pages 22 to 63 form an integral part of these consolidated financial statements.

Consolidated balance sheet

As of 31 December 2018 (all amounts in USD thousands unless otherwise stated)

| | Note | 2018 | 2017 |
|---|-------|-------------------|-------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 10 | 43,315 | 230,212 |
| Accrued income and other receivables | 11 | 7,343 | 379 |
| Total current assets | | 50,658 | 230,591 |
| Non-current assets: | | | |
| Investments designated at fair value through profit or loss | 12 | 162,565 | 228,925 |
| Total non-current assets | | 162,565 | 228,925 |
| Total assets | | 213,223 | 459,516 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accrued expenses and other payables | 14 | 1,486 | 6,759 |
| Total current liabilities | | 1,486 | 6,759 |
| Equity | | | |
| Shareholders' equity: | | | |
| Share capital | 15 | 467 | 893 |
| Additional paid-in capital | 15 | 128,079 | 151,624 |
| Less treasury shares at cost (bought for cancellation) | 15 | (112,392) | (34,117) |
| Retained earnings | | 195,582 | 334,356 |
| Total shareholders' equity before non-controlling interests | | 211,736 | 452,756 |
| Non-controlling interests | | 1 | 1 |
| Total equity | | 211,737 | 452,757 |
| Total liabilities and equity | | 213,223 | 459,516 |
| Net asset value per share (USD) | 2 (o) | | |
| Number of shares issued as at year end | | 18,022,495 | 26,323,950 |
| Number of treasury shares (bought for cancellation) as at year end | 15 | (6,231,357) | (1,876,234) |
| Number of shares outstanding net of treasury shares as at year end | | 11,791,138 | 24,447,716 |
| Net asset value per share | | 17.96 | 18.52 |

The accompanying notes on pages 22 to 63 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2018 (all amounts in USD thousands unless otherwise stated)

| | Note | 2018 | 2017 |
|--|------|------------------|-----------------|
| Cash flows from/(used in) operating activities: | | | |
| Purchase of investments | | (2,118) | (1,200) |
| Proceeds from return of invested capital in investments | | 58,614 | 67,198 |
| Proceeds from realised gains on investments | | 16,359 | 85,690 |
| Proceeds from sales of securities | | 1,130 | 105 |
| Interest received | 5 | 375 | 61 |
| Proceeds from other realised income | | 1 | 1 |
| Investment expenses paid | | (265) | (223) |
| Withholding taxes paid for investments | 9 | (662) | (1,506) |
| Withholding taxes refunded from investments | 9 | 168 | 442 |
| Other operating expenses paid | 6,7 | (10,273) | (6,029) |
| Capital tax paid | | 217 | (31) |
| Net cash flows from operating activities | | 63,546 | 144,508 |
| Cash flows from/(used in) financing activities: | | | |
| Finance costs | | (3) | (33) |
| Purchase of treasury shares (bought for cancellation) | 15 | (232,261) | (44,029) |
| Distribution of legal reserves to the investors | | (18,089) | — |
| Net cash flows used in financing activities | | (250,353) | (44,062) |
| Net (decrease)/increase in cash and cash equivalents | | (186,807) | 100,446 |
| Cash and cash equivalents at beginning of year | | | |
| Exchange (loss)/gain on cash and cash equivalents | | (90) | 16 |
| Cash and cash equivalents at end of year | | 43,315 | 230,212 |
| Cash and cash equivalents consist of the following as at 31 December: | | | |
| Cash at banks | | 43,315 | 224,212 |
| Time deposits < 90 days | | — | 6,000 |
| Total | | 43,315 | 230,212 |

The accompanying notes on pages 22 to 63 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018 (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 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 | 15 | — | — | — | (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 |
| 1 January 2018 | | 893 | 151,624 | (34,117) | 334,356 | 1 | 452,757 |
| Total comprehensive income for the year | | — | — | — | 6,767 | — | 6,767 |
| Purchase of treasury shares (bought for cancellation) | 15 | — | — | (229,699) | — | — | (229,699) |
| Cancellation of treasury shares | 15 | (426) | (5,457) | 151,424 | (142,731) | — | 2,810 |
| Impact of CHF/USD historical rates | | | | | | | |
| on the cancellation of treasury shares | 15 | — | — | — | (2,810) | — | (2,810) |
| Distribution of legal reserves to the investors | 15 | — | (18,088) | — | — | — | (18,088) |
| 31 December 2018 | | 467 | 128,079 | (112,392) | 195,582 | 1 | 211,737 |

The accompanying notes on pages 22 to 63 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year end 31 December 2018

(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 non-voting participating ordinary 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 2018 and 31 December 2017 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 192,557 per 31 December 2018 (per 31 December 2017: TUSD 229,359). 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 Company 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 2018 and 31 December 2017 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.

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 of 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; seed, early, later, mezzanine, special situations (distressed), management buyouts and leveraged buy-outs.

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 2018 and 31 December 2017 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 2018 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 2018

IFRS 9, “Financial instruments”, (1 January 2018) addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39.

The complete version of IFRS 9 “Financial Instruments” includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”). Classification for investments in debt instruments is driven by the entity’s business model for managing financial assets and their contractual cash flows.

Investments in equity instruments are always measured at fair value. However, the board of directors can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also contains a new impairment model which will result in earlier recognition of losses.

IFRS 9 has been adopted by the Group and did not result in a change to the classification or measurement of financial instruments. The Group’s investment portfolio continues to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2018 that would be expected to have a material impact on the Group.

b) Standards and amendments to published standards effective after 1 January 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those standards, amendments and interpretations considered included:

- IFRS 16, “Leases”, (1 January 2019);
- Amendment to IFRS 9, “Financial instruments”, prepayment features with negative compensation, (1 January 2019);
- Amendment to IAS 28, “Investment in associates”, long term interests in associates and joint ventures (1 January 2019);
- Amendment to IAS 19, “Employee benefits”, plan amendment, curtailment or settlement (1 January 2019);
- Interpretation 23, “Uncertainty over income tax treatments”, (1 January 2019);
- Annual improvements 2015 – 2017, “IFRS 3, Business combinations”, IFRS 11, joint ventures”, “IAS 12, Income Taxes”, “IAS 23; and
- Borrowing costs” (1 January 2019).

The board of directors has assessed these new standards and determined that their implementation will not have an impact on the consolidated financial statements and will not lead to any changes to the total shareholders’ equity of the Group.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant 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 and has zero net asset value.

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 IFRS 9, 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 2018 | Chancellor Private Capital Offshore Partners II, L.P. – in liquidation¹⁾ TUSD | Chancellor Offshore Partnership Fund, L.P.²⁾ TUSD |
|-------------------------------|---|---|
| Total assets | — | 2,758 |
| Total liabilities | — | (66) |
| Income | — | 9 |
| Loss | — | (22) |

¹⁾ In liquidation since 2012.

²⁾ The September 2018 figures have been annualised.

| As of 31 December 2017 | Chancellor Private Capital Offshore Partners II, L.P. – in liquidation¹⁾ 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.

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

The Group, in accordance with IFRS 9, classifies its investments based on both the Group's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

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

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 2018 (31 December 2017: 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 2018, adjusted for subsequent capital calls and distributions. The investment manager will report to the board of directors when it considers that the (most recent) valuation of a fund investment is materially misstated when applying the above valuation methods. In such case, the board of directors will determine 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 (78.3 per cent of private equity assets as of 29 January 2019). 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 counter-party.

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 2018 amounts to TCHF 901 (TUSD 924) (31 December 2017: TCHF 1,316 (TUSD 893)) consisting of 18,022,495 (31 December 2017: 26,323,950) issued and fully paid registered shares with a par value of CHF 0.05 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 provided based 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 board of directors 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 the Group to make estimates. Changes in assumptions could affect the reported fair value of these investments. As of 31 December 2018 and 31 December 2017 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 | 2018 USD | 2017 USD |
|------------------------|----------------------|-------|-------------|-------------|
| Swiss Francs | Year-end rates | 1 CHF | 1.014919 | 1.025851 |
| British Pound | Year-end rates | 1 GBP | 1.274600 | 1.353050 |
| Euro | Year-end rates | 1 EUR | 1.143400 | 1.200550 |
| | | | | |
| Swiss Francs | Average annual rates | 1 CHF | 1.023941 | 1.017585 |
| British Pound | Average annual rates | 1 GBP | 1.332138 | 1.295868 |
| Euro | Average annual rates | 1 EUR | 1.179621 | 1.132211 |

5 Interest income

Interest income for the year was earned on:

| Interest income | 2018 TUSD | 2017 TUSD |
|---|--------------|--------------|
| Interest income from deposit at related party | — | 1 |
| Interest income from deposit at third party | 375 | 60 |
| Total | 375 | 61 |

6 Management and performance fees

Management and performance fees are composed as follows:

| Management and performance fees | 2018 TUSD | 2017 TUSD |
|---------------------------------|--------------|--------------|
| Management fee – related party | 2,916 | 4,565 |
| Performance fee – related party | — | 5,198 |
| Total | 2,916 | 9,763 |

7 Other operating expenses

Other operating expenses are composed as follows:

| Other operating expenses | 2018 TUSD | 2017 TUSD |
|--------------------------------|--------------|--------------|
| Related party fees: | | |
| Credit facility standby fees | — | 8 |
| Administrative fees | 164 | 201 |
| Directors' fees and expenses | 233 | 246 |
| General managers' expenses | 101 | 100 |
| Domicile fees | 10 | 10 |
| Third party fees: | | |
| Custody fees | 78 | 114 |
| Annual and semi-annual reports | 37 | 43 |
| Legal fees | 14 | 24 |
| Tax advisory fees | 158 | 189 |
| Audit fees | 151 | 145 |
| Project expenses | 1 | 2 |
| Capital taxes Switzerland | 27 | 32 |
| Other expenses | 591 | 220 |
| Total | 1,565 | 1,334 |

8 Finance costs

Interest expense for the year was paid on:

| Finance costs | 2018 TUSD | 2017 TUSD |
|----------------------------|--------------|--------------|
| Due to banks – third party | 3 | 4 |
| Total | 3 | 4 |

9 Taxes

Reconciliation of income tax calculated with the applicable tax rate:

| Income tax reconciliation | 2018 TUSD | 2017 TUSD |
|----------------------------------|--------------|--------------|
| Profit for the year before taxes | 7,261 | 38,871 |
| Applicable tax rate | 7.8% | 7.8% |
| Income tax | 566 | 3,032 |
| Effect from: non-taxable income | (566) | (3,032) |
| Total | — | — |

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

| Taxes | 2018 TUSD | 2017 TUSD |
|-----------------|--------------|--------------|
| Withholding tax | 494 | 928 |
| Total | 494 | 928 |

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 | 2018 TUSD | 2017 TUSD |
|---------------------------|---------------|----------------|
| Cash at banks: | | |
| Related party | 262 | 406 |
| Third party | 43,053 | 223,806 |
| Time deposit: | | |
| Third party | — | 6,000 |
| Total | 43,315 | 230,212 |

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 20 and the investment movement schedule on pages 42 and 43.

| | Investments | | | Marketable securities | |
|--|------------------------------|--------------------------------------|------------------------------|------------------------------|--|
| | Additions (capital calls) | Disposals (returns of capital) | Realised gains and losses | Additions (capital calls) | Disposals (returns of capital) and realised losses |
| 1 January 2018 – 31 December 2018 | | | | | |
| Movement schedule (page 42) | 816 | (66,303) | (14,815) | 1,130 | (1,130) |
| Cash flows for investment activities | — | 58,614 | 16,359 | — | — |
| Purchase of investments | (2,118) | — | — | — | — |
| Proceeds from callable return of invested capital in investments | — | — | — | — | — |
| Purchase of marketable securities | — | — | — | — | — |
| Sale of marketable securities | — | — | — | — | 1,130 |
| Non-cash transactions | | | | | |
| Deemed distributions and account reclassification ¹⁾ | 1,302 | 5,485 | (470) | — | — |
| In kind distributions ²⁾ | — | — | 1,130 | (1,130) | — |
| Revaluation of foreign currency positions ³⁾ | — | 2,204 | (2,204) | — | — |
| Total cash and non-cash transactions | (816) | 66,303 | 14,815 | (1,130) | 1,130 |
| Reconciliation | — | — | — | — | — |
| 1 January 2017 – 31 December 2017 | | | | | |
| Movement schedule (page 43) | 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 | — | — | — | — | — |

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 | 2018 TUSD | 2017 TUSD |
|--------------------------------------|--------------|--------------|
| Receivable from investments | — | 86 |
| Secondary project receivables | 7,275 | — |
| Accrued income and other receivables | 68 | 293 |
| Total | 7,343 | 379 |

12 Investments and marketable securities designated at fair value through profit or loss

As of 31 December 2018 the Group had subscribed interests in 87 (31 December 2017: 104) 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 1,059,924 (31 December 2017: TUSD 1,235,896) of which TUSD 1,013,633 (31 December 2017: TUSD 1,209,445) was paid in. The details of the investments are shown in the following investment tables.

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 2017, the sale transaction was formally finalised and the investments were removed from the portfolio during the year 2018.

The valuations of the underlying private equity investments are reviewed on a quarterly basis by the board of directors. For the year 2018 no adjustments to the valuations were deemed necessary by the board of directors.

Investments and marketable securities designated at fair value through profit or loss¹⁾

As of 31 December 2018 (all amounts in USD thousands unless otherwise stated)

| | Deal currency | Vintage year | Geography | Commitment | Cost | Cost | Fair value | Commitment | Cost | Fair value | FMV in % |
|--|---------------|--------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|--------------|
| | | | | 31.12.2017 | 1.1.2017 | 31.12.2017 | 31.12.2017 | 31.12.2018 | 31.12.2018 | 31.12.2018 | |
| Balanced stage | | | | | | | | | | | |
| Chancellor Offshore Partnership Fund, L.P. | USD | 1997 | North America | 235,000 | — | — | 2,864 | 235,000 | — | 2,690 | 1.65% |
| 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 | — | — | — | — | — | — | 0.00% |
| Crown Global Secondaries plc | USD | 2004 | North America | 30,000 | 5,257 | 2,617 | 2,368 | 30,000 | 337 | 143 | 0.09% |
| Total balanced stage | | | | 291,689 | 5,257 | 2,617 | 5,232 | 279,518 | 337 | 2,833 | 1.74% |
| Buyout stage | | | | | | | | | | | |
| Large buyout | | | | | | | | | | | |
| Doughty Hanson & Co III, L.P. ¹⁵⁾ | USD | 1997 | Europe | 10,000 | 2,292 | 734 | 79 | — | — | — | 0.00% |
| Clayton, Dubilier & Rice Fund VI, L.P. | USD | 1998 | North America | 10,000 | 2,600 | 2,581 | 3 | 10,000 | 2,581 | 3 | 0.00% |
| BC European Capital VII ³⁾ | EUR | 2000 | Europe | 12,005 | 2,132 | 2,132 | 58 | 11,434 | 2,132 | 56 | 0.03% |
| Permira Europe II, L.P. II ³⁾ | EUR | 2000 | Europe | 12,005 | 2,280 | 2,280 | 108 | 11,434 | 2,280 | 96 | 0.06% |
| TPG Parallel III, L.P. | USD | 2000 | North America | 5,000 | 1,218 | 1,178 | 22 | 5,000 | 1,178 | 19 | 0.01% |
| T ₃ Parallel, L.P. | USD | 2001 | North America | 5,000 | 1,030 | 1,030 | 98 | 5,000 | 1,030 | 79 | 0.05% |
| Warburg Pincus Private Equity VIII, L.P. | USD | 2001 | North America | 15,000 | — | — | 1,848 | 15,000 | — | 734 | 0.45% |
| Permira Europe III, L.P. II ³⁾ | EUR | 2003 | Europe | 12,005 | 3,227 | 2,765 | 55 | 11,434 | 2,765 | 56 | 0.03% |
| TPG Partners IV, L.P. | USD | 2003 | North America | 13,954 | 5,045 | 4,627 | 1,188 | — | — | — | 0.00% |
| Silver Lake Partners II, L.P. | USD | 2004 | North America | 10,000 | 1,625 | 1,548 | 1,403 | 10,000 | 1,260 | 133 | 0.08% |
| Clayton, Dubilier & Rice Fund VII, L.P. | USD | 2005 | North America | 15,000 | 1,712 | — | 35 | — | — | — | 0.00% |
| Greenhill Capital Partners II, L.P. | USD | 2005 | North America | 10,000 | 4,090 | 3,650 | 1,016 | 10,000 | 3,631 | 1,022 | 0.63% |
| KKR European Fund II, L.P. ³⁾ | EUR | 2005 | Europe | 12,006 | 3,068 | 2,737 | 145 | 11,434 | 2,712 | 5 | 0.00% |
| First Reserve XI, L.P. | USD | 2006 | North America | 15,000 | 10,094 | 9,436 | 793 | 15,000 | 9,436 | 1,202 | 0.74% |
| Permira IV, L.P. 2 ³⁾ | EUR | 2006 | Europe | 12,605 | 2,094 | 2,095 | 64 | 12,006 | 2,095 | 57 | 0.04% |
| TPG Partners V, L.P. | USD | 2006 | North America | 28,727 | 15,794 | 13,912 | 6,580 | — | — | — | 0.00% |
| Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P. | USD | 2007 | North America | 3,000 | 132 | — | 12 | — | — | — | 0.00% |
| Bain Capital Fund X, L.P. | USD | 2008 | North America | 12,000 | 5,474 | 4,008 | 4,065 | 12,000 | 3,621 | 3,422 | 2.11% |
| Bain Capital X Coinvestment Fund, L.P. | USD | 2008 | North America | 420 | 238 | 214 | 100 | 420 | 214 | 88 | 0.05% |
| TPG Partners VI, L.P. | USD | 2008 | North America | 18,000 | 10,465 | 9,277 | 9,008 | 18,000 | 7,367 | 6,241 | 3.84% |
| Total large buyout | | | | 231,727 | 74,610 | 64,204 | 26,680 | 158,162 | 42,302 | 13,213 | 8.13% |

| | Deal currency | Vintage year | Geography | Commitment 31.12.2017 | Cost 1.1.2017 | Cost 31.12.2017 | Fair value 31.12.2017 | Commitment 31.12.2018 | Cost 31.12.2018 | Fair value 31.12.2018 | FMV in % |
|--|---------------|--------------|---------------|--------------------------|------------------|--------------------|--------------------------|--------------------------|--------------------|--------------------------|---------------|
| Middle market buyout | | | | | | | | | | | |
| Carlyle II Co-Investments ⁶⁾ | USD | 1997 | North America | 395 | 108 | 108 | 3 | — | — | — | 0.00% |
| The Triton Fund (No. 9) L.P. ³⁾ | EUR | 1999 | Europe | 10,434 | 720 | 720 | 158 | 9,938 | 720 | 150 | 0.09% |
| Warburg Pincus International Partners, L.P. | USD | 2000 | Europe | 10,000 | — | — | 1,375 | 10,000 | — | 888 | 0.55% |
| Bain Capital Fund VII-E, L.P. | USD | 2002 | Europe | 8,000 | 1,205 | 1,205 | 48 | 8,000 | 1,177 | 16 | 0.01% |
| J.W. Childs Equity Partners III, L.P. | USD | 2002 | North America | 12,000 | 952 | 952 | 1 | 12,000 | 952 | 1 | 0.00% |
| Bain Capital Fund VIII-E, L.P. ³⁾ | EUR | 2004 | Europe | 12,006 | 3,527 | 3,488 | 357 | 11,434 | 3,488 | 329 | 0.20% |
| Odyssey Investment Partners III, L.P. | USD | 2004 | North America | 10,000 | 1,736 | 281 | 224 | 10,000 | 281 | 14 | 0.01% |
| Newbridge Asia IV, L.P. | USD | 2005 | Asia | 10,000 | 3,722 | 3,722 | 907 | 10,000 | 3,104 | 263 | 0.16% |
| SB Asia Investment Fund II, L.P. | USD | 2005 | Asia | 7,000 | 2,063 | 1,656 | 4,578 | 7,000 | 842 | 3,054 | 1.88% |
| Chequers XV, FCPR ³⁾ | EUR | 2006 | Europe | 9,603 | 3,126 | 2,659 | 1,087 | 9,147 | 1,940 | 405 | 0.25% |
| Court Square Capital Partners II, L.P. | USD | 2006 | North America | 15,000 | 5,416 | 5,043 | 3,418 | 15,000 | 5,106 | 1,580 | 0.97% |
| Polish Enterprise Fund VI, L.P. ³⁾ | EUR | 2006 | Europe | 12,006 | 9,333 | 4,899 | 1,466 | 11,434 | 3,574 | 1,368 | 0.84% |
| The Triton Fund II, L.P. ³⁾ | EUR | 2006 | Europe | 14,406 | 5,288 | 4,082 | 2,052 | 13,721 | 4,082 | 1,726 | 1.06% |
| Wellspring Capital Partners IV, L.P. | USD | 2006 | North America | 10,000 | 4,152 | 428 | — | 10,000 | 428 | — | 0.00% |
| Advent Latin American Private Equity | | | | | | | | | | | |
| Fund IV, L.P. | USD | 2007 | Other | 10,000 | 5,193 | 3,048 | 3,607 | 10,000 | 2,348 | 1,961 | 1.21% |
| CDH China Fund III, L.P. | USD | 2007 | Asia | 9,000 | — | — | 968 | 9,000 | — | 509 | 0.31% |
| CDH Supplementary Fund III, L.P. | USD | 2007 | Asia | 3,000 | 234 | — | 218 | 3,000 | — | 37 | 0.02% |
| Crown Asia-Pacific Private Equity plc | USD | 2007 | Asia | 40,000 | 19,255 | 12,135 | 18,535 | 40,000 | 8,735 | 15,657 | 9.63% |
| EOS Capital Partners IV, L.P. | USD | 2007 | North America | 15,000 | 8,718 | 6,542 | 10,203 | 15,000 | 5,650 | 6,563 | 4.04% |
| Genstar Capital Partners V, L.P. | USD | 2007 | North America | 10,000 | 3,606 | 1,874 | 1,948 | 10,000 | 1,874 | 1,841 | 1.13% |
| SAIF Partners III, L.P. | USD | 2007 | Asia | 10,000 | 6,204 | 5,269 | 14,284 | 10,000 | 4,997 | 17,064 | 10.50% |
| STG III, L.P. | USD | 2007 | North America | 9,450 | 4,211 | — | 2,898 | — | — | — | 0.00% |
| Bain Capital Europe Fund III, L.P. ³⁾ | EUR | 2008 | Europe | 12,006 | 3,648 | 2,006 | 2,713 | 11,434 | 1,886 | 1,091 | 0.67% |
| Hahn & Company I, L.P. | USD | 2011 | Asia | 10,000 | 6,772 | 4,734 | 10,033 | 10,000 | 3,634 | 9,837 | 6.05% |
| Bain Capital Asia Fund II, L.P. | USD | 2012 | Asia | 10,000 | 6,417 | 4,914 | 7,825 | 10,000 | 4,630 | 7,481 | 4.60% |
| Total middle market buyout | | | | 279,306 | 105,606 | 69,765 | 88,906 | 266,108 | 59,448 | 71,835 | 44.19% |
| Small buyout | | | | | | | | | | | |
| Chequers Capital FCPR ³⁾ | EUR | 2002 | Europe | 10,205 | 1,933 | 1,933 | 529 | — | — | — | 0.00% |
| MBO Capital FCPR ³⁾ | EUR | 2002 | Europe | 6,003 | — | — | 69 | 5,717 | — | 64 | 0.04% |
| Nmas1 Private Equity Fund No.2 L.P. ³⁾ | EUR | 2002 | Europe | 6,003 | 1,255 | 918 | 132 | 5,717 | 918 | 211 | 0.13% |
| Arsenal Capital Partners QP II-B, L.P. | USD | 2006 | North America | 13,000 | 3,724 | 3,769 | 5,652 | — | — | — | 0.00% |
| Bancroft II, L.P. (Secondary – Atlantic) ^{3),5)} | EUR | 2006 | Europe | 4,197 | — | — | 139 | 3,997 | — | 95 | 0.06% |
| J.P. Morgan Italian Fund III (Secondary – Atlantic) ^{3),5)} | EUR | 2006 | Europe | 8,148 | 6,183 | 6,085 | — | 7,760 | 6,085 | — | 0.00% |
| Wynnchurch Capital Partners II, L.P. | USD | 2006 | North America | 7,500 | 2,827 | 2,258 | 375 | 7,500 | 2,258 | 482 | 0.30% |
| Crown European Buyout Opportunities II plc ³⁾ | EUR | 2007 | Europe | 36,017 | 14,346 | 5,935 | 13,337 | 34,302 | — | 8,966 | 5.52% |
| PortPEP Limited (Secondary – Port) ³⁾ | EUR | 2011 | Europe | 12,966 | — | — | 3,806 | 12,349 | — | 2,105 | 1.29% |
| Total small buyout | | | | 104,039 | 30,268 | 20,898 | 24,039 | 77,342 | 9,261 | 11,923 | 7.33% |
| Total buyout stage | | | | 615,072 | 210,484 | 154,867 | 139,625 | 501,612 | 111,011 | 96,971 | 59.65% |

| | Deal currency | Vintage year | Geography | Commitment 31.12.2017 | Cost 1.1.2017 | Cost 31.12.2017 | Fair value 31.12.2017 | Commitment 31.12.2018 | Cost 31.12.2018 | Fair value 31.12.2018 | FMV in % |
|--|---------------|--------------|---------------|--------------------------|------------------|--------------------|--------------------------|--------------------------|--------------------|--------------------------|---------------|
| Special situations stage | | | | | | | | | | | |
| Distressed debt | | | | | | | | | | | |
| OCM Opportunities Fund IV, L.P. | USD | 2001 | North America | 5,000 | — | — | 1 | — | — | — | 0.00% |
| Sun Capital Securities Offshore Fund, Ltd. | USD | 2004 | North America | 10,000 | 4,255 | 4,249 | 300 | 10,000 | 4,124 | 296 | 0.18% |
| OCM Principal Opportunities Fund IV, L.P. | USD | 2006 | North America | 10,000 | — | — | 1,648 | 10,000 | — | 268 | 0.16% |
| Sun Capital Securities Offshore Fund, Ltd. (Second Tranche) | USD | 2006 | North America | 10,000 | 1,837 | 1,797 | 376 | 10,000 | 1,665 | 464 | 0.29% |
| Fortress Investment Fund V (Coinvestment Fund D), L.P. | USD | 2007 | North America | 7,200 | 4,689 | 4,261 | 1,492 | — | — | — | 0.00% |
| Fortress Investment Fund V (Fund D), L.P. | USD | 2007 | North America | 7,500 | 3,320 | 2,090 | 4,114 | 7,500 | 878 | 3,654 | 2.25% |
| OCM Opportunities Fund VII, L.P. | USD | 2007 | North America | 10,000 | — | — | 924 | 10,000 | — | 476 | 0.29% |
| Castelake I, L.P. | USD | 2007 | North America | 15,000 | — | — | 3,372 | 15,000 | — | 2,059 | 1.27% |
| Oaktree European Credit Opportunities Fund, L.P. ³⁾ | EUR | 2008 | Europe | 12,006 | 4,688 | 4,688 | 91 | 11,434 | 4,688 | 81 | 0.05% |
| OCM European Principal Opportunities Fund II, L.P. ³⁾ | EUR | 2008 | Europe | 9,004 | — | — | 1,366 | 8,576 | — | 439 | 0.27% |
| OCM Opportunities Fund VIIb, L.P. | USD | 2008 | North America | 13,500 | — | — | 1,060 | 13,500 | — | 436 | 0.27% |
| Total distressed debt | | | | 119,210 | 18,789 | 17,085 | 14,744 | 96,010 | 11,355 | 8,173 | 5.03% |
| Total special situations stage | | | | 119,210 | 18,789 | 17,085 | 14,744 | 96,010 | 11,355 | 8,173 | 5.03% |
| Venture stage | | | | | | | | | | | |
| Early stage venture | | | | | | | | | | | |
| Strategic European Technologies N.V. ³⁾ | EUR | 1997 | Europe | 8,226 | — | — | 94 | 7,835 | — | 87 | 0.05% |
| Invesco Venture Partnership Fund II, L.P. | USD | 1999 | North America | 15,000 | 1,355 | 1,355 | 51 | 15,000 | 810 | — | 0.00% |
| Balderton Capital I, L.P. | USD | 2000 | Europe | 5,333 | 3,180 | 3,180 | 1,178 | 5,333 | 1,876 | — | 0.00% |
| Chancellor V, L.P. | USD | 2000 | North America | 20,000 | 3,493 | 2,430 | 1,267 | 20,000 | 2,430 | 1,046 | 0.64% |
| Galileo III FCPR ³⁾ | EUR | 2000 | Europe | 7,585 | 1,024 | — | — | 7,224 | — | 392 | 0.24% |
| Jerusalem Venture Partners IV, L.P. | USD | 2000 | Other | 8,000 | — | — | 291 | 8,000 | — | 290 | 0.18% |
| Global Life Science Venture Fund II, L.P. ³⁾ | EUR | 2002 | Europe | 6,003 | 3,174 | 3,174 | 18 | 5,717 | 3,174 | 16 | 0.01% |
| Amadeus II Fund C GmbH & Co. KG (Secondary – Vermont) ^{4),5)} | GBP | 2005 | Europe | 1,064 | 820 | 820 | 620 | — | — | — | 0.00% |
| Balderton Capital II, L.P. | USD | 2005 | Europe | 4,000 | 3,416 | 3,134 | 313 | 4,000 | 3,134 | 611 | 0.38% |
| Battery Ventures VII, L.P. | USD | 2005 | North America | 3,000 | 620 | 537 | 54 | 3,000 | 512 | 89 | 0.05% |
| BCPI I, L.P. (Secondary – Vermont) ⁵⁾ | USD | 2005 | Other | 1,833 | 895 | 811 | 150 | 1,833 | 637 | — | 0.00% |
| Benchmark Israel II, L.P. | USD | 2005 | Other | 4,602 | 1,787 | 1,025 | 1,555 | 4,602 | 1,025 | 1,413 | 0.87% |
| H.I.G. Venture Partners II, L.P. | USD | 2005 | North America | 5,000 | 4,107 | 3,773 | 2,250 | 5,000 | 3,491 | 1,773 | 1.09% |
| Jerusalem Venture Partners IV, L.P. (Secondary – Vermont) ⁵⁾ | USD | 2005 | Other | 662 | — | — | 39 | 662 | — | 39 | 0.02% |
| Battery Ventures VIII, L.P. | USD | 2007 | North America | 4,000 | 2,330 | 2,330 | 2,680 | 4,000 | 2,254 | 2,282 | 1.40% |
| Battery Ventures VIII Side Fund, L.P. | USD | 2008 | North America | 1,050 | 378 | 397 | 244 | 978 | 397 | 277 | 0.17% |
| Carmel Ventures III, L.P. | USD | 2008 | Other | 6,000 | 5,450 | 4,645 | 12,129 | 6,000 | 2,700 | 10,618 | 6.53% |
| Mangrove III S.C.A. SICAR ³⁾ | EUR | 2008 | Europe | 6,003 | 5,558 | 5,558 | 5,961 | 5,717 | 5,558 | 5,671 | 3.49% |
| Total early stage venture | | | | 107,361 | 37,587 | 33,169 | 28,894 | 104,901 | 27,998 | 24,604 | 15.13% |

| | Deal currency | Vintage year | Geography | Commitment 31.12.2017 | Cost 1.1.2017 | Cost 31.12.2017 | Fair value 31.12.2017 | Commitment 31.12.2018 | Cost 31.12.2018 | Fair value 31.12.2018 | FMV in % |
|--|---------------|--------------|---------------|--------------------------|------------------|--------------------|--------------------------|-------------------------------|--------------------|--------------------------|----------------|
| Growth capital | | | | | | | | | | | |
| Kennet III A, L.P. ³⁾ | EUR | 2007 | Europe | 9,604 | 8,646 | 7,593 | 4,788 | — | — | — | 0.00% |
| Summit Partners Europe Private Equity Fund, L.P. ³⁾ | EUR | 2009 | Europe | 8,404 | 6,554 | 5,416 | 6,321 | 8,004 | 5,146 | 6,424 | 3.95% |
| Total growth capital | | | | 18,008 | 15,200 | 13,009 | 11,109 | 8,004 | 5,146 | 6,424 | 3.95% |
| Late stage venture | | | | | | | | | | | |
| WCAS Capital Partners III, L.P. | USD | 1997 | North America | 15,000 | — | — | — | — | — | — | 0.00% |
| TCV III (Q), L.P. | USD | 1999 | North America | 3,500 | 556 | 484 | 1 | 3,500 | 484 | 1 | 0.00% |
| TCV IV, L.P. | USD | 1999 | North America | 7,000 | 2,589 | 2,589 | 10 | 7,000 | 2,579 | — | 0.00% |
| Columbia Capital Equity Partners III (Cayman), L.P. | USD | 2000 | North America | 5,000 | 1,310 | 1,310 | 192 | 5,000 | 1,310 | 94 | 0.06% |
| MPM BioVentures II-QP, L.P. | USD | 2000 | North America | 5,000 | — | 1,310 | 192 | 4,942 | — | — | 0.00% |
| New Enterprise Associates 10, L.P. | USD | 2000 | North America | 10,000 | 7,114 | 7,114 | 3,493 | 10,000 | 7,114 | 3,025 | 1.86% |
| Columbia Capital Equity Partners IV (Non-US), L.P. | USD | 2005 | North America | 10,000 | — | — | 2,226 | 10,000 | — | 1,494 | 0.92% |
| Index Ventures III (Jersey), L.P. ³⁾ | EUR | 2005 | Europe | 8,404 | 4,274 | 4,051 | 4,029 | 8,003 | 1,915 | 2,769 | 1.70% |
| New Enterprise Associates 12, L.P. | USD | 2006 | North America | 5,000 | 4,219 | 4,061 | 1,370 | 5,000 | 3,710 | 871 | 0.54% |
| Index Ventures IV (Jersey), L.P. ³⁾ | EUR | 2007 | Europe | 6,003 | 3,554 | 3,080 | 2,274 | 5,717 | 2,707 | 1,589 | 0.98% |
| Total late stage venture | | | | 69,907 | 23,616 | 22,689 | 13,595 | 59,162 | 19,819 | 9,843 | 6.06% |
| Total venture stage | | | | 195,276 | 76,403 | 68,867 | 53,598 | 172,067 | 52,963 | 40,871 | 25.14% |
| Co-Investment and other | | | | | | | | | | | |
| Large buyout | | | | | | | | | | | |
| Co-Investment 1 ³⁾ | EUR | 2011 | Europe | 3,595 | 1,651 | — | — | — | — | — | 0.00% |
| Co-Investment 2 | USD | 2011 | Asia | 4,000 | 456 | — | — | 4,000 | — | — | 0.00% |
| Total large buyout | | | | 7,595 | 2,107 | — | — | 4,000 | — | — | 0.00% |
| Small buyout | | | | | | | | | | | |
| Co-Investment 4 ³⁾ | EUR | 2011 | Europe | 2,252 | 2,527 | 2,525 | 2,963 | 2,143 | 2,527 | 1,152 | 0.71% |
| Co-Investment 5 ³⁾ | EUR | 2011 | Europe | 4,802 | 5,440 | 5,440 | 12,763 | 4,574 | 5,440 | 12,563 | 7.73% |
| Total small buyout | | | | 7,054 | 7,967 | 7,965 | 15,726 | 6,717 | 7,967 | 13,717 | 8.44% |
| Total Co-Investment and other | | | | 14,649 | 10,074 | 7,965 | 15,726 | 10,717 | 7,967 | 13,717 | 8.44% |
| Total investments designated at fair value through profit or loss | | | | 1,235,896 | 321,007 | 251,401 | 228,925 | 1,059,924 | 183,633 | 162,565 | 100.00% |
| Total | | | | 1,235,896 | 321,007 | 251,401 | 228,925 | 1,059,924⁷⁾ | 183,633 | 162,565 | 100.00% |

³⁾ 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 1.143400 as of 31 December 2018 and 1.200550 as of 31 December 2017.⁴⁾ Total commitment translated from GBP value at 1.274600 as of 31 December 2018 and 1.353050 as of 31 December 2017.⁵⁾ 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 amounted is maintained as the commitment.⁷⁾ Total paid in amounted to TUSD 1,013,633 (31 December 2017: TUSD 1,183,181).

Movements in investments and marketable securities designated at fair value through profit or loss¹⁾

For the year ended 31 December 2018 (all amounts in USD thousands unless otherwise stated)

| 2018 | Value per 1 January 2018 | Additions (capital calls) ²⁾ | Disposals (returns of capital) | Unrealised gains | Unrealised losses | Value per 31 Decem- ber 2018 | Total real- ised gains/ (losses) per 31 December 2018 ³⁾ | Net gains/ (losses) per 31 Decem- ber 2018 | Uncalled commit- ment amount |
|--|--------------------------------|---|--------------------------------------|---------------------|----------------------|------------------------------------|---|---|---------------------------------------|
| Marketable securities | | | | | | | | | |
| Balanced stage | 5,232 | — | (2,280) | 55 | (174) | 2,833 | — | (16) | — |
| Buyout stage | | | | | | | | | |
| large buyout stage | 26,680 | 544 | (21,797) | 11,212 | (3,426) | 13,213 | (6,049) | 1,737 | 4,036 |
| middle market buyout stage | 88,906 | (609) | (9,705) | 5,844 | (12,600) | 71,835 | 14,226 | 7,469 | 16,621 |
| small buyout stage | 24,039 | — | (11,636) | 3,155 | (3,635) | 11,923 | 3,219 | 2,740 | 8,047 |
| Total buyout stage | 139,625 | (65) | (43,138) | 20,211 | (19,661) | 96,971 | 11,396 | 11,946 | 28,704 |
| Special situations stage | | | | | | | | | |
| distressed debt stage | 14,744 | — | (5,729) | 3,860 | (4,702) | 8,173 | 680 | (162) | 1,025 |
| Total special situations stage | 14,744 | — | (5,729) | 3,860 | (4,702) | 8,173 | 680 | (162) | 1,025 |
| Venture stage | | | | | | | | | |
| early stage venture | 28,894 | (610) | (4,562) | 2,061 | (1,180) | 24,604 | 2,560 | 3,440 | 4,539 |
| growth capital stage | 11,109 | (78) | (7,785) | 3,178 | — | 6,424 | (1,229) | 1,949 | 687 |
| late stage venture | 13,595 | (63) | (2,809) | 876 | (1,755) | 9,843 | 1,402 | 523 | 478 |
| Total venture stage | 53,598 | (751) | (15,156) | 6,114 | (2,935) | 40,871 | 2,733 | 5,912 | 5,704 |
| Co-Investment | | | | | | | | | |
| large buyout stage | — | — | — | — | — | — | 6 | 6 | — |
| small buyout stage | 15,726 | — | — | — | (2,009) | 13,717 | — | (2,009) | — |
| Total Co-Investment | 15,726 | — | — | — | (2,009) | 13,717 | 6 | (2,003) | — |
| Total investments | 228,925 | (816) | (66,303) | 30,240 | (29,481) | 162,565 | 14,815 | 15,574 | 46,291 |
| Total investments, marketable securities and derivative financial instruments | 228,925 | (816) | (66,303) | 30,240 | (29,481) | 162,565 | 14,799 | 15,558 | 46,291 |

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.

| | 2017 | Value per 1 January 2017 | Additions (capital calls) ²⁾ | Disposals (returns of capital) | Unrealised gains | Unrealised losses | Value per 31 Decem- ber 2017 | Total real- ised gains/ (losses) per 31 December 2017 ³⁾ | Net gains/ (losses) per 31 Decem- ber 2017 | Uncalled commit- ment 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.

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 shows the cash transactions in the portfolio and the cash flow reconciliation 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 2018 (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 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 commitments | Investments | | | |
| | TEUR | TGBP | TUSD | Total in TUSD converted at year-end exchange rates |
| Commitments as of 1 January 2018 | 264,758 | 786 | 933,257 | 1,235,896 |
| Liquidation/Sale of investments | (19,495) | (683) | (137,554) | (162,349) |
| Commitments increased/decreased | — | (103) | — | (146) |
| Revaluation of foreign currency commitments | — | — | — | (13,477) |
| Commitments as of 31 December 2018 | 245,263 | — | 795,703 | 1,059,924 |
| 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 |
| Movement of uncalled commitments | Investments | | | |
| | TEUR | TGBP | TUSD | Total in TUSD converted at year-end exchange rates |
| Uncalled commitments as of 1 January 2018 | 9,303 | 104 | 41,527 | 52,715 |
| Capital calls paid/recallable return of capital | (66) | — | 888 | 812 |
| Adjustments of uncalled due to exit of investments | (185) | (104) | (6,324) | (6,695) |
| Revaluation of foreign currency commitments | — | — | — | (541) |
| Uncalled commitments as of 31 December 2018 | 9,052 | — | 36,091 | 46,291 |

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

On 30 June 2017, the Ireland Subsidiary terminated the credit facility with LGT Bank (Ireland) Ltd., Dublin (related party).

14 Accrued expenses and other payables

Accrued expenses and other payables consist of:

| Accrued expenses and other payables | 2018 TUSD | 2017 TUSD |
|---|----------------------|----------------------|
| Accrued management fee payable – related party | 531 | 1,148 |
| Accrued performance fee payable – related party | — | 5,198 |
| Accrued administration fee payable – related party | 23 | 29 |
| Accrued custody fee payable – third party | 2 | 16 |
| Accrued withholding tax treasury shares 2 nd line (bought for cancellation) – third party | 714 | 148 |
| Accrued general managers' expenses payable – related party | 101 | — |
| Other accrued liabilities – third party | 115 | 220 |
| Total | 1,486 | 6,759 |

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

15 Shareholders' equity

Shareholders' equity

The share capital at 31 December 2018 amounts to TUSD 467 (31 December 2017: TUSD 893) consisting of 18,022,495 (31 December 2017: 26,323,950) issued and fully paid registered shares with a par value of CHF 0.05 each. In the general meeting on 15 May 2017 it was decided to decrease the share capital after cancellation of 2,904,511 shares and carry out a nominal capital reduction from CHF 5.00 to CHF 0.05 per share from TCHF 131,620 (TUSD 99,434) to TCHF 1,316 (TUSD 893).

Each share entitles the holder to participate in any distribution of income and capital. The Group regards shareholders' equity as the capital that it manages. Shareholders' equity amounts to TUSD 211,737 as of 31 December 2018 (31 December 2017: TUSD 452,757). The translation into US Dollar has been done at the corresponding historical foreign exchange rate.

The following distribution of legal reserves was paid out to the investors in the year 2018:

| Date of payment | CHF/share | USD/share |
|------------------------|------------------|------------------|
| 22.05.2018 | 1.00 | 1.01 |

During the year 2017 there was no payment made.

During the period from 24 August 2011 to 31 December 2018 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 in the statutory report.

Treasury shares

| Buyback programs | From | To | Cancelled | Number of shares | Average USD | Cost TUSD |
|--|------------|------------|------------|-------------------|--------------|----------------|
| 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 | 07.08.2018 | 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 | 07.08.2018 | 640,987 | 17.54 | 11,244 |
| Additions 2017 via tradable put options | 01.06.2017 | 19.06.2017 | 07.08.2018 | 1,084,131 | 18.75 | 20,322 |
| Additions 2018 | 01.01.2018 | 08.05.2018 | 07.08.2018 | 259,266 | 17.74 | 4,599 |
| Additions 2018 at a fixed price | 26.02.2018 | 09.03.2018 | 07.08.2018 | 6,165,955 | 18.28 | 112,708 |
| Additions 2018 | 09.05.2018 | 31.12.2018 | — | 1,034,652 | 16.75 | 17,329 |
| Additions 2018 via tradable put options ¹ | 28.08.2018 | 21.09.2018 | — | 853,084 | 22.12 | 18,867 |
| Additions 2018 at a fixed price | 13.11.2018 | 27.11.2018 | — | 4,343,621 | 17.54 | 76,196 |
| Total | | | | 14,381,696 | 18.17 | 261,265 |

| Movement of treasury shares 2 nd line and tradable put options (bought for cancellation) | Number of shares | Cost TUSD |
|---|------------------|----------------|
| Shares held as of 1 January 2017 | 2,320,072 | 39,278 |
| Additions 2017 via 2 nd 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 |
| Additions 2018 via 2 nd line | 1,293,918 | 21,928 |
| Additions 2018 via tradable put options | 853,084 | 18,867 |
| Additions 2018 at a fixed price | 10,509,576 | 188,904 |
| Cancellation on 7 August 2018 | (8,301,455) | (151,424) |
| Shares held as of 31 December 2018 | 6,231,357 | 112,392 |

¹) Cost includes the transaction expenses of Zuercher Kantonalbank, Zürich, for the tradeable put option which causes a dilution of the average price.

16 Major shareholders

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

| Major shareholders | 2018 | 2017 |
|-------------------------------------|--|---|
| Between 20% and 33 ^{1/3} % | — | The Goldman Sachs Group, Inc. |
| Between 10% and 20% | Berlin-AI Fund SCS, SICAV-FIS, Luxembourg | Swiss Life Asset Management AG |
| Between 3% and 10% | Deka International S.A. The Goldman Sachs Group, Inc. LGT Group Foundation, Vaduz AG, Liechtenstein Warburg Invest Luxembourg S.A. | 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 |

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 secondary 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 secondary 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 Francs 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 2018 amounted to TUSD 919,368 (Per 31 December 2017: TUSD 867,384 or USD 18,36 per share). The cumulative amount expended on share repurchases amounted to TUSD 523,926.

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) LGT Group Holding, Vaduz provides administrative services for the Company and charges an annual fee of TUSD 60 payable quarterly in arrears.
- c) LGT Fund Managers (Ireland) Limited, Dublin, acts as the administrator and manager 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 2018 and 2017 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% of net asset value is due to LGT Fund Managers (Ireland) Limited in its capacity as administrator for each of the funds, except for PortPEP Ltd.. Here, LGT Fund Managers (Ireland) Limited receives a flat fee of EUR 30,000.

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 | 2018 TUSD | 2017 TUSD |
|--|---|-------------------------|-----------------------------------|--------------|--------------|
| Castle Private Equity (International) PLC | LGT Private Equity Advisers AG/ | Note 6 | Management fees | 2,916 | 4,565 |
| | Investment Management Agreement/direct | Note 14 | Management fees payable | 531 | 1,148 |
| | | Note 6 | Performance fees | — | 5,198 |
| | | Note 14 | Performance fees payable | — | 5,198 |
| | LGT Fund Managers (Ireland) Ltd./ | Note 7 | Administration fees | 89 | 114 |
| | Management Agreement/direct | Note 14 | Administration fees payable | 20 | 24 |
| | LGT Bank (Ireland) Ltd./ | Note 5 | Interest income on time deposits | — | 4 |
| | Loan Agreement/direct | Note 7 | Credit facility standby fees | — | 8 |
| | 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 | — | — |
| Castle Private Equity (Overseas) Limited | Directors/indirect | Note 7/18 | Directors' fees | 2 | 2 |
| | LGT Fund Managers (Ireland) Ltd./ | Note 7 | Administration fees | 15 | 27 |
| | Administration Services Agreement/direct | Note 14 | Administration fees payable | 3 | 5 |
| | LGT Bank Ltd./ | Note 10 | Cash at banks | 42 | 81 |
| | Loan Agreement/direct | Note 5 | Interest income | — | 1 |
| | 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 | — | — |
| Castle Private Equity AG | Directors/indirect | Note 7/18 | Directors' fees | 5 | 5 |
| | LGT Bank Ltd./ | | | | |
| | Administrator Services Agreement/direct | Note 10 | Cash at banks | 220 | 325 |
| | LGT Group Holding Ltd./ | | | | |
| | Administrative Services Agreement/direct | Note 7 | Administration fees | 60 | 60 |
| | LGT Capital Partners Ltd./ | | | | |
| | Domicile Agreement/direct | Note 7 | Domicile fees | 10 | 10 |
| | LGT Capital Partners Ltd./Management | Note 7/18 | General managers expenses | 101 | 100 |
| | Agreement/direct | Note 14 | General managers expenses payable | 101 | — |
| | Directors/direct | Note 7/18 | Directors' fees | 226 | 239 |

The table below shows the remuneration for the members of the board of directors and general managers in the year 2018 and 2017. In addition, the Group paid in 2018 a directors and officers liability insurance fee of TUSD 11 (2017: TUSD 12). Travel expenses amounted to TUSD 4 (2017: TUSD 4).

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

| Remunerations and expenses | 2018 TUSD | 2017 TUSD |
|-----------------------------------|----------------------|----------------------|
| Chairman | 59 | 61 |
| Deputy chairman | 46 | 48 |
| Committee chairman | 46 | 49 |
| Members | 74 | 88 |
| General managers | 101 | 100 |
| Total | 326 | 346 |

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 LCT 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 2018 | | | | | |
| Income | | | | | |
| Net gain/(loss) on investments designated at fair value through profit or loss | 6,076 | 4,453 | 5,267 | (222) | 15,574 |
| Net loss on marketable securities investments designated at fair value through profit or loss | (16) | — | — | — | (16) |
| Total income | 6,060 | 4,453 | 5,267 | (222) | 15,558 |
| 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 |

The non-current assets are geographically allocated as follows:

| | 2018 TUSD | In % | 2017 TUSD | In % |
|---------------------------------|----------------|---------------|----------------|---------------|
| Non-current assets: | | | | |
| North America | 37,747 | 23.2% | 69,370 | 30.3% |
| Europe | 53,413 | 32.9% | 78,972 | 34.4% |
| Asia | 53,901 | 33.2% | 57,347 | 25.1% |
| Other | 17,504 | 10.7% | 23,236 | 10.2% |
| Total non-current assets | 162,565 | 100.0% | 228,925 | 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 and active monitoring including ongoing interviews with managers, thorough analysis of reports and financial statements and review of investments which were made. It was 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 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, provided the Group with investments that were 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 who disposes of his 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 2018, 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.

| | 2018 TUSD | 2017 TUSD |
|---|--------------|--------------|
| Financial assets at fair value through profit or loss | 162,565 | 228,925 |
| Total assets subject to market risk | 162,565 | 228,925 |
| Annual expected volatility | 14.02% | 8.39% |
| Potential impact on consolidated balance sheet and consolidated statement of comprehensive income | 22,792 | 19,207 |

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) it is the Group's policy to use cost and earnings multiples to value the private equity investments, in case there were no fair values provided by the managers/administrators. The multiples used depend on the sector that the underlying investments were active in. For 2018, 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 2018, had the exchange rate between the Euro and the US Dollar increased or decreased by 4.8 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 USD 2,430 (31 December 2017: 13.8 per cent or USD 9,287). 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 2018 | USD TUSD | EUR TUSD | GBP TUSD | CHF TUSD | Total TUSD |
|---|----------------|---------------|-------------|--------------|----------------|
| Assets | | | | | |
| Cash and cash equivalents | 40,098 | 1,533 | 195 | 1,489 | 43,315 |
| Accrued income and other receivables ¹⁾ | 5,601 | 1,545 | 195 | 2 | 7,343 |
| Investments designated at fair value through profit or loss | 114,599 | 47,966 | — | — | 162,565 |
| Total assets | 160,298 | 51,044 | 390 | 1,491 | 213,223 |
| Liabilities | | | | | |
| Accrued expenses and other payables ¹⁾ | 625 | 147 | — | 714 | 1,486 |
| Total liabilities | 625 | 147 | — | 714 | 1,486 |
| As of 31 December 2017 | USD TUSD | EUR TUSD | GBP TUSD | CHF 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 |

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 2018 | Less than 1 month TUSD | 1 – 3 months TUSD | Non-interest bearing TUSD | Total TUSD |
|---|------------------------------|----------------------|---------------------------------|----------------|
| Assets | | | | |
| Cash and cash equivalents | 43,315 | — | — | 43,315 |
| Accrued income and other receivables ¹⁾ | — | — | 7,343 | 7,343 |
| Investments designated at fair value through profit or loss | — | — | 162,565 | 162,565 |
| Total assets | 43,315 | — | 169,908 | 213,223 |
| Liabilities | | | | |
| Accrued expenses and other payables ¹⁾ | — | — | 1,486 | 1,486 |
| Total current liabilities | — | — | 1,486 | 1,486 |
| 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 |

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 2018 | Fully performing TUSD | Total TUSD | S&P Rating |
|--|--------------------------|---------------|------------|
| Assets | | | |
| Cash at LGT Bank Ltd., Vaduz | 262 | 262 | A+ |
| Cash at BNP Paribas Securities Services, Dublin Branch | 23,263 | 23,263 | A |
| Cash at Zuercher Kantonalbank, Zurich | 19,790 | 19,790 | AAA |
| Accrued income and other receivables ¹⁾ | 7,343 | 7,343 | n/a |
| Total exposure to credit risk | 50,658 | 50,658 | |

| As of 31 December 2017 | Fully performing TUSD | Total TUSD | S&P Rating |
|--|--------------------------|----------------|------------|
| Assets | | | |
| 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 | |

¹⁾ Provided for reconciliation purposes only.

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 amounts 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 amounts made available by the investors was not expected to be 100 per cent invested in the private equity fund. Historically, the average exposure ranges from 60 to 70 per cent.

The Group has a cash at bank position at 31 December 2018 of TUSD 43,315 (31 December 2017: TUSD 230,212). The amounts outstanding on the total committed capital of the investments as of 31 December 2018 are TUSD 46,291 (31 December 2017: TUSD 52,715) 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 2018 | Less than 1 month TUSD | 1–3 months TUSD | Total TUSD |
|------------------------|---------------------------|--------------------|---------------|
|------------------------|---------------------------|--------------------|---------------|

Liabilities

| | | | |
|---|---------------|------------|---------------|
| Accrued expenses and other payables ¹⁾ | 604 | 882 | 1,486 |
| Total current liabilities | 604 | 882 | 1,486 |
| Total outstanding commitment amount²⁾ | 46,291 | — | 46,291 |

| 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 amount²⁾ | 52,715 | — | 52,715 |

¹⁾ Provided for reconciliation purposes only.

²⁾ The amounts outstanding on the total committed capital of the investments as of 31 December 2018 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.

Repurchase of shares 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 for cancellation. Any purchase of shares by the Company for cancellation will only 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 2018 and 31 December 2017.

| As of 31 December 2018 | Level 1 TUSD | Level 2 TUSD | Level 3 TUSD | Total TUSD |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| Assets | | | | |
| Assets designated at fair value | | | | |
| through profit or loss: | | | | |
| Investments | — | — | 162,565 | 162,565 |
| Total | — | — | 162,565 | 162,565 |
| | | | | |
| 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 |

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) | 2018 % | 2017 % |
|---|-------------|-------------|
| Balanced stage | 2% | 2% |
| Buyout stage | | |
| Large buyout stage | 9% | 12% |
| Middle market buyout stage | 44% | 38% |
| Small buyout stage | 7% | 11% |
| Special situations stage | | |
| Distressed debt stage | 5% | 6% |
| Venture stage | | |
| Early stage venture | 15% | 13% |
| Growth capital stage | 4% | 5% |
| Late stage venture | 6% | 6% |
| Co-Investment | | |
| Large buyout stage | 0% | 0% |
| Small buyout stage | 8% | 7% |
| 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 2018 there were no transfers (31 December 2017: Nil) between the three levels of financial assets and liabilities.

The following table presents a reconciliation disclosing the changes during 2018 and 2017 for financial assets classified as being level 3.

| As of 31 December 2018 | Investments designated at fair value through profit or loss TUSD |
|---|---|
| Assets | |
| At 1 January | 228,925 |
| Net unrealised gain | 759 |
| Purchase of investments | (816) |
| Returns of capital | (66,303) |
| Transfers in/out | — |
| At 31 December 2018 | 162,565 |
| Total unrealised gain for the year included in the statement of comprehensive income for investments held at the end of the year | 759 |
| 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) |

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 2018 (31 December 2017: Nil).

22 Subsequent events

The consolidated financial statements have been authorised at the 11 February 2019 board meeting for issue 20 February 2019. The annual general meeting called for 14 May 2019 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of 31 December 2018 Castle Private Equity AG purchased 229,216 treasury shares on its second trading line at a cost amount of TUSD 3,826. As at 20 February 2019 the Company held in total 6,460,573 treasury shares (14 February 2018: 1,904,234).

It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2019.

Since the balance sheet date of 31 December 2018, 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, which comprise the balance sheet as at 31 December 2018, statement of income and accumulated surplus/(deficit) and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements as at 31 December 2018 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

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.

| | |
|---|---|
| <i>Overall materiality</i> | USD 2.1 million |
| <i>How we determined it</i> | 1% of total shareholders' equity |
| <i>Rationale for the materiality benchmark applied</i> | We chose total shareholders' equity as the benchmark because, in our view, this is the key metric of interest to investors and it is generally accepted benchmark for investment companies. |



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.

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.



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 | Jack Armstrong |
| Audit expert | Audit expert |
| Auditor in charge | |

Zurich, 20 February 2019

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Balance sheet

As of 31 December 2018 (all amounts in thousands unless otherwise stated)

| | Note | 2018 USD ¹⁾ | 2018 CHF ²⁾ | 2017 CHF |
|--|------|---------------------------|---------------------------|----------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | | 20,010 | 19,716 | 218,002 |
| Other receivables | | 1 | 3 | 2 |
| Total current assets | | 20,011 | 19,719 | 218,004 |
| Non-current assets: | | | | |
| Participations | 3 | 192,598 | 189,766 | 223,653 |
| Total non-current assets | | 192,598 | 189,766 | 223,653 |
| Total assets | | 212,609 | 209,485 | 441,657 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Other accrued liabilities | | 873 | 860 | 310 |
| Total current liabilities | | 873 | 860 | 310 |
| Equity | | | | |
| Shareholders' equity: | | | | |
| Share capital | 7 | 924 | 901 | 1,316 |
| Legal reserves | | | | |
| Reserves from capital contributions | | 204,808 | 199,314 | 217,280 |
| Additional reserves from capital contributions – | | | | |
| treasury shares purchased before nominal capital reduction ³⁾ | | — | — | 8,019 |
| Accumulated surplus | | 118,396 | 118,988 | 247,930 |
| Accumulated translation difference | | — | 717 | — |
| Treasury shares at cost (bought for cancellation) | | (112,392) | (111,295) | (33,198) |
| Total shareholders' equity | | 211,736 | 208,625 | 441,347 |
| Total liabilities and equity | | 212,609 | 209,485 | 441,657 |

¹⁾ In accordance with SCO Art. 958 the board resolved to change the presentation currency of the Company from Swiss Francs to US Dollars, see note 2 b).

²⁾ Art. 958d of the SCO requires the Company to disclose the Swiss Franc amounts as supplemental information.

³⁾ 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 credited to a segregated capital account within the legal reserves from capital contributions. This reserve was released at the general meeting of shareholders and was resolved at time of the cancellation of treasury shares which took place in August 2018.

Statement of income and accumulated surplus/(deficit)

For the year ended 31 December 2018 (all amounts in thousands unless otherwise stated)

| | Note | 2018 USD ^{a)} | 2018 CHF ^{b)} | 2017 CHF |
|--|------|---------------------------|---------------------------|----------------|
| Income | | | | |
| Valuation adjustments on participations | 2 b) | (36,837) | (35,976) | (20,998) |
| Dividends from participations | | 48,000 | 46,878 | 45,537 |
| Other income | | 12 | 13 | 27 |
| Loss on foreign exchange, net | | (3,127) | (3,054) | (23) |
| Other translation differences | | — | — | (5,312) |
| Total income | | 8,048 | 7,861 | 19,232 |
| Expenses | | | | |
| Administrative expenses | | (1,253) | (1,224) | (888) |
| Financial expenses | | — | — | (30) |
| Total expenses | | (1,253) | (1,224) | (918) |
| Profit before taxes | | 6,795 | 6,637 | 18,314 |
| Taxes | 5 | (27) | (27) | (31) |
| Profit for the year | | 6,768 | 6,610 | 18,282 |
| Accumulated surplus | | | | |
| Accumulated surplus brought forward | | 254,400 | 247,930 | 262,814 |
| Gain for the year | | 6,768 | 6,610 | 18,282 |
| Cancellation of treasury shares | | (142,772) | (135,552) | (33,166) |
| Accumulated surplus carried forward | | 118,396 | 118,988 | 247,930 |
| Proposal of the board of directors for appropriation of accumulated surplus | | | | |
| To be carried forward | | 118,396 | 118,988 | 247,930 |
| Total | | 118,396 | 118,988 | 247,930 |

^{a)} Due to the change in presentation currency from Swiss Francs in US Dollars the opening values US Dollars were restated as described in note 2 b).

^{b)} Although the presentation currency has been changed to US Dollars the Company is still required to show the statutory financials in the local currency (Swiss Francs) as supplemental information.

Notes to the company financial statements

For the year ended 31 December 2018

(All amounts in 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.

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.

As of 31 December 2018 and 31 December 2017 the Company did not employ any employees.

2 Accounting principles

a) Participations

The participation in the Overseas Subsidiary is stated at acquisition cost or at the lower net realisable value, using the net asset value of the Overseas Subsidiary.

b) Functional and presentation currency

The books of the Company are kept in US Dollar (functional currency). Until 31 December 2017 the Company's financial statements were presented in Swiss Francs (presentation currency). Effective as of 1 January 2018 the board of directors of the Company resolved to use the US Dollar as its presentation currency for statutory reporting. This change of the presentation currency improves the transparency of the statutory reporting and the comparability to the consolidated financial statements of the Group which are also presented in US Dollars.

From 2018, in accordance with the Swiss Code of Obligations, the Company also presents the Swiss Franc amounts next to the US Dollar presentation currency (identified as Swiss Francs supplementary information). The conversion from the US Dollar to the Swiss Franc supplementary information is conducted as follows:

- all assets and liabilities by applying the year-end exchange rate;
- income and expenses at the average exchange rate for the year; and
- the shareholders' equity at the historical exchange rate.

The currency translation difference from the conversion of the US Dollar values into the Swiss Franc values are cumulatively presented in the shareholders' equity as accumulated translation difference.

The 2017 Swiss Franc amounts presented in these notes correspond with the audited annual report 2017. The 2018 Swiss Franc amounts presented are for supplementary information only (SCO 958d Para.3).

3 Participations

The Company's participation as of 31 December 2018 and 31 December 2017 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. Further information in note 1 of the consolidated financial statements.

| Balance sheet reconciliation of participation carrying value | 2018 TUSD | 2018 TCHF | 2017 TCHF |
|--|----------------------|----------------------|----------------------|
| 1 January | 229,435 | 223,653 | 338,780 |
| Impairment of participation | (36,837) | (35,976) | (7,303) |
| Redemption | — | — | (94,129) |
| Foreign exchange translation differences on participation | — | — | (13,695) |
| Foreign exchange translation differences on participation through shareholders' equity | — | 2,089 | — |
| 31 December | 192,598 | 189,766 | 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 | 2018 USD | 2017 USD |
|-------------------------------|----------------------|-------------|---------------------|---------------------|
| Swiss Francs | Year-end rates | 1 CHF | 1.014919 | 1.025851 |
| British Pound | Year-end rates | 1 GBP | 1.274600 | 1.353050 |
| Euro | Year-end rates | 1 EUR | 1.143400 | 1.200550 |
| | | | | |
| Swiss Francs | Average annual rates | 1 CHF | 1.023941 | 1.017585 |
| British Pound | Average annual rates | 1 GBP | 1.332138 | 1.295868 |
| Euro | Average annual rates | 1 EUR | 1.179621 | 1.132211 |

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 2018.

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

The Company has no open derivative financial instruments contracts as at 31 December 2018 (31 December 2017: Nil).

7 Shareholders' equity

Shareholders' equity

The share capital of the Company at 31 December 2018 amounts to TUSD 924 (TCHF 901) (31 December 2017: TCHF 1,316) consisting of 18,022,495 (31 December 2017: 26,323,950) issued and fully paid registered shares with a par value of CHF 0.05 each. During the general meeting on 15 May 2017 it was decided to decrease the share capital after cancellation of 2,904,511 shares and 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 1,620,127 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 credited to a segregated capital account within the legal reserves from capital contributions. This reserve was released at the general meeting of shareholders on 14 May 2018 and was dissolved at the time of the cancellation of treasury shares, which took place in August 2018.

Each share entitles the holder to participate in any distribution of income and capital. The Company regards shareholders' equity as the capital that it manages. Shareholders' equity amounts to TUSD 211,736 (TCHF 208,625) as of 31 December 2018 (31 December 2017: TCHF 441,347).

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.

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. These treasury shares are treated as a deduction from shareholder's equity at the average purchase price.

Treasury shares

| Buyback programs | From | To | Cancelled | Number of shares | Average price USD | Average price CHF | Cost TUSD | Cost TCHF |
|---|------------|------------|------------|-------------------------|-------------------|-------------------|------------------|------------------|
| Program initiated on 5 June 2016, announced on 11 May 2016 | | | | | | | | |
| Additions 2016 | 07.05.2016 | 31.12.2016 | 26.09.2017 | 1,126,158 | 15.69 | 15.49 | 17,666 | 17,446 |
| Additions 2016 via tradable put options | 16.06.2016 | 29.06.2016 | 26.09.2017 | 1,193,914 | 18.10 | 17.60 | 21,612 | 21,013 |
| Additions 2017 | 01.01.2017 | 12.05.2017 | 26.09.2017 | 584,439 | 15.76 | 15.79 | 9,211 | 9,229 |
| Additions 2017 | 15.05.2017 | 31.05.2017 | 07.08.2018 | 151,116 | 16.88 | 16.49 | 2,551 | 2,492 |
| Total | | | | 3,055,627 | 16.70 | 16.42 | 51,040 | 50,180 |
| Program initiated on 26 June 2017, announced on 21 June 2017 | | | | | | | | |
| Additions 2017 | 26.06.2017 | 31.12.2017 | 07.08.2018 | 640,987 | 17.54 | 17.02 | 11,244 | 10,910 |
| Additions 2017 via tradable put options | 01.06.2017 | 19.06.2017 | 07.08.2018 | 1,084,131 | 18.75 | 18.26 | 20,322 | 19,796 |
| Additions 2018 | 01.01.2018 | 08.05.2018 | 07.08.2018 | 259,266 | 17.74 | 17.07 | 4,599 | 4,426 |
| Additions 2018 at a fixed price | 26.02.2018 | 09.03.2018 | 07.08.2018 | 6,165,955 | 18.28 | 17.25 | 112,708 | 106,363 |
| Additions 2018 | 09.05.2018 | 31.12.2018 | — | 1,034,652 | 16.75 | 16.61 | 17,329 | 17,189 |
| Additions 2018 via tradable put options ¹ | 28.08.2018 | 21.09.2018 | — | 853,084 | 22.12 | 21.14 | 18,867 | 18,034 |
| Additions 2018 at a fixed price | 13.11.2018 | 27.11.2018 | — | 4,343,621 | 17.54 | 17.50 | 76,196 | 76,013 |
| Total | | | | 14,381,696 | 18.17 | 17.57 | 261,265 | 252,731 |
| Movement of treasury shares 2nd line and tradable put options (bought for cancellation) | | | | Number of shares | | | Cost TUSD | Cost TCHF |
| Shares held as of 1 January 2017 | | | | 2,320,072 | | | 39,278 | 38,460 |
| Additions 2017 via 2 nd line | | | | 1,376,542 | | | 23,005 | 22,632 |
| Additions 2017 via tradable put options | | | | 1,084,131 | | | 20,322 | 19,795 |
| Cancellation on 26 September 2017 | | | | (2,904,511) | | | (48,488) | (47,689) |
| Shares held as of 31 December 2017 | | | | 1,876,234 | | | 34,117 | 33,198 |
| Additions 2018 via 2 nd line | | | | 1,293,918 | | | 21,928 | 21,674 |
| Additions 2018 via tradable put options | | | | 853,084 | | | 18,867 | 18,034 |
| Additions 2018 at a fixed price | | | | 10,509,576 | | | 188,904 | 182,376 |
| Cancellation on 7 August 2018 | | | | (8,301,455) | | | (151,424) | (143,987) |
| Shares held as of 31 December 2018 | | | | 6,231,357 | | | 112,392 | 111,295 |

¹) Cost in TUSD and TCHF includes the transaction costs of Zuercher Kantonalbank, Zürich, for the tradable put options, which causes a dilution of the average prices in USD and CHF.

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 (TCHF 9,166).

As at 31 December 2018 the reserves from capital contributions that are available for distribution to shareholders amount to TCHF 199,314 (TUSD 204,808) (31 December 2017: TCHF 217,280).

Shareholders' equity

In 2018 (all amounts in US Dollar thousands unless otherwise stated)

| | Share capital | Legal reserves | Accumulated surplus/(deficit) | Treasury shares | Total |
|---|-------------------------------------|--|-------------------------------|--|------------------|
| | Reserves from capital contributions | Additional reserves from capital contributions ¹⁾ | | 2 nd line at cost (bought for cancellation) | |
| Opening balance as per 1 January 2018 | 1,350 | 222,897 | 8,227 | 254,400 | (34,117) |
| Gain for the year | — | — | — | 6,768 | — |
| Distribution of legal reserves to the investors | — | (18,089) | — | — | (18,089) |
| Purchase of treasury shares 2 nd line (bought for cancellation) | — | — | — | (229,700) | (229,700) |
| Cancellation of treasury shares 2 nd line | (426) | — | (8,227) | (142,772) | 151,425 |
| 31 December 2018 | 924 | 204,808 | — | 118,396 | (112,392) |
| | | | | | 211,736 |

Shareholders' equity (supplementary information)

In 2018 (all amounts in Swiss Francs thousands unless otherwise stated)

| | Share capital | Legal reserves | Accumulated surplus/(deficit) | Translation difference | Treasury shares | Total |
|---|-------------------------------------|--|-------------------------------|--|-----------------|------------------|
| | Reserves from capital contributions | Additional reserves from capital contributions ¹⁾ | | 2 nd line at cost (bought for cancellation) | | |
| 31 December 2017 | 1,316 | 217,280 | 8,019 | 247,930 | — | (33,198) |
| Gain for the year | — | — | — | 6,610 | — | 6,610 |
| Translation difference | — | — | — | 717 | — | 717 |
| Distribution of legal reserves to the investors | — | (17,966) | — | — | — | (17,966) |
| Purchase of treasury shares 2 nd line (bought for cancellation) | — | — | — | — | (222,083) | (222,083) |
| Cancellation of treasury shares 2 nd line | (415) | — | (8,019) | (135,552) | — | 143,986 |
| 31 December 2018 | 901 | 199,314 | — | 118,988 | 717 | (111,295) |
| | | | | | | 208,625 |

¹⁾ The Company purchased 1,620,127 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 USD 3.37 (CHF 4.95) per share, effective on 25 September 2017, was credited to a segregated capital account within the legal reserves from capital contributions. This reserve was released at the general meeting of shareholders on 14 May 2018 and was resolved at time of the cancellation of treasury shares, which took place in August 2018.

As of 31 December 2018 the Company has translated the equity accounts in Swiss Francs at the current exchange rate. In a second step an adjustment of TUSD 60 was booked to reflect the effective purchase cost of treasury shares as of 31 December 2018. The US Dollar values reported in the column US Dollar presentation currency as per 1 January 2018 reflect the new historical cost of the equity accounts.

Reconciliation of opening balance sheet to the new presentation currency (supplementary information)

| Shareholders' equity | TCHF 1 January 2018 | USD/CHF exchange rate as per 1 January 2018 | TUSD adjustement opening as per 1 January 2018 | TUSD adjustment treasury shares | TUSD presentation currency as per 1 January 2018 |
|--|------------------------|--|--|--|--|
| Share capital | 1,316 | 0.974800 | 1,350 | — | 1,350 |
| Legal reserves – reserves from capital contributions | 217,280 | 0.974800 | 222,897 | — | 222,897 |
| Additional reserves from capital contributioins – | | | | | |
| treasury shares purchased before nominal capital reduction | 8,019 | 0.974800 | 8,227 | — | 8,227 |
| Treasury shares at cost (brought for cancellation) | (33,198) | 0.974800 | (34,057) | (60) | (34,117) |
| Accumulated surplus | 247,930 | 0.974800 | 254,340 | 60 | 254,400 |
| Total equity | 441,347 | | 452,757 | — | 452,757 |

8 Major shareholders

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

| Major shareholders | 2018 | 2017 |
|-------------------------------------|--|---|
| Between 20% and 33 ^{1/3} % | — | The Goldman Sachs Group, Inc. |
| Between 10% and 20% | Berlin-AI Fund SCS, SICAV-FIS, Luxembourg | Swiss Life Asset Management AG |
| Between 3% and 10% | Deka International S.A. The Goldman Sachs Group, Inc. LGT Group Foundation, Vaduz AG, Liechtenstein Warburg Invest Luxembourg S.A. | 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.

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 | 2018 | 2017 |
|--|---------------|----------------|
| Castle Private Equity AG | | |
| Members of the board of directors | | |
| Gilbert Chalk | 1,750 | 1,750 |
| Dr Konrad Bächinger | 84,500 | 110,000 |
| Dr Marcel Erni | — | 4,900 |
| Total | 86,250 | 116,650 |

| Share ownership | 2018 | 2017 |
|--|---------------|---------------|
| 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 | 15,000 | 35,000 |
| Total | 46,000 | 66,000 |

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 2018 of the Company to TUSD 100 (TCHF 99) (2017: TCHF 103).

11 Subsequent events

The company financial statements have been authorised at the 11 February 2019 board meeting for issue 20 February 2019. The annual general meeting called for 14 May 2019 will vote on the final acceptance of the company financial statements.

Since the balance sheet date of 31 December 2018 Castle Private Equity AG purchased 229,216 treasury shares on its second trading line at a cost amount of TUSD 3,826 (TCHF 3,803). As at 20 February 2019 the Company held in total 6,460,573 treasury shares (16 February 2018: 1,904,234).

It is intended that approval for the cancellation of all registered shares repurchased will be sought at the annual general meeting in 2019.

Since the balance sheet date of 31 December 2018, 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 2018.

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 accompanying 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 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Pajer

Jack Armstrong

Audit expert

Audit expert

Auditor in charge

Zürich, 20 February 2019

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 2017 and 2018 as well as the planned components of remuneration in 2019. 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 Dr Konrad Bächinger (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 | 2018 TCHF | 2017 TCHF |
|--------------------|--------------|--------------|
| Chairman | 55 | 55 |
| Deputy chairman | 44 | 44 |
| Committee chairman | 44 | 44 |
| Member | 33 | 33 |
| General managers | 100 | 100 |

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 | 2018 CHF | 2017 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 2018 and 2017 (Article 14 VegüV)

The following tables show the remuneration for the members of the board of directors in the year 2018 and 2017.

| Travel and other expenses | 2018 TUSD | 2018 TCHF ^b | 2017 TCHF ^b |
|--|--------------|---------------------------|---------------------------|
| Employers contributions to social security | 8 | 7 | 10 |
| Directors and officers liability insurance fee | 11 | 11 | 11 |
| Travel expenses | 9 | 8 | 4 |

^b Swiss Francs are shown as supplementary information.

The board of directors remuneration is defined and paid out in Swiss Francs. For the financial year 2018, Dr Marcel Erni waived any remuneration as board member.

| | Cash compensation TUSD | Social security payments TUSD | Travel and other expenses TUSD | Total remuneration TUSD |
|---|---------------------------|----------------------------------|-----------------------------------|----------------------------|
| As of 31 December 2018 | | | | |
| Gilbert Chalk, chairman | 56 | — | 3 | 59 |
| Dr Konrad Bächinger, deputy chairman | 44 | 1 | 1 | 46 |
| Heinz Nipp, committee chairman – remuneration committee | 44 | 1 | 1 | 46 |
| Thomas Amstutz, committee chairman – audit committee | 43 | 3 | 1 | 47 |
| Robert Knapp, member | 17 | — | 3 | 20 |
| Dr Marcel Erni, member | — | — | — | — |
| General managers | 101 | — | — | 101 |
| Total | 305 | 5 | 9 | 319 |

The following Swiss Franc tables are shown as supplementary information as in the company financial statements.

| | Cash compensation TCHF | Social security payments TCHF | Travel and other expenses TCHF | Total remuneration TCHF |
|---|---------------------------|----------------------------------|-----------------------------------|----------------------------|
| As of 31 December 2018 | | | | |
| Gilbert Chalk, chairman | 55 | — | 3 | 58 |
| Dr Konrad Bächinger, deputy chairman | 43 | 1 | 1 | 45 |
| Heinz Nipp, committee chairman – remuneration committee | 43 | 1 | 1 | 45 |
| Thomas Amstutz, committee chairman – audit committee | 41 | 3 | 1 | 45 |
| Robert Knapp, member | 16 | — | 3 | 19 |
| Dr Marcel Erni, member | — | — | — | — |
| General managers | 100 | — | — | 100 |
| Total | 298 | 5 | 9 | 312 |

| | Cash compensation TCHF | Social security payments TCHF | Travel and other expenses TCHF | Total remuneration TCHF |
|---|---------------------------|----------------------------------|-----------------------------------|----------------------------|
| As of 31 December 2017 | | | | |
| Gilbert Chalk, chairman | 53 | 2 | 1 | 56 |
| Dr Konrad Bächinger, deputy chairman | 43 | 1 | 1 | 45 |
| Heinz Nipp, committee chairman – remuneration committee | 43 | 1 | 1 | 45 |
| Thomas Amstutz, committee chairman – audit committee | 41 | 3 | 1 | 45 |
| Robert Knapp, member | 33 | — | — | 33 |
| Dr Marcel Erni, member | — | — | — | — |
| General managers | 100 | — | — | 100 |
| Total | 313 | 7 | 4 | 324 |

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 2018.

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 2018.

Heinz Nipp

Benedikt Meyer

Pfäffikon, 20 February 2019

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.

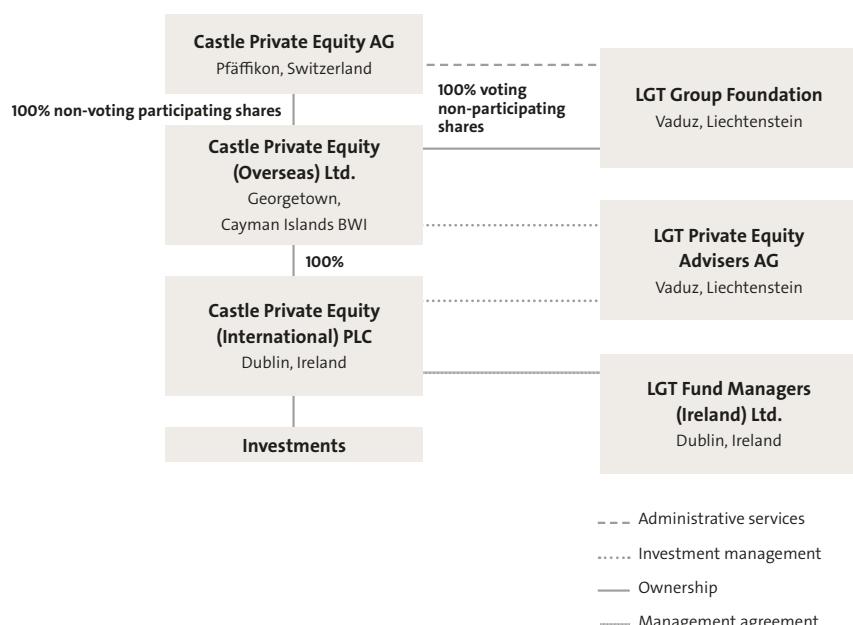
Significant shareholders

The shareholding structure of the Company as of 31 December 2018 is shown below:

- Berlin-AI Fund SCS, SICAV-FIS, reported a holding of 11.1 per cent.
- Deka-StBV-NW-AI II, Luxembourg reported a holding of 6.51 per cent.
- The Goldman Sachs Group, USA reported a shareholding of 6.45 per cent.
- LGT Group Foundation, Liechtenstein, reported a holding of 5.33 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 18,022,495 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. Since 2011 the Company successfully completed a number of share buyback programs. These shares were bought back for cancellation at one of the subsequent annual general meetings. 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 December 2017, the Company held 1,876,234 shares from buyback programs launched in 2016 and 2017. On 6 August 2018 the Company announced the cancellation of 8,301,455 registered shares as approved at the 14 May 2018 general meeting of shareholders. As of December 2018, the Company held 6,231,357 shares from buyback programs launched in 2017 and 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 21 of the 2018 annual report.

The market capitalisation of the Company per year end 2018 amounted to approx. CHF 191 million (the market capitalisation of the Company is calculated after excluding the treasury shares held for cancellation). 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 2018.

3. Board of directors

As of 31 December 2018, 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 and Robert Knapp resigned from the board of directors and did not stand for re-election at the annual general meeting on 14 May 2018.

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 2018 for a term ending at the 2019 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. He was appointed chairman of the Guernsey Investment Fund PCC Limited in February 2018.

**Dr Konrad Bächinger,
deputy chairman of the board and member of the remuneration committee**

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 and was re-elected annually since.

Heinz Nipp,**member of the board, remuneration committee chairman and member of the audit committee**

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 2018 for a term ending at the 2019 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. 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 2018 for a term ending at the 2019 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 Heinz Nipp (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 Dr Konrad Bächinger (member). The duties of the remuneration committee can be found in the remuneration report on page 80.

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 2018, four board meetings and two 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 private markets operations. 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 150 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 Brönnér

German citizen, born 1966. Maximilian Brönnér was educated at the Université de Fribourg and the London School of Economics. Mr Brönnér 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 91.

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 7,000 shall be signed off by the chairman (or, in the chairman's case, by the deputy chairman). Accounts below such may be signed off 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 2018, 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 2019 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 2019 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 2019 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 10,000 may request that an item be included in the agenda of the shareholders' meeting. Such requests must be made in writing at least 50 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 2018 audit amounted to TCHF 131 (2017: TCHF 139).

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Since inception |
|--|---------|--------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-------------------------------|
| Share information | | | | | | | | | | | | |
| Number of issued shares | | | | | | | | | | | | |
| at year end (ooo) ¹⁾ | 43,200 | 43,200 | 43,200 ²⁾ | 43,200 ³⁾ | 41,700 ⁴⁾ | 37,530 ⁵⁾ | 35,630 ⁶⁾ | 33,464 ⁷⁾ | 29,228 ⁸⁾ | 26,324 ⁹⁾ | 18,022 ¹⁰⁾ | |
| USD net asset value ¹¹⁾ | 11.77 | 12.18 | 14.70 | 15.76 | 17.40 | 17.13 | 15.39 | 16.19 | 17.03 | 18.52 | 17.96 | |
| CHF closing price ¹¹⁾ | 3.43 | 5.40 | 8.11 | 10.10 | 13.00 | 11.95 | 14.35 | 16.40 | 15.35 | 17.90 | 16.20 | |
| Share performance¹¹⁾ | | | | | | | | | | | | |
| USD net asset value | (31.0%) | 3.5% | 20.7% | 7.2% | 10.4% | 10.6% ¹²⁾ | 6.3% ¹³⁾ | 5.2% | 5.2% | 8.7% | 5.3% | 161.6% ^{12),13),14)} |
| USD closing price | (73.9%) | 64.1% | 65.7% | 24.1% | 30.6% | 11.5% | 6.6% | 12.7% | — | — | — | |
| CHF closing price | (75.2%) | 57.4% | 50.2% | 24.5% | 28.7% | 7.3% | 20.1% | 14.3% | (6.4%) | 16.6% | (9.5%) | 55.8% |

¹⁾ Adjusted for the ten for one share split.

²⁾ Of which 191,853 owned by the Group.

³⁾ Of which 1,726,060 owned by the Group.

⁴⁾ Of which 3,771,129 owned by the Group (575,885 in treasury and 3,195,244 for cancellation). On 12 July 2012, 1,500,000 shares purchased in the 2011 share buyback program were cancelled.

⁵⁾ Of which 1,782,385 owned by the Group (575,885 in treasury and 1,206,500 for cancellation). On 22 August 2013, 4,170,000 shares purchased on the 2012/2013 share buyback program were cancelled.

⁶⁾ 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.

⁷⁾ 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.

⁸⁾ Of which 2,320,072 owned by the Group. On 5 August 2016, 4,235,539 shares purchased via share buyback programs were cancelled.

⁹⁾ Of which 1,876,234 owned by the Group. On 26 September 2017, 2,904,511 shares purchased via share buyback programs were cancelled.

¹⁰⁾ Of which 6,231,357 owned by the Group. On 7 August 2018, 8,301,455 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 distributions of general legal reserves from capital contributions 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 distributions of general legal reserves from capital contributions of CHF 1.25/USD 1.40 on 22 May 2014, and CHF 1.40/USD 1.43 on 5 December 2014.

¹⁴⁾ Adjusted for distributions of general legal reserves from capital contributions of CHF 1.00/USD 1.01 on 22 May 2018.

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

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