ZugEstates

Annual Report

2012

At a glance

		2012	2011	%
Zug Estates Group				
Operating revenue (excl. income from revaluation of inv. properties)	TCHF	53 520	49 665	7.8%
Operating expenses	TCHF	24 613	22 418	9.8%
Operating income before depreciation and revaluation	TCHF	28 907	27 247	6.1%
Revaluation of investment properties (net)	TCHF	47 772	40 690	17.4%
Income from sale of investment properties	TCHF	2 215	–	–
EBITDA	TCHF	78 894	67 937	16.1%
EBIT	TCHF	75 215	64 224	17.1%
Net income	TCHF	57 886	50 074	15.6%
Net income excluding income from revaluation [1]	TCHF	18 181	15 629	16.3%
Total assets	TCHF	945 721	888 260	6.5%
Interest-bearing debt	TCHF	250 000	250 000	0.0%
– Debt ratio		26.4%	28.1%	–
Shareholders' equity (NAV)	TCHF	601 908	557 130	8.0%
– Equity ratio		63.6%	62.7%	–
– Return on equity [2]		10.0%	10.0%	–
Headcount	FTE	153.7	159.9	– 3.9%
Share				
Closing price [3]	CHF	1 200	–	–
Market capitalization [3, 4]	TCHF	602 652	–	–
Earnings per series B registered share [5]	CHF	114.38	98.18	16.5%
Distribution per series B registered share [6]	CHF	15.00	–	–
Shareholders' equity (NAV) per series B register share [4]	CHF	1 198.52	1 092.41	9.7%
EPRA NAV per series B registered share [4]	CHF	1 310.06	1 194.51	9.7%
Portfolio				
Investment properties on cut-off date		12	11	9.1%
Investment properties	TCHF	675 644	552 921	22.2%
Investment properties under construction	TCHF	111 234	112 503	– 1.1%
Undeveloped plots	TCHF	11 311	10 011	13.0%
Total real estate portfolio	TCHF	**798 189**	**675 435**	**18.2%**
Operating properties (market value) [7]	TCHF	105 624	105 504	0.1%
Total portfolio	TCHF	**903 813**	**780 939**	**15.7%**
Property income [8]	TCHF	29 045	25 533	13.8%
Vacancy rate investment properties [9]		1.4%	1.0%	–
Gross return investment properties [10]		4.7%	5.0%	–
Gross return operating properties [11]		6.5%	6.5%	–

Pro forma values, with the exception of values as at the cut-off date of 31.12.2012

[1] Equal to net income excluding income from revaluation of investment properties (net), excluding income from sale of investment properties and excluding income from securities and corresponding deferred taxes
[2] In relation to average shareholders' equity
[3] The company's series B registered shares have been listed on SIX Swiss Exchange Ltd since July 2, 2012
[4] In relation to number of shares outstanding (series A registered shares converted)
[5] In relation to number of shares on average outstanding (series A registered shares converted)
[6] Proposed by board of directors, in form of cash distribution from reserves from capital contributions
[7] In accordance with accounting regulations, operating properties are stated at cost less write-downs
[8] Comprises rental income and income from Miteigentümergemeinschaft Metalli
[9] As at the balanced sheet date, as a percentage of projected rental income
[10] Projected rental income (annualized) as a percentage of the market value on the balance sheet date
[11] Projected rental income from point of view of real estate business unit (annualized) as a percentage of the market value on the balance sheet date

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Report to the shareholders

Dear shareholders,

Zug Estates can trace its roots in the center of the city of Zug back to 1887. This long historic link with the region is reflected in the name Zug Estates together with the company's focus on attractive, centrally located sites.

Following the successful spin-off into Zug Estates in July 2012, the board of directors and group management are pleased to present shareholders with the now directly listed company's first, as well as gratifying, annual report.

Bubbles – yesterday and today?

Some 25 years ago Switzerland faced a real estate bubble that sent prices soaring to levels not seen since in some instances. Warnings of exaggerations are rife everywhere with property prices on a continual upward trend for the last 15 years. Even the 2008 financial crisis failed to curb the rise in prices. On the contrary: Interest rate interventions by the central banks, together with Switzerland's solid economic performance, high net immigration and readily available credit financing, created a very favorable constellation for real estate, triggering sharp price increases. In a market climate such as this, it is particularly crucial for a real estate company to be robustly positioned in different market segments.

Bricks – value growth from within

Zug Estates focuses on large, centrally located sites with a bal-anced mixed of uses, including residential, office, retail, hotel and parking. This type of mix benefits from internal synergies and has its own special vibrancy. The Zug Estates portfolio will soon be reaching the one billion Swiss franc mark, and the sites still offer further considerable development potential to be successively locked into over the next few years. Acting under no compulsion, Zug Estates can take an innovative, project-specific approach which, underpinned by secure long-term funding, is geared to generating value that is not solely dependent on general market trends.

Bytes – zero-zero vision

Zug Estates aims to create genuine added value by consolidating the available resources and adopting sustainability programs designed to increase the security of supplies and enhance comfort, while at the same time reducing operating costs. The bottom line is more than just the now commonplace certification of real estate: Zug Estates follows a sustainable system approach that relies on smart measurement and control to produce operational added value. The long-term goal is a portfolio containing buildings with no carbon footprint (first zero) and needing no additional supply of primary energy as possible (second zero), as is currently the case at the Suurstoffi site in Risch Rotkreuz.

Building on these principles, Zug Estates is endeavoring to offer its shareholders further-reaching prospects. Envisaged is a real estate company which, even if the property sector undergoes a paradigm shift, can maintain its position and continue to grow value from within – an investment in future-proof sites.

2012 – a good year

In the report year, residents took occupancy of units on the first construction site in the Suurstoffi development, and additional retail and office space was handed over to tenants at the Metalli Center. The new space was extremely well absorbed by the market. Operating revenue rose accordingly, up 7.8% year-on-year to CHF 53.5 million. Operating income (EBIT) – including income of CHF 47.8 million from the revaluation of investment properties – rose by 17.1% to CHF 75.2 million, and net income was lifted by 15.6% to CHF 57.9 million.

Fast growth

Zug Estates consistently pursued its growth strategy in the year under review, investing CHF 90.6 million in the continuing expansion of its portfolio. As at the end of the year, the entire portfolio had a book value of CHF 840.4 million (31.12.2011: CHF 719.8 million). In accordance with accounting principles, operating properties are stated at cost less write-downs. The fair value of these properties, which is also determined annually, is CHF 105.6 million, and the fair value of the entire portfolio thus amounts to CHF 903.8 million (previous year: CHF 780.9 million).

Attractive overall return

On account of this good result – and the significant upward valuations, which as non-cash positions are not factored into the payout base at Zug Estates – the board of directors proposes to the general meeting of shareholders a cash distribution at the top end of the communicated strategic range: the payout from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.50 per series A registered share and CHF 15.00 per series B registered share. This, in conjunction with the 9.7% increase in NAV achieved in the year under review, results in an attractive overall return of 11.0%.

Outlook

Zug Estates expects trends in the Swiss real estate sector to flatten out in 2013. However, the Zug area is still likely to retain its above-average appeal and the healthy demand for living space will continue. Demand for floorspace in the Zug Estates Group's commercial units will hold steady as they are all in prime locations. The continuing expansion of the portfolio will lead to a further substantial increase in operating income before revaluation in the 2013 financial year. Owing to the anticipated slowdown in market momentum, the Group expects to see a year-on-year decrease in income from the revaluation of investment properties, with an associated reduction in net income. In the years to come as well, Zug Estates plans to invest between CHF 50 million and CHF 100 million p.a. in its portfolio, which should therefore continually increase in value.

Heinz M. Buhofer
Chairman of the board of directors

Stephan Wintsch
Chief Executive Officer

Zug City Center site, Metalli shopping mall

Brief profile

The Zug Estates Group originates, develops, markets and manages properties in the Zug region, focusing on centrally located sites suitable for a wide range of uses and with potential for sustainable development.

A large part of the real estate portfolio is located at two sites in Zug and Risch Rotkreuz and is broadly diversified by type of use. The Group also operates a city resort in Zug, incorporating the two leading business hotels Parkhotel Zug and City Garden along with a broad range of restaurant outlets. The total value of the portfolio as at the end of 2012 ran to CHF 903.8 million.

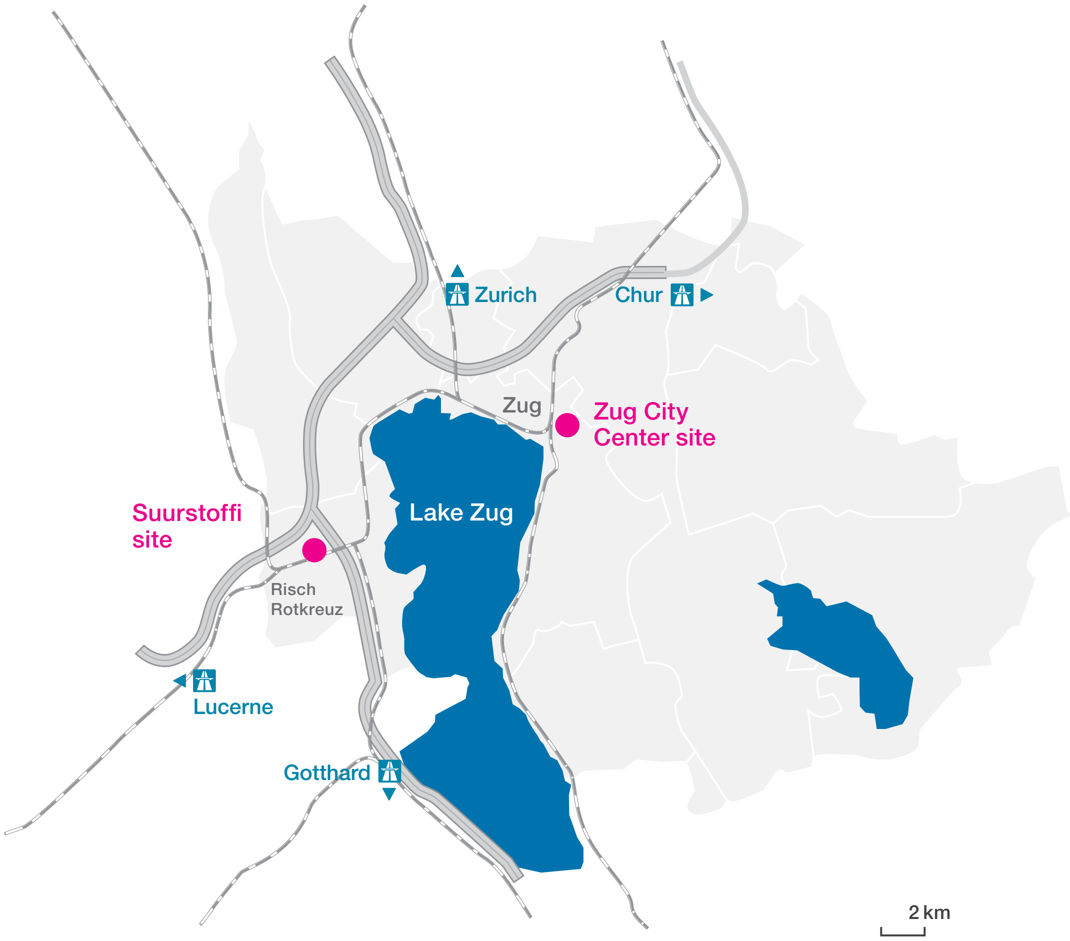
Integrated business model

The Zug Estates Group adopts an integrated business model that covers a property's entire life cycle. It originates, develops, builds, manages and markets properties, provides technical services and ensures that the value of the investment is maintained. The real estate portfolio is actively managed and forms the basis for the long-term growth of the Group.

Comprehensive development strategy

The Zug Estates Group focuses on central locations permitting high development densities and a balanced mix of living, working and recreational facilities. It implements development concepts which are geared to the specific features of the location, exploit the synergies between buildings and view the overall site as an integral urban system.

In Zug, the Group has a majority stake in the Metalli Center complex as well as other residential and commercial properties. In Risch Rotkreuz, the Zug Estates Group is in the process of developing an integral urban quarter with apartments and commercial units. The portfolio exhibits an accordingly high degree of diversification in terms of facility types. By concentrating on the city of Zug and surrounding regions, the Zug Estates Group is able to capitalize on its market intelligence and familiarity with the local business community.



Continuous expansion of portfolio

The Group pursues an active growth policy, investing between CHF 50 million and CHF 100 million p.a. in the development of its portfolio. This growth is underpinned by a solid equity base. To safeguard its independence in the long term as well, the Group has opted to limit interest-bearing debt to a level equal to 40% of total assets.

Additional hotel and catering facilities

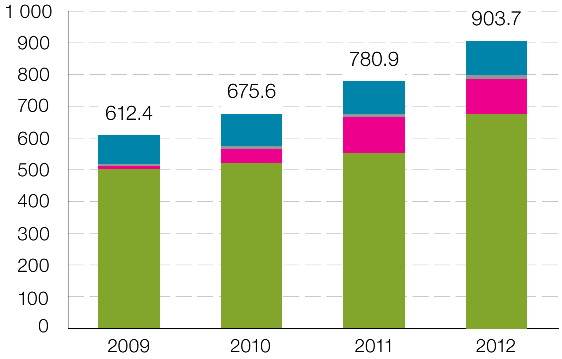
The Group also operates a four-star city resort geared to the needs of business clients, comprising two prominent establishments, Parkhotel Zug and City Garden, along with serviced city apartments. The total capacity runs to around 250 accommodation units, as well as catering and seminar/conferencing facilities. Integrated directly into the Center site, the city resort creates additional synergy potential and attracts 50 000 hotel guests a year to the site, including 90% from abroad.

Committed to sustainability

The Zug Estates Group acknowledges its responsibility to society at large and supports the principles of sustainability. It accords top priority to environmental issues and the efficient use of natural resources. The sustainable investment policy underlying the Zug Estates Group's growth strategy centers not only on the cost effectiveness of real estate projects, but also on the associated resource consumption over the entire life cycle. Hence the focus on central sites that generate synergies between "networked" buildings.

Value of portfolio

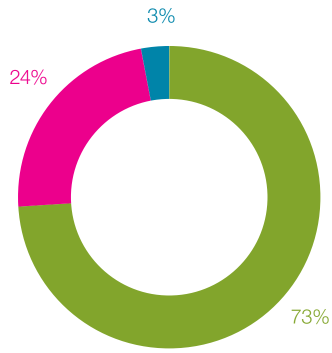
in CHF millions



Investment properties
Investments properies under construction
Undeveloped plots
Operating properties (at market value)

Portfolio by site

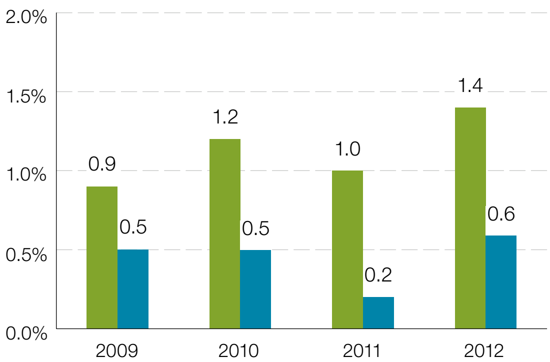
Based on fair value as at December 31, 2012



Zug City Center site
Suurstoffi site, Risch Rotkreuz
Other

Vacancy rate

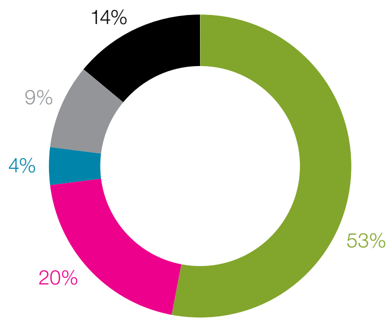
As at cut-off date



Vacancy rate investment properties (adjusted)
Vacancy rate operating properties

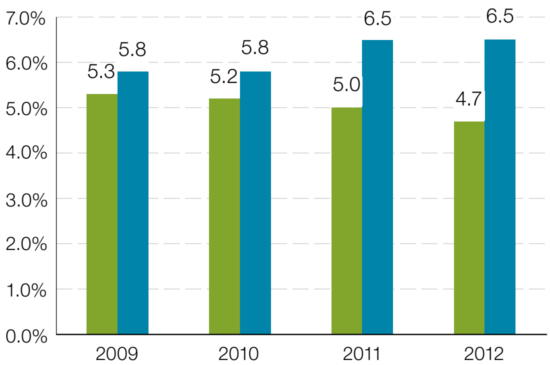
Portfolio by type of property

Based on fair value as at December 31, 2012



Mixed-use properties
Residential properties
Commercial properties
Hotel properties
Development properties/Sites

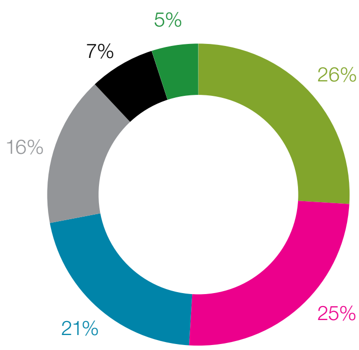
Gross return



Investment properties
Operating properties

Portfolio by use

Based on projected rental revenue as at December 31, 2012



Residential
Retail
Office
Hotel & catering
Parking
Other

The site at the heart of Zug is frequented by more than four million people each year.

Zug City Center site

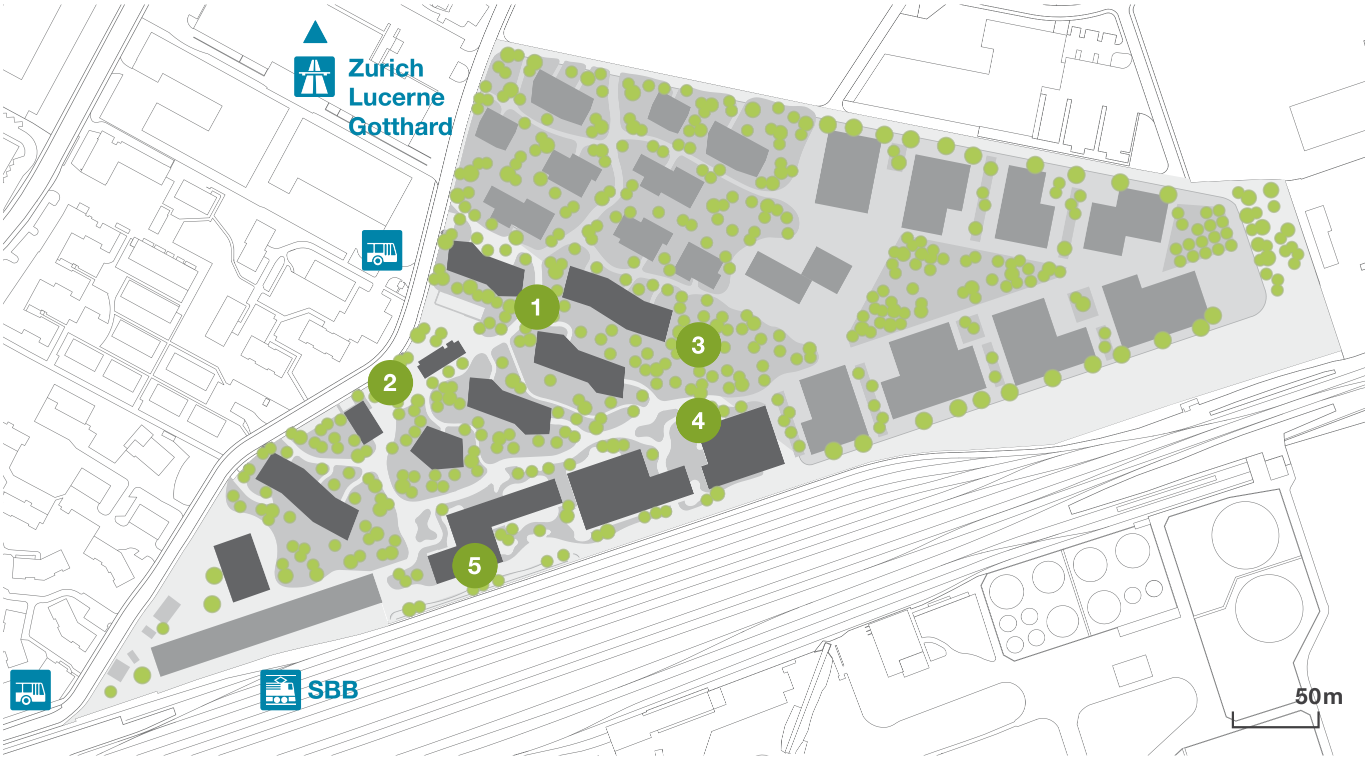
Located close to Zug train station and offering excellent transport links, the site houses the Metalli Center complex – with over 50 shops, office and residential units, the two leading business hotels (Parkhotel Zug and City Garden) – as well as other residential and commercial properties.

1 City Garden Hotel, Zug
2 Baarerstrasse 14a, Zug
3 Metalli shopping mall (co-ownership)
4 Haldenstrasse 12-16, Zug
5 Parkhotel Zug, Zug

Key data as at 31.12.2012

Site area	58 213 m²
Residents	approx. 700
Workplaces	approx. 2 000
Local amenities	Metalli shopping mall with 14,000 m² effective sales area plus a variety of catering, healthcare, childcare, educational, training and cultural facilities
Access	Direct link to Zug train station and bus station; Baar and Zug motorway interchange within 5-minute drive from site

Suurstoffi site



The coming years will the see the Suurstoffi site evolve into an integrated, traffic-free neighborhood with a combination of living, working and recreational facilities. Once completed, it will accommodate some 1,500 residents and around 2,500 workplaces.

1 Suurstoffi 13 and 15, Risch Rotkreuz
2 Suurstoffi neighborhood center, Risch Rotkreuz
3 Suurstoffi site, Risch Rotkreuz, playground
4 Novartis office building, Risch Rotkreuz
5 Suurstoffi 8, Risch Rotkreuz

Key data as at 31.12.2012

Site area	104 144 m²
Residents	approx. 260
Workplaces	approx. 10
Local amenities	Education (private international school), childcare, Mobility, fitness center (as of September 2013), other facilities are being marketed, shops and other local facilities in village
Access	Train station (Interregio route) nearby, several bus stops served by regional bus and postbus system on site, Rotkreuz motorway interchange is 2-minute drive from site

The Suurstoffi site is operated using a CO_2-free energy concept.

Zug City Center site, Haldenstrasse 16

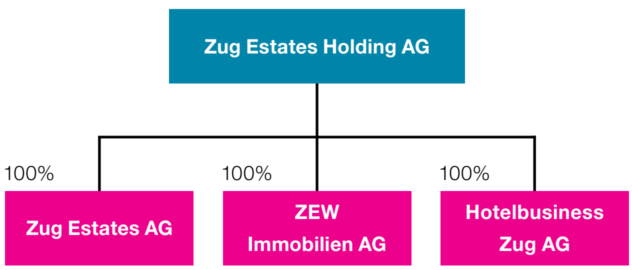
Corporate governance report

Zug Estates Holding AG is committed to the principles of good corporate governance. This is shown by its efficient management structure, extensive control mechanisms and transparent information policy.

The following information refers to the situation as at December 31, 2012, or to the year under review (2012) respectively, unless stated otherwise. No significant changes occurred between December 31, 2012 and the submission deadline for the annual report. To aid orientation, the order and numbering of chapters are in line with those of the "Directive on Information relating to Corporate Governance" issued by SIX Swiss Exchange.

1. Group structure and shareholders

1.1 Group structure



The list of consolidated companies can be found in the financial report on page 54.

1.2 Significant shareholders

All the significant shareholders who are known to Zug Estates Holding AG are listed in the financial report on page 74 or 63, (see "Significant shareholders"). Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer own a total of 68.1% of the voting rights together with Buhofer Trust II, a fixed-interest trust according to the law of Liechtenstein. Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer, Julia Häcki and Maurus Häcki indirectly hold a participating interest in Zug Estates Holding AG via this trust, alongside Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer. Other than the above, there are no mutual agreements between shareholders who are subject to registration. The aforementioned group of shareholders also jointly hold - via Buhofer Trust I, Vaduz, Liechtenstein (a fixed-interest trust according to the law of Liechtenstein) - a 67.2% (voting rights) stake in Metall Zug AG, which holds 60 000 series B registered shares in Zug Estates Holding AG (2.7% of the voting rights). This indirect participation is included in full in the stake of 68.1% of the voting rights reported for Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer together with Buhofer Trust II.

In the reporting period no disclosures were made pursuant to article 20 of the Swiss Stock Exchange Act (SESTA).

1.3 Cross-shareholdings

Zug Estates Holding AG has no cross-shareholdings of more than 5% of the voting rights or of the capital.

2. Capital structure

2.1 Capital

The composition of the share capital is described in the financial report on page 63 (see "Composition of the share capital").

2.2 Authorized and conditional capital

The company has no authorized or conditional capital at its disposal.

2.3 Changes in capital

Information on the changes in capital in the reporting period is listed in the financial report on page 53 (see "Statement of shareholders' equity"). Since the company was founded during the reporting period, the information on changes in capital in the two preceding years is not applicable.

2.4 Shares and participation certificates

Detailed information on the shares of Zug Estates Holding AG (number of shares, type and par value) is available in the financial report on page 63 (see "Composition of the share capital"). Series A registered shares are not listed. Series B registered shares are listed on the SIX Swiss Exchange, Zurich (securities number 14805212, ISIN CH0148052126).

2.5 Participation certificates and dividend-right certificates

The company has no outstanding participation certificates or dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

In relation to the company, only those registered in the share register are recognized as registered shareholders or beneficiaries. An entry is made in the share register:

- If, according to the information available to the company, recognizing an applicant as a shareholder does not and could not prevent the company and/or its subsidiaries from providing legally required proof of the composition of its circle of shareholders and/or beneficial owners, particularly pursuant to the Federal Law on the Acquisition of Real Estate by Foreign Nationals;
- If the applicant expressly declares that these registered shares have been acquired in the applicant's own name and on their own account.

Persons who do not expressly state in the application for registration that they hold the shares for their own account (nominees) may be entered in the share register as entitled to vote, provided that such persons have entered into an agreement with the board of directors concerning their status and are subject to a recognized bank or financial market supervision.

The transfer of series A registered shares is subject to approval by the board of directors in each instance. Approval can be denied for important reasons. The following count as important reasons:

- To ward off buyers who operate a business that competes with the purpose of the company, who have a participating interest in such a business or who are employed by such a business;
- To ensure that the company remains independent based on the voting-rights-related control of the group of current registered shareholders. Spouses and descendants of the current circle of shareholders must as a rule be admitted;
- To acquire or to hold shares on behalf of third parties or in the interests of third parties.

Approval can be denied without giving reasons, provided that the board of directors acquires the shares (for the account of the company, specific shareholders or third parties) at their actual value at the time when the request was submitted.

2.7 Convertible bonds and warrants/options

The company has no outstanding convertible bonds or warrants/options.

3. Board of directors

3.1 Members of the board of directors

	First appointed	End of term
Heinz M. Buhofer, CH, 1956 Chairman of the board of directors (non-executive)	2012	2013
Hannes Wüest, CH, 1946 Vice-chairman of the board of directors (non-executive [1])	2012	2013
Prof. Dr. Annelies Häcki Buhofer, CH, 1954 Member of the board of directors (non-executive)	2012	2013
Dr. Hajo Leutenegger, CH, 1944 Member of the board of directors (non-executive)	2012	2013
Heinz Stübi, CH, 1954 Member of the board of directors (non-executive)	2012	2013
Martin Wipfli, CH, 1963 Member of the board of directors (non-executive)	2012	2013

[1] Hannes Wüest bore operational responsibility in his capacity as delegate to the board of directors of MZ-Immobilien AG until June 2012

3.2 Other activities and vested interests

Heinz M. Buhofer

Education Master of economics (lic. oec.), University of St. Gallen

Professional background Managing director of Metall Zug AG, Zug, 2002–2008

Previous activities for the Zug Estates Group member of the board of directors of MZ-Immobilien AG, 1999-2012 (chairman 2000-2007 and 2009-2012); various operational functions at MZ-Immobilien AG, 1984-1997

Activities in governing and supervisory bodies Chairman of the board of directors of Metall Zug AG, Zug, and other boards of directors of the Metall Zug Group; member of the board of directors of Wasserwerke Zug AG, Zug

Hannes Wüest

Education Master of cultural engineering, Swiss Federal Institute of Technology (ETH), Zurich

Professional background Delegate to the board of directors of MZ-Immobilien AG, 2009-2012; founder and managing director of Wüest & Partner AG, Zurich, 1985-2006

Previous activities for the Zug Estates Group Member of the board of directors of MZ-Immobilien AG, 2007-2012

Activities in governing and supervisory bodies Member of the board of directors of V-Zug Immobilien AG, Zug

Prof. Dr. Annelies Häcki Buhofer

Education PhD, University of Zurich

Professional background Management roles within the Faculty of Humanities at the University of Basel, since 2002; professor of German Linguistics at the University of Basel, since 1989

Previous activities for the Zug Estates Group Member of the board of directors of MZ-Immobilien AG, 1997-2012

Activities in governing and supervisory bodies Chairman of the board of directors of BURU Holding AG, Cham; role in management bodies of national and international professional associations; member of the Research Council of the Swiss National Science Foundation

Heinz M. Buhofer

Hannes Wüest

Prof. Dr. Annelies Häcki Buhofer

Dr. Hajo Leutenegger

Heinz Stübi

Martin Wipfli

Dr. Hajo Leutenegger

Education Doctorate in engineering, Swiss Federal Institute of Technology (ETH), Zurich

Professional background CEO of Wasserwerke Zug AG, 1986–2009

Previous activities for the Zug Estates Group Member of the board of directors of MZ-Immobilien AG, 2000-2012

Activities in governing and supervisory bodies Member of the board of directors of Wasserwerke Zug AG, Swissgas AG and Parkleitsystem Zug AG; President of the VSG (Swiss Gas Industry Association) and member of the advisory council of WERZ (Institute for Knowledge, Energy and Raw Materials, Zug); Vice-President of the Swiss Energy Forum, Swiss Energy Council, V3E (thermal energy coupling); member of the managing board of Economiesuisse and Industriepfad Lorze; member of the owners' committee of MEG Metalli, member of the board of trustees of the Landscape and Animal Park Goldau and of the advisory board of the ESC (Energy Science Center, ETH Zurich)

Heinz Stübi

Education Master of economics (lic. oec.), University of St. Gallen, chartered accountant

Professional background Independent entrepreneur, since 2006; deputy CFO, CIO and Head of Operations Latin America of the Bosch Packaging Division, Sigpack International AG, Neuhausen, 2004-2005; CFO SIG Pack Division, SIG Holding AG, Neuhausen, 2000-2004; Head of Finance and Administration Saurer Sticksysteme AG, Arbon, 1993-2000; various positions within Finance unit at Roche Group, Basel, 1980-1993

Previous activities for the Zug Estates Group None

Activities in governing and supervisory bodies Chairman of the board of directors of Thurella AG, Egnach and Biotta AG, Tägerwilen; member of the board of directors of Ospelt Holding Anstalt, Bendern (Liechtenstein)

Martin Wipfli

Education Attorney, Master of law (lic. iur.), University of Berne

Professional background Executive partner at Baryon AG, since 1998; partner with Tax Partner AG, Zurich, 1997-1998; Head of the Tax Department of Bank Leu Ltd, Zurich, 1995-1997; tax advisor with ATAG Ernst & Young AG, Zurich, 1990-1995

Previous activities for the Zug Estates Group Member of the board of directors of MZ-Immobilien AG, 2011-2012

Activities in governing and supervisory bodies Chairman of the board of directors of ELMA Electronic AG, Wetzikon; chairman of the board of directors of nebag ag, Zurich; member of the board of directors of Metall Zug AG; directorships at other, unlisted companies

3.3 Elections and terms of office

Members of the board of directors are elected by the general meeting of shareholders, usually on an individual basis and for a period of one year in each case. They may be re-elected at any time, but must step down finally upon reaching the age of 70, i.e. on the date of the next general meeting of shareholders.

3.4 Internal organizational structure

In the year under review the board of directors held five official meetings, which were also attended by the members of Group Management. These meetings typically last half a day. The agenda items for the meetings of the board of directors are specified by the chairman and prepared by Group Management. Every member of the board of directors and every member of Group Management is entitled to request that a meeting be convened, specifying the meeting's purpose. Ten days prior to a meeting of the board of directors, the members of the board of directors will receive documentation that allows them to prepare for the discussion of the agenda items. Decisions are made by the entire board of directors with the assistance of the following three committees: the Strategy and Investment Committee, the Nomination and Compensation Committee, and the Audit Committee.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee usually meets monthly; ten meetings took place in the year under review. It drafts company strategy for the attention of the board of directors and steers the investment process. The committee receives investment proposals for preliminary evaluation and makes recommendations to the board of directors. It also initiates the implementation of approved projects depending on the marketing situation and monitors the execution of these transactions. The Strategy and Investment Committee assists the board of directors in managing the hotel and catering business unit, since the directors of the hotel companies report directly to the committee. Hannes Wüest (Chairman) and Heinz M. Buhofer serve on the Strategy and Investment Committee, and the CEO also participates in their discussions.

NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee met three times in the year under review. It develops and reviews the principles of the company's corporate governance. It regularly reviews the composition and size of the board of directors and its committees and the boards of the subsidiaries and Group Management, and nominates suitable candidates for the various managing bodies to the board of directors. In addition, it submits to the board of directors proposals regarding the remuneration of the board of directors and Group Management, and scrutinizes and reviews the targets and principles of the staffing policy on behalf of the board of directors. Furthermore, it reviews the assessments put forward by the CEO in respect of members of Group Management and monitors staff development and staff succession planning, along with the relevant development measures. Heinz M. Buhofer (Chairman), Hannes Wüest and Martin Wipfli serve on the Nomination and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee usually meets quarterly. Five meetings were held during the reporting year. The Audit Committee assists the board of directors in fulfilling its supervisory responsibility by reviewing the financial information provided to shareholders and third parties, the internal control systems and the auditing process. It makes an independent assessment of the quality of the annual financial statements, including the appraisal reports of estimated market values, and discusses these with Group Management and the auditors. The Audit Committee proposes to the board of directors as to whether the financial statements may be recommended for submission to the general meeting of shareholders. In addition, it specifies the plan and scope of the work conducted by the auditors, evaluates the auditors' performance and remuneration, ensures that the auditors are independent, and checks that the auditing is compatible with any other advisory mandates. The Audit Committee also assesses the efficiency of the internal control system with due consideration of risk management and evaluates compliance with laws, regulations, and accounting standards as well as adherence to internal rules and directives. Martin Wipfli (Chairman) and Heinz Stübi serve on the Audit Committee. The CEO, CFO and auditors also attend the meetings.

3.5 Definition of areas of responsibility

The board of directors has established organizational regulations regarding the distribution of areas of responsibility between Group Management and the board of directors. These can be found at www.zugestates.ch. In principle, Group Management's mandate is comprehensive. Even if an area of responsibility lies with the board of directors, Group Management is expected to take the intellectual initiatives and to deal with emerging business opportunities until they are ready for a decision.

3.6 Information and control instruments vis-à-vis Group Management

The board of directors controls Group Management and supervises its method of working. The Zug Estates Group has a comprehensive management information system. The board of directors is informed of the Group's operational and financial performance every quarter. Reports are produced monthly for the most important Group companies. These compare the results with the same period of the previous year and with the budget. The achievability of budgets, which are integrated into rolling medium-term plans, is reviewed several times a year on the basis of extrapolations. Furthermore, Group Management keeps the board of directors fully informed at board meetings about how business is progressing.

The board of directors has put in place a comprehensive system for monitoring and managing the risks associated with the company's activity. This process involves risk identification, risk analysis, risk management, and risk reporting. Group Management is responsible for monitoring and managing risk. In the case of major single risks, certain individuals are assigned responsibility for taking concrete measures to manage these risks and for monitoring their implementation. On behalf of the Audit Committee, Group Management draws up a risk report for the board of directors at regular intervals.

Gabriela Theus and Stephan Wintsch

4. Group Management

4.1 Members of Group Management

	since
Stephan Wintsch, CH, 1966, CEO	2012
Gabriela Theus, CH, 1973, CFO	2012

Stephan Wintsch – CEO

Education MBA, University of Rochester (NY)

Professional background Managing director of Metall Zug AG, 2008-2012; CFO/Head of Corporate Services, Metall Zug AG, 2004-2008; Group Controller, Siemens Building Technologies Zurich/ Zug, 2000-2004; Division Controller, Balzers & Leybold Instrumentation, Balzers (Liechtenstein), 1997-2000; assistant to the CEO, AO Foundation, Davos/Synthes AG, Chur, 1991-1997

Activities on governing and supervisory bodies Member of the board of directors of vonRoll infratec (Holding) AG, Zug, Transmission Technology Holding AG, Zug and HMZ Beteiligungen AG, Heerbrugg

Gabriela Theus – CFO

Education Master of economics (lic. oec.), University of St. Gallen; Corporate Real Estate Manager (ebs), European Business School

Professional background Director of Finance and Portfolio Management (member of senior management), MZ-Immobilien AG, 2010-2012; project leader for real estate transactions and valuation mandates (Vice President), Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) AG, 2005-2010; Senior Associate Real Estate, Ernst & Young AG, 2002-2005

Activities on governing and supervisory bodies None

4.2 Management contracts

There are no management contracts with companies outside the Group.

5. Compensation, shareholdings and loans

Information on the procedure for determining the compensation of members of the board of directors and Group Management and on the compensation amounts paid to members of the board of directors and Group Management is available on pages 75 an 76 of the notes to the annual financial statements of Zug Estates Holding AG.

6. Shareholders' participation

6.1 Voting rights restrictions and representation of voting rights

All shareholders may attend the general meeting of shareholders in person to exercise their rights or act at the general meeting of shareholders through written proxy to another shareholder entitled to vote, the portfolio representative, the corporate proxy, or the proxy for deposited shares.

6.2 Statutory quorums

In addition to the cases listed in article 704 of the Swiss Code of Obligations (CO), resolutions on the conversion of registered shares into bearer shares (and vice versa), the restriction on transferability of registered shares and the relaxation or cancellation of the restriction require the approval of at least two-thirds of the voting shares represented and an absolute majority of the nominal share value represented. In all other instances, the general meeting of shareholders of Zug Estates AG shall adopt resolutions and hold elections by the majority of voting shares cast, irrespective of the number of shareholders present and of the number of voting shares represented.

6.3 Convocation of the general meeting of shareholders

Convocation of the general meeting of shareholders follows the legal provisions.

6.4 Agenda items

In principle, items are placed on the agenda in compliance with the legal provisions. Shareholders representing shares with a par value of at least one million Swiss francs may request in writing, and upon specification of the motion, inclusion of an item in the agenda within 40 days prior to the general meeting unless the group issues a public notice specifying a different deadline. The written request must be accompanied by a statement issued by a bank confirming that the shares are deposited until after the general meeting.

6.5 Inscriptions into the share register

Registered shareholders who are listed in the share register as shareholders entitled to vote on the day when the invitation to the general meeting of shareholders is published in the Swiss Official Gazette of Commerce (SOGC), i.e. usually about 20 days prior to the date of the meeting, directly receive the invitation to the general meeting. No entries will be made in the share register between this date and the day of the general meeting.

7. Changes of control and defense measures

7.1 Duty to make an offer

The duty to make a public offer to purchase according to articles 32 and 52 of the Swiss Stock Exchange Act (SESTA) is waived pursuant to article 53 SESTA ("opting out").

7.2 Clauses on changes of control

In the event of a change of control, Zug Estates Holding AG is not obliged to make any additional payments, either for the benefit of the members of the board of directors or for the benefit of members of Group Management or any other executives.

8. Auditing body

8.1 Duration of the mandate and term of office of the lead auditor

Ernst & Young AG, Zug, has been the auditor of the operating companies since 2006. The lead auditor has also exercised this function since 2006.

8.2 Auditing fees

Ernst & Young AG, Zug, invoiced Zug Estates Holding AG or the Zug Estates Group TCHF 130 during the reporting period for services in connection with the auditing of the annual financial statements of Zug Estates Holding AG and its subsidiaries and the consolidated financial statements of the Zug Estates Group.

8.3 Additional fees

In addition, Ernst & Young AG, Zug, invoiced Zug Estates Holding AG (Zug Estates Group) TCHF 110 during the reporting period for services in connection with the stock exchange listing.

8.4 Information tools used for the external audit

The Audit Committee assesses the performance, the remuneration and the independence of the auditor on an annual basis and reports to the board of directors. The board of directors makes proposals to the general meeting of shareholders regarding the election of the auditor and monitors compliance with the rotation schedule for the lead auditor (seven-year period). On an annual basis, the Audit Committee and Group Management jointly review the external audit scope as well as the general conditions for any additional assignments. The Audit Committee also discusses the results of the audit with the external auditors.

9. Information policy

The Zug Estates Group has a transparent information policy vis-à-vis the public and the financial markets. Media releases are issued if an important event occurs. The Zug Estates Group publishes its figures twice a year in the half-yearly report and the annual report. The current media releases, important dates as well as general information about Zug Estates Holding AG or the Zug Estates Group can be viewed at www.zugestates.ch.

Zug City Center site, Baarerstrasse 14a

Sustainability report

Sustainability issues are particularly crucial in the context of buildings on account of their exceptionally long service lives. Zug Estates aims to progressively implement the zero-zero vision in its portfolio: buildings which have no carbon footprint and can be operated without additional external energy. The new buildings on the Suurstoffi are already being realized according to these principles.

Not surprisingly, for long-horizon real estate investors such as the Zug Estates Group, sustainable practice assumes major importance.

Long-term investment demands sustainable thinking

Given its responsibility to society as a whole, its environmental awareness and particularly long investment timeframe, the Zug Estates Group has taken a series of decisions in recent years in support of a sustainable investment policy. Its wholehearted commitment to sustainability now filters down to the concrete practicalities of project development and implementation.

Central sites with high development densities

The Zug Estates Group consciously focuses its real estate investments on central locations with excellent infrastructure provision. The portfolio also includes sites that are suitable for high-density development and, in line with sustainability principles, able to accommodate a variety of facility types. Working from the location-specific factors, the Group adopts a multi-building system approach that treats each site as an integral urban entity, seeks a balanced use mix and creates numerous opportunities for social interaction.

The consistent implementation of these principles forms the backbone of a resource-efficient investment policy with high social utility that simultaneously spells long-term business success.

Major sustainability benefits offered by comprehensive development projects

The comprehensive development of larger sites offers substantial scope for sustainable action: it allows due consideration to be given to key issues such as land take, open space design and integral masterplanning. It can also reduce the strain on the transport system by reducing the need to commute.

Moreover, the networking of several sustainable buildings on a single site can achieve significant savings in terms of operating energy: thermal ground stores, for instance, can be used to even out energy consumption across the different seasons or collect waste heat from mechanical and electrical equipment.

As no off-the-shelf solutions exist for sustainable comprehensive development, the Zug Estates Group focuses on integral, tailored sustainability strategies to realize its holistic urban projects.

Zero-zero vision as long-term objective

In the long term, the Zug Estates Group aims to make its property portfolio energy-self-sufficient and conduct its business operations without any CO_2 emissions (zero-zero vision).

In developing and implementing its real estate projects, the Group has initially limited itself to setting environmentally relevant targets that it is largely able to meet autonomously:

- Energy: Use of renewable energy sources; energy- and resource-efficient practice
- Emissions: Reduction of greenhouse CO_2 emissions, other combustion gases and fine particles; reduction of noise and light emissions
- Materials and products: Use of renewable and low-pollutant materials, energy-efficient technologies, products and equipment; minimization of transportation distances; high manufacturing quality; longevity of materials and products
- Biodiversity: Landscape design to accommodate a wide variety of species; use of indigenous plants

The achievement of these goals during project implementation is also dictated by their economic and technical feasibility. The Suurstoffi project at Risch Rotkreuz marks a first milestone in the attainment of the defined targets. Its innovative energy concept will pave the way for CO_2-free, largely autonomous operation of the new quarter (see Suurstoffi project, pages 12 and13).

Independent energy surveys underline positive sustainability profile

The Zug Estates Group is committed to consistently optimizing the sustainability performance of its real estate portfolio on the gradual path to achieving its zero-zero vision. At the same time, it consciously dispenses with the standard building labels and sustainability assessment methods. Instead, it has commissioned the Center for Integrated Building Technology (ZIG) at the Lucerne University of Applied Sciences and Arts to provide independent sustainability support that includes regular monitoring of the entire portfolio.

In the 2012 financial year, the Group conducted its first full-scale survey and analysis of environmentally relevant consumption data. This involved an examination of data from 15 properties with a total usable floor area of 100 000 m². New-build and renovated facilities are only included in the analysis once consumption data for a full year are available. Consequently, the following results do not contain consumption data from buildings at the Suurstoffi site.

These consumption data include the properties at the Zug City Center site and the industrial property in Oberentfelden. In all the periods investigated, around two-thirds of the energy consumed by space heating and hot-water production were generated from gas and one-third from oil. Thanks to the com-

Overview of consumption data

(from October of previous year to September of report year)

	2010		2011		2012	
	Absolut	per m²	Absolut	per m²	Absolut	per m²
Rental space (rounded)	95 400 m²	–	100 900 m²	–	105 000 m²	–
Energy supply for heating and hot-water production [1]	**9.3 Mio kWh**	**97 kWh**	**8.7 Mio kWh**	**86 kWh**	**9.0 Mio kWh**	**85 kWh**
Residential/commercial properties	7.1 Mio kWh	96 kWh	6.5 Mio kWh	86 kWh	6.6 Mio kWh	86 kWh
Hotel properties	1.3 Mio kWh	187 kWh	1.5 Mio kWh	129 kWh	1.7 Mio kWh	123 kWh
Industrial property	0.8 Mio kWh	58 kWh	0.7 Mio kWh	53 kWh	0.6 Mio kWh	45 kWh
CO_2 equivalents heating / hot-water	**2 328 t**	**24 kg**	**2 186 t**	**22 kg**	**2 246 t**	**21 kg**
Electricity	**9.7 Mio kWh**	**102 kWh**	**9.4 Mio kWh**	**93 kWh**	**8.6 Mio kWh**	**82 kWh**
Residential/commercial properties	2.6 Mio kWh	34 kWh	2.8 Mio kWh	38 kWh	2.5 Mio kWh	32 kWh
Hotel properties [2]	1.0 Mio kWh	147 kWh	1.3 Mio kWh	112 kWh	1.6 Mio kWh	116 kWh
Industrial property [2]	6.1 Mio kWh	440 kWh	5.3 Mio kWh	379 kWh	4.6 Mio kWh	329 kWh
CO_2 equivalents electricity	**443 t**	**5 kg**	**424 t**	**4 kg**	**318 t**	**3 kg**
Water consumption [3]	**71 948 m³**	**0.75 m³**	**74 344 m³**	**0.74 m³**	**70 202 m³**	**0.68 m³**
Residential/commercial properties	57 623 m³	0.77 m³	57 051 m³	0.76 m³	54 102 m³	0.70 m³
Hotel properties	13 769 m³	1.95 m³	16 724 m³	1.43 m³	17 632 m³	1.29 m³
Industrial property	556 m³	0.04 m³	569 m³	0.04 m³	468 m³	0.03 m³

Data per square meter refer to rental space.

[1] Not adjusted for heating degree days
[2] Incl. power consumption by users
[3] General water consumption

missioning of new, energy-efficient buildings as well as targeted energy-saving measures in the Metalli shopping mall, thermal energy consumption in CO_2 equivalents has been cut by 3.5% in absolute terms since 2010 despite expansion of the portfolio. Savings per square meter reached an impressive 12.4%.

At the Suurstoffi site, geothermal energy is used for heating, cooling and hot-water production. The inclusion of buildings at this site in the analysis will further reduce CO_2 emissions per square meter.

Own photovoltaic system taken into service

Since January 2012, all the residential, commercial an hotel properties have been supplied with energy from renewable sources (hydrodynamic and solar power). In early 2012, the Group also commissioned a photovoltaic system with a projected annual power output of 330 000 kWh which has since generated 160 000 kWh of electricity. The photovoltaic system is being continually expanded.

Areal Suurstoffi, technical room (downhole exchangers)

Suurstoffi - a trailblazing project

With its Suurstoffi development project in Risch Rotkreuz, the Zug Estates Group is setting new standards in terms of sustainability. Scheduled for completion by 2018, the new, integral, traffic-free neighborhood will house some 1 500 residents and 2 500 workplaces on an approximately 10-hectare site. All mechanical and electrical equipment is designed for CO_2-free operation. On balance, the necessary energy is largely generated on-site.

The groundbreaking ceremony for the Suurstoffi development was held in summer 2010. The new urban quarter currently houses a population of over 250, with some 30 schoolchildren occupying the former, newly renovated Suurstoffi factory. Once the first development phase has been completed, in early 2013, there will be around 400 residents on the Suurstoffi site, plus an equivalent number of workers and some 50 pupils.

Easily accessible site with wide-ranging facilities

The site is centrally located with excellent transport links. In terms of public transport, the nearby Rotkreuz train station offers S-Bahn (rapid transit), express and Interregio train services, while various bus routes also run past the site. The nearest interchange with the central Swiss motorway system is only 800 meters away. The site is also crossed by a number of cycle paths.

The varied and balanced mix of facility types, which include apartments, offices and light-industrial units, with diverse layouts and sizes serves to attract a wide variety of tenant groups.

The arrival of some 400 Novartis employees in spring 2013 will mark the creation of a significant pharmaceuticals cluster at the site. Here, they will join Roche, as their immediate neighbor, and various other firms from the sector.

Urban infrastructure bolsters site appeal

The Alte Suurstoffi factory buildings are rented out on a long-term lease to the private provider of bilingual education SIS (Swiss International School), which opened its doors in August 2012 and plans to progressively expand its capacity to around 300 students in the years ahead.

Further long-term commercial leases concluded during the reporting period (with a day nursery and a fitness center operator) will additionally enrich the range of offerings within the quarter.

Suurstoffi – a meeting place with high amenity

Apart from its urban infrastructure, the Suurstoffi site will also offer generously sized and painstakingly modeled open spaces. A playground plus a series of plazas and more sheltered spots will create a variety of social meeting points.

The landscape design will feature a wide variety of vegetation with indigenous plants and diverse water features.

Once completed, the Suurstoffi quarter will include five hectares of appealingly designed, traffic-free outdoor space offering high amenity for both young and old.

Innovative energy concept

In pursuing the goal of CO_2-free operation, the buildings will be heated and cooled by means of a thermal energy network (the so-called "anergy network") spanning the entire site in conjunction with downhole heat exchangers. The necessary power will be generated on site by photovoltaic panels whose annual output will exceed consumption, with peak demand covered by the purchase of electricity from renewable sources.

The anergy network is based on a system of pipes that link up all the buildings. The "hot-water" pipe, with its relatively high flow temperature, serves as a heat source for the exchangers installed in the various buildings. The "cold-water" pipe carries chilled medium for the direct free cooling (without a heat pump) of buildings. The system is designed to permit the simultaneous heating of one building and the cooling of another.

The site anergy network allows waste heat (e.g. from cooling equipment, air-conditioning systems etc.) to be extracted from one building for reuse in another (e.g. for hot-water production). It thus exploits to full advantage the mix of uses (residential, office and light-industrial) on the site.

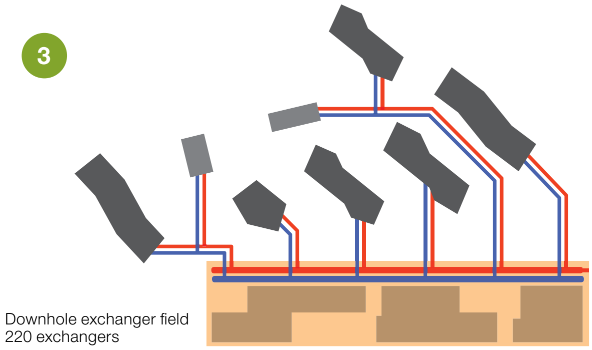
The anergy network truly comes into its own in the transitional periods when heat exchange within the network is the primary mechanism without drawing on the downhole exchangers. Optimization of the cross-building transfer and use of surplus energy by means of an intelligent control system makes this type of network some 20-30% more efficient than standalone solutions.

The site energy network with an array of 220 downhole exchangers is a complete novelty in terms of both magnitude and complexity. Not surprisingly, the pioneering project, which is supported by the Canton of Zug Planning Department and other organizations, has sparked intense interest.

Long-term impact of sustainable thinking

Completion of development work on all construction sites at the Suurstoffi site will mean that over 50% of the total floor area of the Zug Estates Group portfolio is supplied with CO_2-free, renewable energy.

Far from being an empty mantra, the Group's commitment to sustainability targets serves to demonstrate how today's development projects can already be tailored to the demands of tomorrow.



1 External area with high amenity value
2 Anergy network technical center
3 Situation plan with anergy network
4 Outside school hours, the former factory serves as a neighborhood center
5 Downhole exchanger driller

Areal Suurstoffi, anergy network

Financial year report

In a favorable market environment, the Zug Estates Group posted significantly higher results. Operating revenue before revaluation rose by 7.8% to CHF 53.5 million and net income came to CHF 57.9 million, up 15.6% on the previous year's figure. Excluding one-off and revaluation effects, income increased by 16.3% to CHF 18.2 million.

The Swiss economy is currently beset by the uncertain business climate in the European Union and the still overvalued national currency. In 2012, Switzerland's unemployment rate went up slightly. At over one percent, however, economic growth remained clearly in positive territory in 2012.

Persistently high immigration, coupled with the currently low interest levels and ready availability of debt financing, drove up demand for real estate in the last few years and triggered a price surge in this sector. The government responded to the increased risk of a bubble by tightening the regulatory framework. The business location of Zug nonetheless proved well able to hold its own in this challenging environment. This was underscored, among other things, by a low jobless rate and above-average purchasing power by international comparison. In addition to the attractive tax regime, its locational assets include the excellent public and private transport links, high-quality infrastructure with a wide range of educational facilities, and an outstanding quality of life. The trends in Zug's real estate market thus remained relatively stable in 2012. The demand for rental housing remained high. The residential vacancy rate as at June 1, 2012 rose to 0.5% (previous year: 0.3%) while the market liquidity for rental dwellings dropped to 5.4% (previous year: 5.7%). The office and retail market in Zug benefited from a steady, if moderately declining, demand among financially strong prospective tenants.

Encouraging rise in earnings

In 2012 (pro forma values), the Zug Estates Group increased its operating revenue before revaluation to CHF 53.5 million, equivalent to a 7.8% year-on-year rise. A major contribution to this welcome growth in earnings was made by the Real Estate business unit. Thanks to integration of the first buildings, with 141 rental apartments, and the first commercial units at the Suurstoffi site, the launch of additional office and retail space at the Metalli Center in Zug and various newly concluded leases, property income grew by CHF 3.5 million or 13.8% to CHF 29.0 million (previous year: 25.5 million) – and this despite a double reduction in apartment rents. Income from the hotel and catering business unit rose to CHF 20.7 million (previous year: CHF 20.4 million) in the face of adverse market conditions. The additional management effort needed for the expanded portfolio and one-time costs in connection with the July stock exchange listing pushed up operating expenses by CHF 2.2 million compared to the previous year. Operating income before revaluation increased by 6.1% to CHF 28.9 million in the reporting year.

The progress achieved with ongoing development projects, the successful conclusion of new and the extension of exist-ing leases, and the market-driven 23 bp cut in the average discount rate resulted in income from the revaluation of investment properties (net) in the region of CHF 47.8 million (previous year: 40.7 million). Moreover, a profit of CHF 2.2 million was realized through the sale of an investment property. Operating profit (EBIT) consequently rose by CHF 11.0 million to CHF 75.2 million.

The financial result was impacted by unrealized losses of CHF 3.3 million on the securities obtained with the capital increase. At the same time, tax expenditure only rose by CHF 0.3 million year on year in the wake of a reduction in the applicable tax rate. Net income totaled CHF 57.9 million, CHF 7.8 million or 18.3% higher than the previous year's figure. Excluding one-off and revaluation effects, i.e. the net result of income from the revaluation of investment properties, profit from the sale of investment properties, securities losses and corresponding deferred taxes, income increased by 16.3% to CHF 18.2 million.

Attractive overall return

Earnings per series B registered share rose by 16.5% to CHF 114.38. Excluding one-off and revaluation effects, earnings per series B registered share grew by 17.2% to CHF 35.92. On account of this good result, the board of directors proposes to the general meeting of shareholders a cash distribution at the top end of the strategic range: the payout from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.50 per series A registered share and CHF 15.00 per series B registered share. This, in conjunction with the 9.7% increase in NAV to CHF 119.85 per series A registered share and CHF 1 198.52 per series B registered share, results in an attractive overall return of 11.0%.

Real estate portfolio expansion proceeds to plan

At the end of December, the real estate portfolio comprised twelve investment properties, two investment properties under construction and one development site. A further six properties primarily serve the activities of the hotel and catering business unit. A strategic streamlining of the portfolio in the reporting year involved the sale of a residential property in Baar. Otherwise, aside from a land consolidation measure at the Suurstoffi site in Risch Rotkreuz, no other transactions were effected.

The Group consistently pursued its growth strategy in the year under review, investing some CHF 90.6 million in the continuing expansion of its portfolio. As at the end of the year, the entire portfolio had a book value of CHF 840.4 million (previous year: CHF 719.8 million). Operating properties are stated at cost less write-downs. The fair value of these properties is CHF 105.6 million, with the fair value of the entire portfolio thus amounting to CHF 903.8 million (previous year: CHF 780.9 million).

Solid equity base as strong foundation for growth

The Zug Estates Group can build on a solid equity base offering long-term stability. As at December 31, 2012, equity capital totaled CHF 601.9 million, equivalent to an equity ratio of 63.6% (previous year: 62.7%). Interest-bearing debt was unchanged at CHF 250 million at the end of 2012. This corresponds to 26.4% of total assets (previous year: 28.1%). In the reporting year, the average residual term of the interest-bearing debt was raised from 7.2 to 10.5 years, while the average interest rate was lowered to 2.6% (previous year: 2.8%). This, coupled with the cash and cash equivalents of CHF 75.7 million as at year-end, will provide the Group with adequate resources to fund the continuing expansion of its real estate portfolio.

Significant milestones reached

The reporting year saw a number of significant milestones reached at the Zug Estates Group sites:

Building work was completed on the first construction site, with 141 apartments, at the Suurstoffi location in Risch Rotkreuz and all units are now rented and occupied. In summer, the SIS (Swiss International School) opened its doors in the fully renovated buildings of the former Suurstoffi factory. The office building at Suurstoffi 14, to be occupied by some 400 Novartis employees in spring 2013, was completed and handed over for outfitting by the tenant. The two remaining buildings of this first development phase, embracing a further 87 rental apartments and space for local amenities, are nearing completion. Over 70% of the apartments have already been rented. Other long-term leases, signed with the Migros Group (which plans to open a fitness center at the Suurstoffi site in September 2013) and a day nursery, will further expand the neighborhood facilities. The remaining approx. 1 700 m² of floorspace is currently being marketed.

During the second half-year, design work proceeded apace for the next development phase at the Suurstoffi site. This will involve an investment of around CHF 100 million and comprise a further 150 to 160 rental apartments plus a 7 800 m² service sector facility, all designed as eco-friendly timberwork composite structures. In the year under review, a building application was submitted for the service sector facility which is to provide additional space for the SIS. Design work for the residential properties has now reached an advanced stage.

At the Metalli Center in Zug, the vertical extension of the property at Baarerstrasse 20-22, to create an extra 2 770 m² of office space, was completed and handed over to the tenants on time. With C&A and Dosenbach-Ochsner, the two last anchor tenants have completed the makeover to their premises in line with their current corporate design requirements. At the same time, a long-term extension of the relevant leases was agreed. The Sportslab and Nile stores, which opened in the reporting year, have enhanced the Metalli shopping mall's appeal and – despite declining retail prices and refit-related losses – helped to keep retail revenue, at CHF 156.9 million, more or less in line with the previous year (CHF 159.6 million).

In 2012, the foundation stone was laid for the alteration and extension project to the building at Baarerstrasse 14a, in which Zara will open its first central Swiss branch in fall 2013. The landlord's alteration works are scheduled for completion by early 2013.

Persistently low vacancy rates

The investment properties of the Zug Estates Group continue to record high occupancy levels. The 1.4% vacancy rate as at December 31, 2012 was slightly higher than at the end of 2011 (1.0%) due to the voids prior to initial renting (parking facilities).

Strengthening of market leadership in business hotel segment

The subdued economic climate and strong Swiss franc also took their toll on the hotel market in Zug, albeit to a much lesser extent than at leisure destinations. In the past year, Zug witnessed a downtrend both in the average revenue per overnight stay and the room occupancy rates. Despite the difficult climate, Hotelbusiness Zug AG still managed to consolidate its dominant position in the business hotel market. With occupancy rates at its establishments on the rise and room prices remaining more or less static, revenue grew by 1.5% to CHF 20.7 million, driven by hotels as well as catering.

Outlook for 2013

The Zug Estates Group expects trends in the Swiss real estate sector to flatten out during the 2013 financial year. However, the Zug market is still likely to retain its above-average appeal and the Group assumes that the healthy demand for living space will continue, thereby ensuring rapid absorption of the remaining available rental apartments at Risch Rotkreuz. In the commercial market, on the other hand, a downturn is on the cards, particularly at poorly accessible, peripheral locations and for old properties. Given that the Zug Estates Group's commercial units occupy prime sites in Zug and Risch Rotkreuz, we assume that the demand for our floorspace will hold steady.

The continuing expansion of the real estate portfolio will lead to an increase in rental revenue both at Zug and Risch Rotkreuz. Consequently, for 2013, Zug Estates anticipates substantial year-on-year growth in operating income before revaluation. On account of the anticipated slowdown in market momentum, the Group assumes that the income from the revaluation of investment properties (net), and thus the net income, will be down on the previous year.

In 2013, the focus will be on the completion of the existing projects at the two sites in Zug and Risch Rotkreuz. Once the first phase of the Suurstoffi development has been completed in spring, there will be around 400 residents on the site, plus an equivalent number of workers, and some 50 schoolchildren and nursery toddlers. The next phase is scheduled for launch in the second quarter. In the retail segment, the renovation and extension work on the property at Baarerstrasse 14a in Zug will be completed and handed over to Zara. Remodeling of the external areas will then mark the final stage in the full-scale regeneration of the Metalli site, which has spanned several years. Overall, the Group expects the investments in its real estate portfolio to total between CHF 50 million and CHF 100 million.

Zug City Center site, Metalli shopping mall

Pro forma consolidated balance sheet

Assets in CHF thousands	Note	**31.12.2012**	**31.12.2011** **pro forma**
Cash and cash equivalents		75 685	126 622
Securities	1	15 125	30 031
Trade receivables		2 218	1 601
Other receivables		3 067	2 350
Inventories		359	350
Prepaid expenses		544	312
Total current assets		**96 998**	**161 266**
Investment properties	2	675 644	552 921
Investment properties under construction	2	111 234	112 503
Undeveloped plots	2	11 311	10 011
Operating properties		42 254	44 407
Other tangible assets		5 958	5 795
Prepayments for tangible assets		1 034	1 262
Financial assets		1 214	50
Intangible assets		74	45
Total fixed assets		**848 723**	**726 994**
Total assets		**945 721**	**888 260**

Liabilities and shareholders' equity in CHF thousands	Note	**31.12.2012**	**31.12.2011** **pro forma**
Trade payables		9 984	6 240
Other current liabilities		4 178	4 302
Accrued expenses		5 418	2 540
Current provisions		38	788
Total current liabilities		**19 618**	**13 870**
Long-term financial liabilities	3	250 000	250 000
Other long-term liabilities		0	600
Long-term provisions		99	122
Deferred tax liabilities		74 096	66 538
Total non-current liabilities		**324 195**	**317 260**
Total liabilities		**343 813**	**331 130**
Share capital		12 750	12 750
Capital reserves		558 417	544 380
Treasury shares		– 10 358	0
Retained earnings		41 099	0
Total shareholders' equity	4	**601 908**	**557 130**
Total liabilities and shareholders' equity		**945 721**	**888 260**

Pro forma consolidated income statement

in CHF thousands	Note	01.01.2012 – 31.12.2012 pro forma	01.01.2011 – 31.12.2011 pro forma
Property income	5	29 045	25 533
Hotel & catering income		20 731	20 418
Other operating revenue		3 744	3 714
Total operating revenue		**53 520**	**49 665**
Property expenses		1 707	1 540
Cost of goods hotel & catering		2 486	2 370
Personnel expenses		13 686	13 004
Other operating expenses		6 734	5 504
Total operating expenses		**24 613**	**22 418**
Operating income before depreciation and revaluation		**28 907**	**27 247**
Revaluation of investment properties (net)	2	47 772	40 690
Income from sale of investment properties		2 215	0
Operating income before depreciation (EBITDA)		**78 894**	**67 937**
Depreciation		3 679	3 713
Operating income (EBIT)		**75 215**	**64 224**
Financial result		– 8 018	– 5 167
Income before taxes (EBT)		**67 197**	**59 057**
Taxes		9 311	8 983
Net income		**57 886** [1]	**50 074**

[1] The pro forma net income covers business activities from January 1, 2012 to December 31, 2012. Factoring out income prior to the establishment of Zug Estates Group, net income would amount to TCHF 41 099

Pro forma consolidated statement of cash flows (condensed)

in CHF thousands	2012 pro forma	2011 pro forma
Cash flow from operating activities	18 295	17 548
Cash flow from investing activities	– 66 482	– 54 108
Cash flow from financing activities [1]	– 2 750	137 250
Change in cash and cash equivalents	**– 50 937**	**100 690**
Composition of net cash and cash equivalents		
Net cash and cash equivalents at the beginning of reporting period	126 622	25 932
Net cash and cash equivalents at the end of reporting period	75 685	126 622
Change in cash and cash equivalents	**– 50 937**	**100 690**

[1] The foundation by contribution in kind and the capital increase carried out in 2012 were factored into the 2011 pro forma consolidated financial statements.

In the reporting period, non-cash investments of TCHF 13 292 (previous year: TCHF 5 622) were made.

Principles

underlying the pro forma financial information

Separation and listing on SIX Swiss Exchange

The general meeting of shareholders of Metall Zug AG held on June 22, 2012 passed a resolution that the real estate business unit consolidated under Zug Estates Holding AG be distributed to shareholders in the form of a special dividend and be listed on SIX Swiss Exchange. The series B registered shares of Zug Estates Holding AG were listed on SIX Swiss Exchange and traded for the first time on July 2, 2012.

On March 1, 2012, Metall Zug AG established Zug Estates Holding AG (the "Company"), a Swiss joint stock company domiciled in Zug. Subsequently, Metall Zug AG integrated its holdings in the real estate business unit, consisting of Zug Estates AG (formerly MZ-Immobilien AG), its subsidiary company Hotelbusiness Zug AG as well as ZEW Immobilien AG, directly or indirectly into Zug Estates Holding AG (together "Zug Estates Group"). Up until June 22, 2012, Zug Estates Group was part of Metall Zug AG.

Comments on the pro forma financial information

The purpose of the pro forma financial information is to simulate the impact which the above-described transactions would have had on net assets, the financial position and results for the 2011 and 2012 business years if Zug Estate Holding AG had had its current structure on already January 1, 2011. The pro forma financial information is provided for illustration only and describes a hypothetical situation. It presents the income and financial situation which might have arisen if the above-described transactions had been carried out as at January 1, 2011.

Principles underlying the pro forma financial information

The principles of consolidation and valuation applied in preparing the pro forma financial information for 2011 are unchanged compared with the principles published on pages F-17 to F-19 of the listing prospectus of June 27, 2012. The balance sheet contained in the pro forma financial information for 2012 corresponds to the consolidated balance sheet of the Zug Estates Group as at December 31, 2012 according to Swiss GAAP ARR. The income statement contained in the pro forma financial information for 2012 comprises the results from January 1, 2012 to December 31, 2012 of Zug Estates Holding AG and its subsidiaries, although the Zug Estates Group was not created until the first half of 2012 through the establishment of Zug Estates Holding AG and by means of contributions in kind. Income and expenses for the period from January 1, 2012 up to the establishment of the Zug Estates Group were therefore added to the consolidated income statement for the business period from March 1, 2012 to December 31, 2012 according to Swiss GAAP ARR.

Real estate valuation method and technique

The properties held for investment purposes were valued on the basis of the fair value assessments performed by a recognized independent real estate expert (Wüest & Partner AG) as at December 31, 2012 and 2011 using the DCF (discounted cash flow) method. The valuation method and technique applied for the 2012 annual financial statements are unchanged from the previous year.

Notes
to the pro forma financial information

1 | Securities

The securities are listed shares with a market value of TCHF 15 125 as at the balance sheet date (previous year: TCHF 30 031). The year-on-year change is essentially attributable to the distribution of treasury shares in the form of a dividend in kind.

2 | Investment properties, investment properties under construction and undeveloped plots

in CHF thousands	Zug City Center site, Zug, investment properties	Suurstoffi site, Risch Rotkreuz, investment properties
Balance on 01.01.2011	**486 504**	**0**
Investments	5 370	0
Acquisitions	0	0
Reclassification of prop. under construction to inv. prop.	0	0
Revaluation (net)	22 553	0
Balance on 31.12.2011	**514 427**	**0**
Accumulated acquisition values 01.01.2011	285 471	0
Accumulated acquisition values 31.12.2011	290 841	0
Difference market values/acquisition values 01.01.2011	201 033	0
Difference market values/acquisition values 31.12.2011	223 586	0
Balance on 01.01.2012	**514 427**	**0**
Investments	10 040	11 510
Acquisitions	0	0
Disposals [3]	0	0
Reclassification of prop, under construction to inv. prop. [4]	0	73 935
Revaluation (net)	34 230	7 139
Balance on 31.12.2012	**558 697**	**92 584**
Accumulated acquisition values 01.01.2012	290 841	0
Accumulated acquisition values 31.12.2012	300 881	73 713
Difference market values/acquisition values 01.01.2012	223 586	0
Difference market values/acquisition values 31.12.2012	257 816	18 871

[1] Comprises the properties under construction at the Suurstoffi site in Risch Rotkreuz

[2] Comprises the undeveloped part of the Suurstoffi site in Risch Rotkreuz. The undeveloped plots are stated at historical acquisition costs in accordance with the principles of valuation

[3] Sale of the Baar, Rote Trotte 18/20 property as well as part sale of the Baar, Rote Trotte 10-16 property

[4] Reclassification of the Risch Rotkreuz property, Suurstoffi 3-17 (construction site 2) and Risch Rotkreuz, Suurstoffi 7/19 (Alte Suurstoffi), to investment properties

The fair values are based on the market value assessments performed by a recognized independent real estate expert (Wüest & Partner AG) as at December 31 using the DCF (discounted cash flow) method. The discount rates applied for the valuation of the investment properties and the investment properties under construction as at the balance sheet date were within a range from 3.8% to 5.2% (December 31, 2011: 3.9% to 5.2%).

Other investment properties	Total inv.properties	Total inv.properties under construction [1]	Undeveloped plots [2]	Total
37 217	**523 721**	**43 479**	**6 831**	574 031
0	5 370	52 164	1 620	59 154
0	0	0	1 560	1 560
0	0	0	0	0
1 277	23 830	16 860	0	40 690
38 494	**552 921**	**112 503**	**10 011**	**675 435**
34 190	319 661	37 623	6 831	364 115
34 190	325 031	89 787	10 011	424 829
3 027	204 060	5 856	0	209 916
4 304	227 890	22 716	0	250 606
38 494	**552 921**	**112 503**	**10 011**	**675 435**
0	21 550	67 767	0	89 317
0	0	0	1 300	1 300
– 15 635	– 15 635	0	0	– 15 635
0	73 935	– 73 935	0	0
1 504	42 873	4 899	0	47 772
24 363	**675 644**	**111 234**	**11 311**	**798 189**
34 190	325 031	89 787	10 011	424 829
22 384	396 978	94 709	11 311	502 998
4 304	227 890	22 716	0	250 606
1 979	278 666	16 525	0	295 191

3 | Non-current financial liabilities

All non-current financial liabilities are mortgage loans with financial institutions. They are structured as follows by maturity:

Residual term

in CHF thousands	31.12.2012	31.12.2011
1 to 5 years	0	100 000
5 to 10 years	100 000	100 000
Over 10 years	150 000	50 000
Total non-current financial liabilities	**250 000**	**250 000**

In the reporting period, the average residual term of the interest-bearing debt was raised from 7.2 to 10.5 years, while the average capital-weighted interest rate was lowered to 2.6% (previous year: 2.8%). The loans were taken out at fixed interest rates.

To secure the non-current financial liabilities, properties with a book value of TCHF 397 300 (December 31, 2011: TCHF 361 660) were encumbered.

4 | Shareholders' equity (NAV)

The share capital is divided into 1 948 640 series A registered shares (not listed) with a par value of CHF 2.50 each and 315 136 series B registered shares at a par value of CHF 25 each. The series B registered shares have been listed on SIX Swiss Exchange since July 2, 2012.

As at December 31, 2012, the company AG holds 18 400 series A registered treasury shares and 5 950 series B registered treasury shares.

Earnings and shareholders' equity (NAV) per share

in CHF	2012	2011
Earnings per average outstanding series B registered share	114.38	98.18

in CHF	31.12.2012	31.12.2011
Shareholders' equity (NAV) per outstanding series B registered share, before deferred taxes	1 346.06	1 222.88
Shareholders' equity (NAV) per outstanding series B registered share, after deferred taxes	1 198.52	1092.41

5 | Property income

The reported property income of TCHF 29 045 (previous year: TCHF 25 533) comprises actual rental income and income from Miteigentümergemeinschaft Metalli. This position contains rental revenue from all properties.

The individual contractual relationships with external tenants had the following terms as at the balance sheet date, based on the annualized projected rental revenue:

Term, share in %	31.12.2012	31.12.2011
Under 1 year, incl. unlimited rental contracts	51.7	49.5
Over 1 year	3.0	1.4
Over 2 years	3.5	0.5
Over 3 years	4.7	8.0
Over 4 years	1.0	5.2
Over 5 years	3.8	0.7
Over 6 years	1.8	4.2
Over 7 years	0.8	2.0
Over 8 years	0.6	0.9
Over 9 years	5.6	0.7
Over 10 years	23.5	26.9
Total	**100.0**	**100.0**

The five largest tenant groups together generate 26.4% (as at December 31, 2011: 29.5%) of annualized projected rental revenue.

Tenants, share in %	31.12.2012	Tenants, share in %	31.12.2011
Migros [1]	8.0	UBS	9.5
UBS	7.7	Migros [1]	8.7
Dosenbach-Ochsner	3.7	C & A	4.0
H & M	3.5	H & M	3.8
C & A	3.5	Nord Stream	3.5

[1] Various companies of the Migros Group

6 | Segment report

The Group's business activities comprise the business units "Real Estate" and "Hotel and Catering".

01.01.2012 – 31.12.2012 in CHF thousands	Real Estate	Hotel and Catering	Corporate & Eliminations [1]	**Total**
Property income	34 995	0	– 5 950	29 045
Hotel and catering income	0	20 891	– 160	20 731
Other operating revenue	3 892	0	– 148	3 744
Total operating revenue	**38 887**	**20 891**	**– 6 258**	**53 520**
Total operating expenses	**9 113**	**19 987**	**4 487**	**24 613**
Operating income before depreciation and revaluation	**29 774**	**904**	**– 1 771**	**28 907**
Revaluation of investment properties (net)	47 772	0	0	47 772
Income from sale of investment properties	2 215	0	0	2 215
Operating income before depreciation (EBITDA)	**79 761**	**904**	**– 1 771**	**78 894**
Depreciation	2 423	1 256	0	3 679
Operating income (EBIT)	**77 338**	**– 352**	**– 1 771**	**75 215**

[1] Holding company expenses and inter-segment revenues are eliminated in the Corporate & Eliminations column

All revenues were generated in the Canton of Zug and in the Canton of Aargau.

Ownership of the entire portfolio – i.e. investment and operating properties – rests with the real estate business unit. Based on an integrated view of the hotel and catering business unit, i.e. factoring in all properties used by the unit as well as all associated expenses and credits arising from rent paid to the real estate business unit, in the year under review the hotel and catering business unit generated operating income of CHF 3.1 million (previous year: 2.0 million) and an EBITDA return of 6.1% (previous year: 4.7%) on the market values of these properties.

01.01.2011 – 31.12.2011 in CHF thousands	Real Estate	Hotel and Catering	Corporate & Eliminationen [1]	**Total**
Property income	31 327	0	– 5 794	25 533
Hotel and catering income	0	20 452	– 34	20 418
Other operating revenue	3 810	13	– 109	3 714
Total operating revenue	**35 137**	**20 465**	**– 5 937**	**49 665**
Total operating expenses	**8 411**	**19 944**	**5 937**	**22 418**
Operating income before depreciation and revaluation	**26 726**	**521**	**0**	**27 247**
Revaluation of investment properties (net)	40 690	0	0	40 690
Income from sale of investment properties	0	0	0	0
Operating income before depreciation (EBITDA)	**67 416**	**521**	**0**	**67 937**
Depreciation	2 367	1 346	0	3 713
Operating income (EBIT)	**65 049**	**– 825**	**0**	**64 224**

[1] Holding company expenses and inter-segment revenues are eliminated in the Corporate & Eliminations column

Auditor's report

on the pro forma consolidated financial statements

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To the Board of Directors of

Zug Estates Holding AG, Zug

Zug, 19 March 2013

Review report on the pro forma financial information of Zug Estates Holding AG

We have been engaged to review the pro forma financial information for the year ended 31 December 2012 (comprising the pro forma consolidated balance sheet and the pro forma consolidated income statement) as shown on pages 38 and 39.

This pro forma financial information has been prepared on the basis stated on page 41 "Principles underlying the pro forma financial information" to provide information about what impact the circumstances described under these principles might have had, if the Zug Estates Group would have existed throughout the year 2012 in the structure established during that year. Based on its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent in all details Zug Estates Group's actual financial position and results had this structure been implemented already at the beginning of the year 2012.

The Board of Directors of Zug Estates Holding AG is responsible for the preparation of this pro forma financial information on the basis stated under "Principles underlying the pro forma financial information" to the pro forma financial information.

Our responsibility is to perform a review of the pro forma financial information to determine, whether matters have come to our attention that cause us to believe that the pro forma financial information has not been properly prepared, in all material respects, on the basis stated under "Principles underlying the pro forma financial information".

We are not responsible for expressing any other conclusion on the pro forma financial information or on any of its constituent elements. In particular, we do not accept any responsibility for any financial information previously reported on and used in the preparation of the pro forma financial information beyond that owed to those to whom any reports on that financial information were addressed by us at the date of their issue.

Mitglied der Treuhand-Kammer

Ernst & Young

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We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of historical Financial Information". A review which is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our work, which involved no independent examination or review of any of the underlying financial information, consisted of reconciling the pro forma financial information with the consolidated financial statements of Zug Estates Holding AG as of 31 December 2012 drawn up in accordance with Swiss GAAP FER, critically reviewing the pro forma adjustments and making inquiries of persons responsible for financial and accounting matters.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with limited assurance that the pro forma financial information has been properly prepared, in all material respects, on the basis stated under "Principles underlying the pro forma financial information".

Based on our work, nothing has come to our attention that causes us to believe that the pro forma financial information has not been properly prepared, in all material respects, on the basis stated under "Principles underlying the pro forma financial information".

Without qualifying our conclusion we draw attention to the fact that, as outlined under "Principles underlying the pro forma financial information", this pro forma financial information is prepared using the assumptions and adjustments determined by the Board of Directors of Zug Estates Holding AG. It is not necessarily indicative of the effects on the financial position that would have been attained had the group structure as described under "Principles underlying the pro forma financial information" actually existed throughout the year 2012. Moreover this pro forma financial information is not intended to, and does not provide all the information and disclosures necessary for financial statements presented in accordance with the full set of Swiss GAAP FER.

Ernst & Young AG

Edgar Christen Licensed Audit Expert (Auditor in Charge)	Andreas Blank Licensed Audit Expert

Consolidated balance sheet

Assets

in CHF thousands	Note	31.12.2012	01.03.2012
Cash and cash equivalents		75 685	100
Securities	1	15 125	0
Trade receivables	2	2 218	0
Other receivables	3	3 067	0
Inventories		359	0
Prepaid expenses		544	0
Total current assets		**96 998**	100
Investment properties	4	675 644	0
Investment properties under construction	4	111 234	0
Undeveloped plots	4	11 311	0
Operating properties	5	42 254	0
Other tangible assets	6	5 958	0
Prepayments for tangible assets	7	1 034	0
Financial assets		1 214	0
Intangible assets	8	74	0
Total fixed assets		**848 723**	0
Total assets		**945 721**	100

Liabilities and shareholders' equity

in CHF thousands	Note	31.12.2012	01.03.2012
Trade payables	9	9 984	0
Other current liabilities		4 178	0
Accrued expenses		5 418	0
Current provisions	11	38	0
Total current liabilities		**19 618**	0
Long-term financial liabilities	10	250 000	0
Long-term provisions	11	99	0
Deferred tax liabilities	12	74 096	0
Total non-current liabilities		**324 195**	0
Total liabilities		**343 813**	0
Share capital	13, 14	12 750	100
Capital reserves		558 417	0
Treasury shares		– 10 358	–
Retained earnings		41 099	0
Total shareholders' equity		**601 908**	100
Total liabilities and shareholders' equity		**945 721**	100

Consolidated income statement

March 1, 2012 to December 31, 2012 [1]

in CHF thousands	Note	01.03.2012 – 31.12.2012
Property income	15	17 563
Hotel & catering income	16	12 128
Other operating revenue	17	2 766
Total operating revenue		**32 457**
Property expenses		1 263
Cost of goods hotel & catering		1 467
Personnel expenses	18	8 766
Other operating expenses	19	4 769
Total operating expenses		**16 265**
Operating income before depreciation and revaluation		**16 192**
Revaluation of investment properties (net)	4	39 129
Income from sale of investment properties		2 215
Operating income before depreciation (EBITDA)		**57 536**
Depreciation	20	2 120
Operating income (EBIT)		**55 416**
Financial result	21	– 6 292
Income before taxes (EBT)		**49 124**
Taxes	22	8 025
Net income		**41 099**

[1] The consolidated income statement for the full calendar year (incl. year-on-year comparison) is on page 39

Statement of cash flows

March 1, 2012 to December 31, 2012 [1]

in CHF thousands	01.03.2012 – 31.12.2012
Net income for the period	41 099
Depreciation	2 120
Revaluation of investment properties (net)	– 39 129
Income from sale of investment properties	– 2 215
Depreciation of financial assets	42
Changes in provisions/deferred tax liabilities	6 913
Other non-cash items	– 2 364
Cash flow before changes in working capital	**6 466**
Change in securities	3 315
Change in trade receivables	– 1 236
Change in other receivables	146
Change in accrued income and prepaid expenses	1 279
Change in inventories/properties for sale	– 7
Change in trade payables	4 010
Change in other current liabilities	– 849
Change in accrued expenses and deferred income	– 452
Cash flow from operating activities	**12 672**
Investments in investment properties	– 54 634
Disposals of investment properties	17 850
Investments in undeveloped plots	– 900
Investments in operating properties	– 4
Investments in other tangible assets	– 799
Prepayments for tangible assets	– 782
Investments in intangible fixed assets	– 61
Cash flow from investing activities	**– 39 330**
Increase in non-current financial liabilities	0
Capital increase in cash	39 900
Capital increase through contribution in kind (cash portion)	62 343
Cash flow from financing activities	**102 243**
Change in cash and cash equivalents	**75 585**
Composition of net cash and cash equivalents	
Net cash and cash equivalents at the beginning of reporting period	100
Net cash and cash equivalents at the end of reporting period	75 685
Change in cash and cash equivalents	**75 585**

In the reporting period, non-cash investments of TCHF 13 561 were made. By means of contributions in kind, non-cash financing of TCHF 439 922 was effected.

[1] The consolidated statement of cash flows for the full calendar year (incl. year-on-year comparison) is on page 40

Changes in shareholders' equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total share-holder's equity
Balance on 01.03.2012	**100**	**0**	**0**	**0**	**100**
Capital increases	12 650	558 417	–	–	571 067
Additions of treasury shares	–	–	– 10 358	–	– 10 358
Dividend	–	–	–	–	0
Net income	–	–	–	41 099	41 099
Balance on 31.12.2012	**12 750**	**558 417**	**– 10 358**	**41 099**	**601 908**

Notes

to the consolidated financial statements

Separation and listing on SIX Swiss Exchange

The general meeting of shareholders of Metall Zug AG held on June 22, 2012 passed a resolution that the real estate business unit consolidated under Zug Estates Holding AG be distributed to shareholders in the form of a special dividend and be listed on SIX Swiss Exchange. The series B registered shares of Zug Estates Holding AG were listed on SIX Swiss Exchange and traded for the first time on July 2, 2012.

On March 1, 2012, Metall Zug AG established Zug Estates Holding AG (the "Company"), a Swiss joint stock company domiciled in Zug. Subsequently, Metall Zug AG integrated its holdings in the real estate business unit, consisting of Zug Estates AG (formerly MZ-Immobilien AG), its subsidiary company Hotelbusiness Zug AG as well as ZEW Immobilien AG, directly or indirectly into Zug Estates Holding AG (together "Zug Estates Group").

Up until June 22, 2012, Zug Estates Group was part of Metall Zug AG. The Zug Estates Group's first consolidated financial statements have been prepared in accordance with Swiss GAAP ARR as at December 31, 2012.

Principles

The consolidated financial statements of Zug Estates Holding AG were prepared in accordance with the Swiss GAAP ARR Accounting and Reporting Regulations in their entirety as in force on December 31, 2012 as well as the special provisions for real estate companies of the SIX Swiss Exchange and present a true and fair view of the financial position, the results of operations and the cash flows. The business period covered by these consolidated financial statements commences on March 1, 2012 with the establishment of the Company and ends on December 31, 2012. The board of directors approved the consolidated financial statements on March 19, 2013.

Scope of consolidation

Under a capital increase on May 16, 2012, Zug Estates Holding AG, formerly a subsidiary of Metall Zug AG, gained control over Zug Estates AG (formerly MZ-Immobilien AG), its subsidiary company Hotelbusiness Zug AG as well as ZEW Immobilien AG. These subsidiary companies are fully consolidated with effect from this date and had the following assets and liabilities on May 16, 2012:

in CHF thousands	
Current assets	69 990
Fixed assets	761 116
Current liabilities	11 012
Non-current liabilities	317 832
Net assets	**502 262**

Zug Estates Holding AG holds more than 50% of the votes and capital of all subsidiaries. The full consolidation method is therefore applied, i.e. assets and liabilities as well as expenses and revenue are consolidated at 100%. Any share of minority shareholders in net income and shareholders' equity is reported separately. Associated companies, in which Zug Estates Holding AG holds direct or indirect participations of 20% to 50%, are consolidated according to the equity accounting method (proportional equity). Participations below 20% are not consolidated. Real estate property is included in the consolidated financial statements on the basis of the applicable ownership share.

As at the time of acquisition, the assets and liabilities of the first-time consolidated companies or the acquired businesses are shown in the balance sheet in accordance with uniform principles. The excess of the acquisition price over the revalued net assets of the acquired company or the acquired business share is defined as goodwill. This goodwill is offset against retained earnings without affecting net income. The impact of a theoretical capitalization is presented in the notes to the consolidated financial statements. The useful life is determined at the time of the acquisition.

Principles of consolidation

Consolidation method

Capital consolidation is performed to show the equity of the entire group. In this context, the purchase method is applied.

Intercompany transactions

Intercompany receivables, payables and transactions are eliminated for fully consolidated companies. Depreciation and value adjustments for receivables and participations in respect of subsidiaries are reversed. The individual subsidiaries' intercompany profits on inventories and tangible assets are assessed and also eliminated.

Significant accounting and valuation policies

Cash and cash equivalents
Cash and cash equivalents include cash, postal and bank account balances and short-term monetary investments. These are reported at their nominal value.

Securities
Securities and available-for-sale financial assets are reported at their respective fair value. If the fair value is not known, they are valued at acquisition cost taking into account any value adjustments necessary for commercial reasons. Changes in fair value are recognized in the income statement.

Trade receivables
Trade receivables include in particular rent receivables, receivables from the hotel and catering activities and receivables from external management mandates, and are reported at the nominal value less any value adjustments necessary for commercial reasons.

Other receivables
Other receivables are reported at their nominal value less any value adjustments necessary for commercial reasons.

Inventories
In the inventories for the hotel and catering business unit, goods purchased are carried at acquisition price or at fair value if lower. In addition to specific value adjustments, value adjustments of up to 10% for general valuation risks are made according to past experience.

Properties for sale
Properties available for sale, which were formerly carried at fair value, are carried at fair value less the expected cost to sell. Other properties held for sale are carried at acquisition or production cost (including interest charges) or at fair value if lower. Properties for sale are classified as current assets.

Investment properties and investment properties under construction
Residential and commercial properties that already exist or are under construction are used for long-term investment purposes and are carried at fair value in accordance with Swiss GAAP ARR 18. This fair value is calculated and updated annually by independent real estate valuers using the discounted cash flow (DCF) method. Pursuant to the provisions of Swiss GAAP ARR, increases and decreases in fair value are recognized in profit or loss in the income statement, taking deferred taxes into account. The investment properties are not amortized. Investment properties under construction (development properties) are recognized at fair value as of the date on which the fair value can be reliably calculated. When the conditions for making a reliable calculation of the fair value have not yet been met, investment properties under construction are carried at amortized cost. Investments and major maintenance are recognized as expense in the period in which they are incurred, provided that they do not lead to a rise in fair value.

Undeveloped plots
Undeveloped plots are carried at amortized cost.

Operating properties and operating properties under construction
Operating properties and operating properties under construction comprise buildings used by the Group itself and in its hotel and catering activities. They are valued at acquisition or production cost less any write-downs and value adjustments necessary for commercial reasons. The straight-line depreciation method is applied on the basis of a useful life of 33 to 50 years. The City Garden property is an exception; it is being written off over 16 years because of its restricted useful life.

Other tangible assets
Other tangible assets, which are mainly utilized in the hotel and catering business unit, are valued at acquisition or production cost less any write-downs necessary for commercial reasons. The straight-line depreciation method is applied on the basis of a useful life of three to eight years.

Financial assets
Financial assets comprise non-consolidated participations used for long-term investment purposes and are reported at nominal value less any value adjustments necessary for economic reasons.

Intangible fixed assets
Acquired intangible fixed assets are recognized in the balance sheet if they are to bring measurable benefits to the company over several years. They comprise software and are valued at acquisition cost less straight-line depreciation over an economic life of three years. Self-developed intangible fixed assets are not recognized in the balance sheet.

Liabilities
Trade payables and other liabilities are reported at their nominal value.

Financial liabilities
Mortgages concluded in principle for the long term are recognized as non-current financial liabilities. Tranches due to mature within twelve months are reported as current financial liabilities.

Provisions
Provisions are obligations based on events in the past; their amount and/or due dates are uncertain but can be estimated. Provisions are reported as short-term or long-term according to their expected due dates.

Employee benefits

The Group has several employee benefit plans which are organized as independent foundations in conformity with the legal requirements in Switzerland. These plans cover the economic consequences of old age, death or disability. They are funded by employer and employee contributions. Contributions are calculated as a percentage of the insured salary. Changes in employer's contribution reserves as well as any economic impact on the group of overcoverage or undercoverage of pension schemes are recorded as personnel expenses.

Income taxes

Current income taxes are calculated at the prevailing tax rates on the basis of the expected fiscal annual income as per commercial law and according to the respective tax assessment rules. They are included in accrued expenses.

Deferred tax liabilities

In accordance with Swiss GAAP ARR 11, the consolidated financial statements must take due account of current and future tax effects. A distinction must be made between the calculation of current income taxes and the accrual of deferred income taxes. The latter are caused primarily by valuation differences between the fair values calculated using the discounted cash flow (DCF) method and the taxable values.

If the fair values are higher than the taxable values, this leads to a deferred tax liability for which provision must be made. Deferred taxes are calculated separately for each business period and each taxable entity. The individual company's current or expected tax rates are applied to calculate deferred taxes. Changes in deferred taxes are recorded as tax expenditure. Tax loss carry forwards that can be used for tax purposes are neither capitalized nor offset against the provisions for deferred taxes.

Contingent liabilities

Contingent liabilities are assessed according to the probability and the scope of future unilateral performance and costs, and are disclosed in the notes.

Borrowing costs

Borrowing costs on loans taken out to fund construction projects are capitalized until completion. Other borrowing costs are charged to the income statement.

Expense reductions

Discounts on purchased goods and on property production costs are recognized as reductions in the acquisition price.

Estimates

The preparation of the financial statements requires a number of estimates and assumptions to be made. These relate to the assets, liabilities and contingent liabilities at the time the balance sheet is being prepared, as well as income and expenses during the reporting period. If such estimates and assumptions, which were made to the best of the Group's knowledge at the time the balance sheet was prepared, later turn out to differ from the actual figures, the original estimates and assumptions are adjusted in the reporting year in which the figures changed.

List of material investments (as at 31.12.2012)

Company	Domicile	Business	Share capital in CHF	Participation
Hotelbusiness Zug AG	Zug, ZG	Hotel and catering	1 000 000	100%
ZEW Immobilien AG	Oberentfelden, AG	Real estate company	101 250	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%

1 | Securities

The securities are listed shares with a market value of TCHF 15 125 as at the balance sheet date.

2 | Trade receivables

in CHF thousands	31.12.2012
Trade receivables from hotel and catering activities	1 033
Rent receivables	139
Other trade receivables	1 137
Provisions for doubtful debts	– 91
Total trade receivables	**2 218**

3 | Other receivables

in CHF thousands	31.12.2012
Withholding tax credits	97
Accounts for heating and service charge settlement	2 795
Other receivables	175
Total other receivables	**3 067**

4 | Investment properties, investment properties under construction and undeveloped plots

in CHF thousands	Zug City Center site, Zug, investment properties	Suurstoffi site, Risch Rotkreuz, investment properties
Balance at the beginning of reporting period	**0**	**0**
Contribution in kind	522 376	74 534
Investments	8 881	9 734
Acquisitions	0	0
Disposals [3]	0	0
Reclassification of prop, under construction to inv. prop. [4]	0	1 598
Revaluation (net)	27 440	6 718
Balance at the end of reporting period	**558 697**	**92 584**
Accumulated acquisition values at the beginning of reporting period	0	0
Accumulated acquisition values at the end of reporting period	300 881	73 713
Difference market values/acquisition values at the beginning of reporting period	0	0
Difference market values/acquisition values at the end of reporting period	257 816	18 871

[1] Comprises the properties under construction at the Suurstoffi site in Risch Rotkreuz

[2] Comprises the undeveloped part of the Suurstoffi site in Risch Rotkreuz. The undeveloped plots are stated at historical acquisition costs in accordance with the principles of valuation

[3] Sale of the Baar, Rote Trotte 18/20 property as well as part sale of the Baar, Rote Trotte 10-16 property

[4] Reclassification of the Risch Rotkreuz property, Suurstoffi 7/9 (Alte Suurstoffi) to investment property

The fair values are based on the market value assessments performed annually by a recognized independent real estate expert (Wüest & Partner AG) as at June 30 and December 31 using the DCF (discounted cash flow) method. The discount rates applied for the valuation of the investment properties and the investment properties under construction as at the balance sheet date were within a range from 3.8% to 5.2%.

As at December 31, 2012, the fire insurance values amounted to TCHF 451 603.

Additional information per property can be found on pages 80 to 81 of this report.

Other investment properties	Total investment properties	Total investment properties under construction[1]	Undeveloped plots[2]	Total
0	**0**	**0**	**0**	**0**
39 359	636 269	59 189	10 011	705 469
0	18 615	49 311	0	67 926
0	0	0	1 300	1 300
– 15 635	– 15 635	0	0	– 15 635
0	1 598	– 1 598	0	0
639	34 797	4 332	0	39 129
24 363	**675 644**	**111 234**	**11 311**	**798 189**
0	0	0	0	0
22 384	396 978	94 709	11 311	502 998
0	0	0	0	0
1 979	278 666	16 525	0	295 191

5 | Operating properties

in CHF thousands	2012
Acquisition value at the beginning of reporting period	**0**
Contribution in kind	60 719
Additions	4
Disposals	0
Acquisition value at the end of reporting period	**60 723**
Accumulated depreciation at the beginning of reporting period	**0**
Contribution in kind	– 17 207
Additions	0
Disposals	– 1 262
Accumulated depreciation at the end of reporting period	**– 18 469**
Net book value at the beginning of reporting period	**0**
Net book value at the end of reporting period	**42 254**

The following properties located in Zug serve completely or partly as operating properties: Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence), Metallstrasse 20 (City Garden Hotel), Haldenstrasse 9, 10, 11 (Serviced City Apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices). The market value of the operating properties as at the balances sheet date is TCHF 105 624. It was determined by the independent real estate consultant (Wüest & Partner AG) using the DCF method. For the valuation as at the balance sheet date, discount rates within a range from 4.0% to 4.7% were applied.

As at December 31, 2012, fire insurance values amounted to TCHF 83 908.

6 | Other tangible assets

in CHF thousands	2012
Acquisition value at the beginning of reporting period	**0**
Contribution in kind	18 032
Additions	799
Disposals	– 574
Acquisition value at the end of reporting period	**18 257**
Accumulated depreciation at the beginning of reporting period	**0**
Contribution in kind	– 12 020
Additions	565
Disposals	– 844
Accumulated depreciation at the end of reporting period	**– 12 299**
Net book value at the beginning of reporting period	**0**
Net book value at the end of reporting period	**5 958**

As at December 31, 2012, fire insurance values amounted to TCHF 11 076.

7 | Prepayments for investment properties

Prepayments for investment properties in the 2012 reporting period amounted to TCHF 1 034.

8 | Intangible fixed assets

in CHF thousands	2012
Acquisition value at the beginning of reporting period	**0**
Contribution in kind	122
Additions	61
Disposals	0
Acquisition value at the end of reporting period	**183**
Accumulated depreciation at the beginning of reporting period	**0**
Contribution in kind	– 95
Additions	0
Disposals	– 14
Accumulated depreciation at the end of reporting period	**– 109**
Net book value at the beginning of reporting period	**0**
Net book value at the end of reporting period	**74**

Intangible fixed assets comprise software utilized in the business units.

9 | Trade payables

in CHF thousands	31.12.2012
Advance payments from tenants	1 105
Liabilities to suppliers	8 879
Total trade payables	**9 984**

10 | Non-current financial liabilities

All non-current financial liabilities are mortgage loans with financial institutions. They are structured as follows by maturity:

Residual term

in CHF thousands	31.12.2012
1 to 5 years	0
5 to 10 years	100 000
Over 10 years	150 000
Total non-current financial liabilities	**250 000**

The average capital-weighted interest rate on all interest-bearing financial liabilities was 2.6%. The loans were taken out at fixed interest rates.

To secure the non-current financial liabilities, properties with a book value of TCHF 397 300 have been encumbered.

11 | Provisions

in CHF thousands	2012
Provisions at the beginning of reporting period	**0**
Contribution in kind	210
Increase	15
Utilization	– 88
Release	0
Provisions at the end of the reporting period	**137**
Of which current at the beginning of the reporting period	0
Of which current at the end of the reporting period	38

12 | Deferred tax liabilities

in CHF thousands	2012
Deferred tax liabilities at the beginning of the reporting period	**0**
Contribution in kind	67 082
Net creation recognized in the income statement in reporting period	7 014
Deferred tax liabilities at the end of the reporting period	**74 096**

Potential tax reductions resulting from loss carry forwards and temporary differences amount to TCHF 63.
These are not shown in the balance sheet as it is not certain that they will be realized.

The average tax rate for deferred income taxes amounts to 15.0%.

13 | Shareholders' equity

Shares issued

	Security number	Nominal value CHF	Number	Votes	Capital CHF
Series A registered shares	14 805 211	2.50	1 948 640	1 948 640	4 871 600
Series B registered shares	14 805 212	25.00	315 136	315 136	7 878 400
Total	**–**	**–**	**–**	**2 263 776**	**12 750 000**

In the period under review, Zug Estates Holding AG received from Metall Zug AG 18 400 series A registered treasury shares and 5 950 series B registered treasury shares with a total value of TCHF 10 358 as a dividend in kind.

As at December 31, 2012, Zug Estates Holding AG holds (unchanged) 18 400 series A registered treasury shares and 5 950 series B registered treasury shares.

Non-distributable statutory reserves amounted to TCHF 10 358 as at December 31, 2012.

Earnings and shareholders' equity (NAV) per share

in CHF	01.03.2012 – 31.12.2012
Earnings per average outstanding series B registered share	81.21

in CHF	31.12.2012
Shareholders' equity (NAV) per outstanding series B registered share, before deferred taxes	1 346.06
Shareholders' equity (NAV) per outstanding series B registered share, after deferred taxes	1 198.52

14 | Significant shareholders

As at 31 December 2012, the following shareholders owned more than 3% of total voting rights

in CHF or in %	Series A registered shares	Series B registered shares	Votes
Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer [1]	1 480 650	61 301	68.10%
Ursula Stöckli-Rubli	328 000	17 006	15.20%
Werner O. Weber, indirectly held through Wemaco Invest AG	82 000	42 000	5.50%

[1] The group also comprises Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer, Julia Häcki and Maurus Häcki, if acting in mutual agreement. The shares held indirectly via Metall Zug AG are included in these shareholding figures.

The shares held by current members of the corporate bodies are shown in the notes to the annual financial statements of Zug Estates Holding AG on page 74.

15 | Property income

The reported property income of TCHF TCHF 17 563 comprises actual rental income and income from Miteigentümergemeinschaft Metalli. This position contains rental revenue from all properties.

The individual contractual relationships with external tenants had the following terms as at the balance sheet date, based on the annualized projected rental revenue:

Term, share in %	31.12.2012
Under 1 year, inc. unlimited rental contracts	51.7
Over 1 year	3.0
Over 2 years	3.5
Over 3 years	4.7
Over 4 years	1.0
Over 5 years	3.8
Over 6 years	1.8
Over 7 years	0.8
Over 8 years	0.6
Over 9 years	5.6
Over 10 years	23.5
Total	**100.0**

The five largest tenant groups together generate 26.4% of annualized projected rental revenue.

Tenants, share in %	31.12.2012
Migros [1]	8.0
UBS	7.7
Dosenbach-Ochsner	3.7
H & M	3.5
C & A	3.5

[1] The tenants are various companies of the Migros Group

16 | Hotel and catering income

in CHF thousands	2012
Accommodation	6 202
Catering	5 275
Ancillary services	687
Sales deductions	– 36
Total hotel and catering income	**12 128**

17 | Other operating revenue

in CHF thousands	2012
Revenue from services	1 253
Revenue from own work	246
Revenue from body-leasing	1 205
Other	62
Total other operating revenue	**2 766**

18 | Personnel expenses

in CHF thousands	2012
Wages and salaries	7 474
Pension expenses	303
Other personnel expenses	989
Total personnel expenses	**8 766**

19 | Other operating expenses

in CHF thousands	2012
Marketing/sales promotion	844
Maintenance and repair	217
Administrative expenses	654
IT/software	75
Legal and consultancy costs	881
Hire, leasing	292
Other costs	1 806
Total other operating expenses	**4 769**

20 | Depreciation

in CHF thousands	2012
Depreciation operating properties	1 262
Depreciation other tangible assets	844
Depreciation intangible assets	14
Total depreciation	**2 120**

21 | Financial result

in CHF thousands	2012
Interest income from banks	242
Income from securities	37
Other financial income	2
Total financial income	**281**
Interest expense mortgage loans	3 178
Other financial expenses	80
Losses on securities	3 315
Total financial expenses	**6 573**
Financial result	**-6 292**

In the reporting period, borrowing costs in the amount of TCHF 2 077 were capitalized.

22 | Taxes

in CHF thousands	2012
Income taxes	1 011
Deferred taxes	7 014
Total taxes	**8 025**

23 | Contingent liabilities and other off-balance sheet obligations

Zug Estates AG is the majority owner of Miteigentümergemeinschaft Metalli, Zug. For this reason, joint liability may apply in relations with third parties.

In relation to the construction and operation of City Garden Hotel, Zug Estates AG accepted a demolition obligation amounting to TCHF 490.
This comes into effect in 2025 at the earliest, and then only if the land on which the hotel was built has to be vacated for construction of the access road to the Zug city tunnel.

Zug Estates AG is owner and developer of the Suurstoffi development in Risch Rotkreuz. Under the terms of the rental contracts, penalties amounting to a maximum of TCHF 790 were agreed with two tenants. In addition, the tenant is to be compensated for any damage incurred in excess of the penalty.

24 | Leasing liabilities

The liabilities from operating leasing that are not recognized in the balance sheet are structured as follows, according to maturity:

in CHF thousands	31.12.2012
up to 1 year	20
up to 3 years	48
over 3 years	0
Total	**68**

25 | Pension plan liabilities

The employee benefit plan of Zug Estates Holding AG and its subsidiaries takes the form of independent foundations or, as the case may be, collective foundations in accordance with Swiss pensions legislation (BVG). In the financial year under review and the previous year, all payments were made to pension institutions which are themselves risk bearers.

Employer's contribution reserves (ECR)

As at 31.12.2012 there are no employer's contribution reserves.

Economic benefits/economic liabilities and pension expenses

in CHF thousands	Deficit/surplus of joint pension plans	Economic share of company 31.12.2012	Change or impact on net income in financial period	Contributions for the period	Pension expenses in personnel expenses 31.12.2012
Patronage funds / pension schemes	–	0	0	–	–
Pension plans without surplus/deficit	–	0	0	193	193
Pension plans with surplus	–	0	0	–	–
Pension plans with deficits	– 171	0	0	110	110
Total pension expenses	**– 171**	**0**	**0**	**303**	**303**

The pension plans are funded by employer and employee contributions. Contributions are calculated as a percentage of the insured salary.

Composition of pension expenses

in CHF thousands	31.12.2012
Pension contributions at the company's expense	303
Contributions to pension plans from employer's contribution reserves	0
Total contributions	**303**
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0
Total contributions and changes in employer's contribution reserves	**303**
Change in economic benefits for the company from surplus	0
Change in economic liabilities for the company from deficit	0
Total change in economic impact of surplus/deficit	**0**
Total pension expenses in personnel expenses in the period	**303**

Total pension expenses in personnel expenses in the period under review amounted to TCHF 303. No extraordinary contributions were agreed upon or paid in the reporting period.

26 | Risk assessment

Risk assessment and risk control within the Zug Estates Group are based on a standardized, four-stage risk management process which consists of the following steps:

1. Identification of risks
   Every three years, an extensive group-wide risk survey is conducted. In the scope of this survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are updated on an annual basis until the next extensive survey.
2. Risk analysis
   The top executives of the respective business units evaluate the risks identified in step 1 with respect to their probability of occurrence and their impact. When assessing the impact of a risk, the financial impact as well as the effect on reputation is considered.
3. Risk control
   The individual business units assign risk managers to each business risk or risk category, who define specific measures and monitor the implementation of these measures.
4. Risk reporting
   The board of directors of Zug Estates Holding AG receives a consolidated risk report on an annual basis.

27 | Segment report

The Group's business activities comprise the business units "Real Estate" and "Hotel and Catering".

01.03.2012 – 31.12.2012 in CHF thousands	Real Estate	Hotel and Catering	Corporate & Eliminationen [1]	**Total**
Property income	21 033	0	– 3 470	17 563
Hotel and catering income	0	12 281	– 153	12 128
Other operating revenue	2 884	0	– 118	2 766
Total operating revenue	**23 917**	**12 281**	**– 3 741**	**32 457**
Total operating expenses	**6 536**	**11 699**	**1 970**	**16 265**
Operating income before depreciation and revaluation	**17 381**	**582**	**– 1 771**	**16 192**
Revaluation of investment properties (net)	39 129	0	0	39 129
Income from sale of investment properties	2 215	0	0	2 215
Operating income before depreciation (EBITDA)	**58 725**	**582**	**– 1 771**	**57 536**
Depreciation	1 419	701	0	2 120
Operating income (EBIT)	**57 306**	**– 119**	**– 1 771**	**55 416**

[1] Holding company expenses and inter-segment revenues are eliminated in the Corporate & Eliminations column.

All revenues were generated in the Canton of Zug and in the Canton of Aargau.

Ownership of the entire portfolio – i.e. investment and operating properties – rests with the real estate business unit. Based on an integrated view of the hotel and catering business unit, i.e. factoring in all properties used by the unit as well as all associated expenses and credits arising from rent paid to the real estate business unit, in the year under review the hotel and catering business unit generated operating income of CHF 3.0 million and an annualized EBITDA return of 6.1% on the market values of these properties.

28 | Transactions with related parties

In the year under review, revenue of TCHF 96 from catering services were received from companies of the Metall Zug Group. Against this were expenses of TCHF 57. As at the balance sheet date, receivables due from Metall Zug Group companies amounted to TCHF 11 and liabilities to them TCHF 9.

Zug Estates AG sold two multi-family houses to pension foundation BVG Normkasse der V-ZUG AG at the price of a binding offer by an independant third party.

Information on the procedure for determining the compensation of the board of directors and Group Management and on the compensation amounts paid to them is available on pages 75 and 76 of the notes to the annual financial statements. As at the balance sheet date, liabilities towards members of the board of directors amounted to TCHF 178.

29 | Events after the balance sheet date

No events requiring disclosure took place after the balance sheet date.

Auditor's report

on the onsolidated financial statements

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To the General Meeting of

Zug Estates Holding AG, Zug

Zug, 19 March 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements presented on page 50 to 69 of Zug Estates Holding AG AG, which comprise the balance sheet, income statement, statement of cash flows, changes in shareholders' equity and notes for the period from 1 March 2012 (date of incorporation) to 31 December 2012.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the period ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

Ernst & Young Ltd

Edgar Christen Licensed audit expert (Auditor in charge)	Andreas Blank Licensed audit expert

Member of the Swiss Institute of Certified Accountants and Tax Consultants

Zug City Center site, Industriestrasse 18

Balance sheet
of Zug Estates Holding AG

Assets

in CHF thousands	31.12.2012
Cash and cash equivalents	36 094
Securities	15 120
Treasury shares	9 348
Receivables due from third parties	4
Intercompany receivables	1 011
Prepaid expenses	6 107
Current assets	**67 684**
Tangible assets	12
Intangible assets	61
Investments	2 003
Intercompany loans	1 300
Fixed assets	**3 376**
Total assets	**71 060**

Liabilities and shareholders' equity	
Current liabilities to third parties	230
Accrued expenses	376
Liabilities	**606**
Share capital	12 750
Statutory reserves	
– Reserves for treasury shares	10 358
– Reserves from capital contributions	46 896
Free reserves	351
Retained earnings	
– Net income	99
Shareholders' equity	**70 454**
Total liabilities and shareholders' equity	**71 060**

Income statement
of Zug Estates Holding AG

in CHF thousands	01.03.2012 – 31.12.2012
Income from investments	6 100
Financial income	53
Other income	913
Total income	**7 066**
Financial expenses	4 287
Personnel expenses	1 142
Other operating expenses	1 536
Depreciation	0
Taxes	2
Total expenses	**6 967**
Net income for period	**99**

Notes
to the annual financial statements of Zug Estates Holding AG

Zug Estates Holding AG is a publicly held company, whose shares have been listed on SIX Swiss Exchange since July 2, 2012. Its registered offices are at Industriestrasse 12, Zug, Switzerland. Zug Estates Holding AG was registered in the Canton of Zug Commercial Register on March 1, 2012.

The 2012 annual financial statements of Zug Estates Holding AG were approved by the board of directors for publication on March 19, 2013.

1 | Basis of financial reporting

The annual financial statements presented here were prepared in conformity with the provisions of the Swiss Code of Obligations (CO).

2 | Investments

The investments of Zug Estates Holding AG, as at December 31, 2012, are listed on page 56.

3 | Significant shareholders

See notes to the consolidated financial statements, page 63.

4 | Share ownership by current members of the corporate bodies

in CHF	series A registered shares as at 31.12.2012	series B registered shares as at 31.12.2012
Heinz M. Buhofer, Chairman of the board of directors	563 040 [1]	1
Hannes Wüest, Vice-chairman	0	250
Prof. Dr. Annelies Häcki Buhofer, member	108 154 [1]	1 727
Dr. Hajo Leutenegger, member	2	0
Heinz Stübi, member	0	90
Martin Wipfli, member	0	266
Stephan Wintsch, CEO	0	40
Theus Gabriela, CFO	0	0

[1] For the most part held through Buhofer Trust II

5 | Treasury shares

In the period under review, Zug Estates Holding AG received from Metall Zug AG 18 400 series A registered treasury shares and 5 950 series B registered treasury shares with a total value of TCHF 10 358 as a dividend in kind. As at December 31, 2012, Zug Estates Holding AG holds 18 400 series A registered treasury shares and 5 950 series B registered treasury shares.

6 | Information on the execution of a risk assessment

Risk assessment and risk control within the Zug Estates Group are based on a standardized four-stage risk management process which includes the following steps:

1. Identification of risks
   Every three years, an extensive group-wide risk survey is conducted. In the scope of this survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are updated on an annual basis until the next extensive survey.
2. Risk analysis
   The top executives of the respective business units evaluate the risks identified in step 1 with respect to their probability of occurrence and their impact. When assessing the impact of a risk, the financial repercussions as well as the effect on reputation is considered.
3. Risk control
   The individual business units assign risk managers to each business risk or risk category, who define specific measures and monitor implementation of these measures.
4. Risk reporting
   The board of directors of Zug Estates Holding AG receives a consolidated risk report on an annual basis.

7 | Compensation

The members of the board of directors receive a fixed compensation for their activities, which is determined periodically by the entire board of directors at the request of the Nomination and Compensation Committee. Any additional compensation for offices held in subsidiaries is included in the following compensation table.

The compensation received by the members of Group Management is divided into a fixed component and a variable component which is dependent on the course of business. Compensation is determined according to the actual area of responsibility, professional profile and expertise of each individual member of Group Management and the performance required. The fixed and variable components of compensation are determined annually at the discretion of the board of directors acting at the request of the Nomination and Compensation Committee. No external consultants were engaged. Of the compensation paid in the reporting period, the fixed component accounted for 84% and the variable component 16%. Members of the Group Management are not present at meetings of the Nomination and Compensation Committee or of the board of directors dealing with employment contracts of members of the Group Management and, in particular, compensation received by the latter. The emplyment contracts of the Group Management do not provide for any severance payments or unusually long periods of notice.

Zug Estates Holding AG does not have any participation or option programs and no shares were assigned to members of the board of directors, Group Management or associated persons. No loans or credits were granted to members of the board of directors or to Group Management.

Compensation for the calendar year

in CHF	Net compensation	Pension contributions [1]	Total 2012
Heinz M. Buhofer, Chairman of the board of directors	158 701	49 489	208 190
Hannes Wüest, Vice-chairman [2]	600 000	0	600 000
Prof. Dr. Annelies Häcki Buhofer, member	40 000	5 968	45 968
Dr. Hajo Leutenegger, member	40 000	2 884	42 884
Heinz Stübi, member	25 000	3 734	28 734
Martin Wipfli, member	65 000	0	65 000
Total board of directors	**928 701**	**62 075**	**990 776**
Stephan Wintsch, CEO (since June 1, 2012)	242 502	109 993	352 495
Total Group Management	**464 792**	**194 976**	**659 768**

[1] Employer's and employee's contributions to pension schemes, AHV (old age and survivors' insurance), IV (invalidity insurance), health insurance and accident insurance.

[2] Hannes Wüest bore operational responsibility in his capacity as delegate to the board of directors of MZ-Immobilien AG until June 2012

The stated amounts cover compensation for the entire calendar year for activities at all Zug Estates Group companies. Compensation for activities at companies of the Metall Zug Group, in its new form, are disclosed in the Metall Zug AG Annual Report.

8 | Dividends from subsidiaries

Dividends from subsidiaries totaling TCHF 6 100, which were declared from the ordinary profits of the 2012 financial year, are recorded under "Income from investments".

Proposal for the appropriation of available earnings

in CHF	31.12.2012
Retained earnings carried forward	0
Net income	98 536
Retained earnings	**98 536**
Retained earnings to be carried forward	98 536

Furthermore, the board of directors proposes that CHF 7 403 430 from the reserves from capital contributions be reclassified as free reserves and that the subsequent payout to shareholders, which is exempt from withholding tax, be made as follows (no distribution will be paid on treasury shares):

in CHF	
For each series A registered share	1.50 net
For each series B registered share	15.00 net

Subject to approval by the general meeting of shareholders of the proposal put forward by the board of directors, distribution will be effected on Wednesday, May 8, 2013 ("payment date").

Auditor's report

Annual financial statements of Zug Estates Holding AG

ERNST & YOUNG

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To the General Meeting of

Zug Estates Holding AG, Zug

Zug, 19 March 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zug Estates Holding AG on page 72 to 77, which comprise the income statement, balance sheet and notes for the period from 1 March 2012 (date of incorporation) to 31 December 2012.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the period ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

Ernst & Young Ltd

Edgar Christen
Licensed audit expert
(Auditor in charge)

Andreas Blank
Licensed audit expert

Member of the Swiss Institute of Certified Accountants and Tax Consultants

Zug City Center site, Parkhotel Zug

Portfolio

	Place	Form of ownership[1]	Ownership share in %	Year of construction	Year of refurbishment
Investment properties					
Zug City Center site					
Baarerstrasse 20-22 (Metalli I/II, ZE share)	Zug	CO	66.75	1987/1991	–
Baarerstrasse 14a (Metalli III)	Zug	SO	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	SO	100	1995	–
Industriestrasse 16 (leasehold)[2]	Zug	LHP	100	–	–
Industriestrasse 18	Zug	SO	100	1992	–
Haldenstrasse 12-16 (Haldenhof)	Zug	SO	100	2009	–
Residential development Haldenstrasse/Metallstrasse	Zug	SO	100	1910 - 1994	1986 - 1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 3-5, 9, 13-17	Rotkreuz	SO	100	2011/2012	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Rotkreuz	SO	100	ca. 1926	2012
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	SO	100	1971	–
Rote Trotte 14-16	Baar	SO/C	100	2007	–
Industriestrasse 8	Oberentfelden	SO	100	1956	1974
Total other					
Total investment properties (excl. investment properties under construction)					
Investment properties under construction					
Suurstoffi 8-12 (Construction site 5, Buildings A+B)	Rotkreuz	SO	100	2013	–
Suurstoffi 14 (Construction site 5, Building C)	Rotkreuz	SO	100	2013	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Rotkreuz	SO	100	–	–
Total undeveloped plots					
Total real estate portfolio[3]					
Operating properties [3, 4]	Zug	SO/C	100	–	–
Total portfolio					

[1] SO: sole ownership; LHP: leasehold plot; CO: co-ownership; C: condominium

[2] Zug Estates AG is the ground lessor

[3] Information on floorspace and number of parking spaces excludes investment properties under construction

[4] The following properties located in Zug served completely or partly as operating properties: Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence), Metallstrasse 20 (City Garden Hotel), Haldenstrasse 9, 10, 11 (Serviced City Apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices).

Plot area m²	Residential m²	Office m²	Retail m²	Hotel/catering in m²	Storage in m²	Miscellaneous in m²	Total rentable space m²	Total no. of parking spaces
16 419	8 170	12 170	18 007	608	4 401	742	44 098	508
4 843	270	5 325	3 075	0	3 241	356	12 267	103
2 155	1 965	1 634	381	461	727	0	5 168	82
3 200	–	–	–	–	–	–	–	–
1 637	0	1 583	0	0	256	78	1 917	30
3 731	3 150	0	0	0	0	59	3 209	54
13 473	8 222	0	0	0	11	38	8 271	68
45 458	21 777	20 712	21 463	1 069	8 636	1 273	74 930	845
19 370	14 547	0	0	0	0	0	14 547	282
2 680	0	337	0	183	0	0	520	0
22 050	14 547	337	0	183	0	0	15 067	282
2 806	503	698	0	0	33	0	1 234	29
1 687	876	0	0	0	0	130	1 006	12
20 551	0	1 212	0	141	6 094	5 216	12 663	105
25 044	1 379	1 910	0	141	6 127	5 346	14 903	146
92 552	37 703	22 959	21 463	1 393	14 763	6 619	104 900	1 273
11 961	10 132	0	3 597	0	114	0	13 843	319
2 290	0	8 177	0	0	448	0	8 625	37
14 251	10 132	8 177	3 597	0	562	0	22 468	356
67 843	–	–	–	–	–	–	–	–
67 843	–	–	–	–	–	–	–	–
174 646	37 703	22 959	21 463	1 393	14 763	6 619	104 900	1 273
12 755	1 879	860	0	13 068	89	0	15 896	176
187 401	39 582	23 819	21 463	14 461	14 852	6 619	120 796	1 449

Additional information

in CHF thousands or %	Book value 31.12.2012	Pro forma book value 31.12.2011	Projected rental revenue 31.12.2012	Projected rental revenue 31.12.2011	Vacancy rate 31.12.2012	Vacancy rate 31.12.2011
Zug City Center site, Zug	558 697	514 427	26 093	25 467	1.4%	1.0%
Suurstoffi site, Risch Rotkreuz	92 584	–	4 380	–	1.5%	–
Other	24 363	38 494	1 511	2 242	0.6%	0.2%
Investment properties	**675 644**	**552 921**	**31 984**	**27 709**	**1.4%**	**1.0%**
Investment properties under construction	111 234	112 503	–	–	–	–
Undeveloped plots	11 311	10 011	–	–	–	–
Total real estate portfolio	**798 189**	**675 435**	**31 984**	**27 709**	**1.4 %**	**1.0%**
Operating properties [1]	42 254	44 407	–	–	–	–
Total portfolio	**840 443**	**719 842**	–	–	–	–

[1] Wüest & Partner AG estimated the fair value as at December 31, 2012 at TCHF 105 624 (previous year: TCHF 105 504)

Additional information on Suurstoffi development project, Risch Rotkreuz

Project description:
A mixed-use development with approx. 150 000 m² GFA is to be built in several phases on the Suurstoffi site (approx. 100 000 m²) near Rotkreuz train station. The development will become part of the Group portfolio.

During the first phase running to early 2013, some 13 000 m² of commercial space and 228 rental apartments will be created. A further 150 or so rental apartments plus a school and service sector building (approx. 7 800 m²) are planned for the second phase.

Project status:
Construction work for the first development phase started in summer 2010 and is proceeding on schedule. The first six buildings, with a total of 141 apartments, have been completed and handed over to the tenants. Two disused industrial buildings (Alte Suurstoffi) have been completely renovated and handed over to their new user, a private school. The remaining buildings in this initial development phase will be completed by early 2013.

Occupancy level by floor area (commercial units) or number (residential units)

		31.12.2012	31.12.2011
Construction site 5, Building C		100%	100%
Construction site 5, Buildings A+B	Residential	71%	0%
	Commercial	51%	0%

Completion

Construction site 5, Building C	31.12.2012
Construction site 5, Buildings A+B	Early 2013

Valuation report

of the independent real estate expert

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Wüest & Partner

Zug Estates Holding AG
Industriestrasse 12
6300 Zug

February 28, 2013

Reference number: 33480.20

Report of the independent valuation expert, valuation as of December 31, 2012

To the Board of Directors of Zug Estates Holding AG

Comission
Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2012, Wüest & Partner AG (Wüest & Partner) valued the properties and property units held by the Zug Estates Group. 12 investment properties, two properties under construction and six operating properties were valued.

Valuation standards
Wüest & Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines.

The property values determined correspond to the current value (market value) as described in Swiss GAAP ARR 18, item 14.

Definition of market value
Market value is defined as the amount for which a property would most probably be exchanged on the open market on the valuation date between two independent and knowledgeable parties, willing to buy and sell respectively, with due allowance made for a reasonable marketing period.

Property transfer tax, property gains taxes, value added tax and other costs and commission fees that would be incurred if the property were sold are not included (gross market value). Nor is any account taken of the Zug Estates Group's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

Valuation method
In valuing Zug Estates Group Properties, Wüest & Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (100 years) net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

Properties under construction were also valued using the DCF method by means of reverse calculation (residual value method), inferring the project value on the balance sheet date in three steps:
- Valuation of the property at the time of completion – taking account of the current occupancy/sales rate and the market and cost estimate on the balance sheet date;
- Calculation of the market value on the balance sheet date, taking account of the projected investments still to be undertaken;
- Estimate of the development risk according to the current project status and treatment as a separate cash flow of a cost position.

Basis of valuation
Wüest & Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with due allowance made for a reasonable marketing period.

The value of the properties under construction could be reliably estimated. Sufficient documentation, such as con-struction permits, cost estimates, project plans, rent rolls/ breakdowns of apartments, was available as a basis for such estimates.

Five investment properties, two properties under construction at market value and five operating properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2012.

Results
As of December 31, 2012, Wüest & Partner determined the market value of the total of 20 properties. These break down into 12 investment properties, two properties under construction and six operating properties. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

– Investment properties	CHF 675'644'000.-
– Properties under construction	CHF 96'550'000.-
– Operating properties	CHF 105'624'000.-
– **Total**	**CHF 877'818'000.-**

Changes during reporting period
Within the review period from January 1, 2012 to December 31, 2012, no purchases and the following sales were effected:

- Sale of 100% of the property at Rote Trotte 18/20, Baar ZG (2 single-family houses);
- Sale of approximately 50% of the property at Rote Trotte 10-16, (2 apartment blocks at Rote Trotte 10/12);

Independence and confidentiality
Wüest & Partner performed the valuation of Zug Estates Group real estate properties independently and neutrally in conformity with its business policies. It was carried out solely for those purposes specified above; Wüest & Partner shall accept no liability in respect of third parties.

Zurich, February 28, 2013
Wüest & Partner AG

Marco Feusi MRICS
Partners

Dr. Andreas Bleisch
Partners

Annex: Valuation assumptions and notes

Investment properties and operating properties

Valuation of the investment properties is based on the following key assumptions:

- Surface areas: The lettable areas were factored into the valuations on the basis of the rent rolls of the Zug Estates Group and verbal information provided by the Zug Estates Group. Discrepancies between this information and the property plans were verified with the Zug Estates Group.
- Rent rolls: The rent rolls as of January 1, 2013, on which the valuation was based, were received by Wüest & Partner during the period from November 2012 to January 2013.
- Calculation model: The DCF model adopted is a one-period model. The valuation period extends for 100 years from the valuation date with an implicit residual value during the eleventh period. Exceptions are possible in the case of leasehold properties with a corresponding reversion scenario.
- Discounting: Discounting is based on a risk-adjusted interest rate. The applicable rate is determined separately for each property. Risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for microlocation depending on use + premium for property quality and income risk + any other specific premiums. The discount rates of the property portfolio of Zug Estates Holding AG range from 3.80% to 5.20% (net real terms).
- Increased costs: Unless otherwise specified, the valuations assume an annual inflation rate of 1.00% for both income and expenses. When considered in nominal terms, the discount rate is adjusted accordingly. The cash flow trend and the discounting applied are presented in real terms.
- Indexing of rental contracts: Specific indexation of existing rental contracts is taken into account. 80% indexing (Swiss average) is assumed after contract expiry, with contracts adjusted to market rates every three to five years, depending on occupancy.
- Tenant risks: The valuation makes no explicit allowance for credit risks posed by any of the tenants.
- Scheduling of payment flows: In the case of existing rental contracts, individual payments are scheduled according to the contractually defined arrangements. After expiry of the contracts, cash flows are factored in quarterly in advance for commercial tenancies and monthly in advance for residential tenancies.
- Recoverability of ancillary costs: For the running costs, completely separate service charge accounts were assumed, with all tenancy-related ancillary costs passed on to tenants.

- Maintenance costs: Maintenance (repair and upkeep) costs were calculated using the building analysis tool. Based on an analysis of the condition and remaining lifespan of the various building elements and components, the software models periodic refurbishments and calculates the associated annual reserves for maintenance costs. The results were plausibility-tested using comparables and benchmarks derived from Wüest & Partner surveys. The calculation factors in 100% of repair costs in the first 10 years and 60% to 80% (individual recoverable share) from year 11 onwards, in line with the assumed value-preserving investments.

Properties under construction
Wüest & Partner also determined the current value (market value) of the properties under construction. These valuations are based on the following assumptions:
- Partial plots: Where appropriate, the Zug Estates Group divides the properties into partial plots. For reasons of transparency, this subdivision is taken over by Wüest & Partner in the valuations.
- Project development strategy: Where deemed plausible by Wüest & Partner, the strategy in relation to project development/promotion (e.g. sale vs. letting) has been taken over from the Zug Estates Group.
- Background data: The background data of the Zug Estates Group are verified and adjusted where appropriate (e.g. utilization, lettable areas, schedule/development process, rental/absorption).
- Impartial view: The valuations are subjected to an impartial assessment of income, costs and investment returns.
- Design-and-build or general service contracts: With regard to the service contracts of general and design-and-build contractors, it is assumed that construction costs have been secured.
- Services provided by project developers: The construction costs include the services of the Zug Estates Group as the developer's representative and the project developer.
- Sale costs: In the case of sections of properties ear-marked for sale (e.g. condominiums), costs of sale have been taken into account in the valuations.
- Preparatory work: Where known, preparatory work is taken into account in construction costs (e.g. remediation of legacy contamination, demolition work, infrastructure).
- Incidental costs: Construction costs include the usual incidental costs such as construction finance, but exclude financing of the plot of land. These costs are implicitly included in the DCF model.
- Services provided to date: Where known, value-relevant services provided to date by third parties or by the Zug Estates Group in the form of investments made are taken into account.
- VAT opt-in: It is assumed that the income from the planned commercial properties is subject to VAT. The construction costs are therefore presented exclusive of VAT.
- Deferred taxes: The valuations do not include any deferred taxes.

Share information

Zug Estates Holding AG has two categories of share. Series A registered shares (securities number 14 805 211) are not listed, series B registered shares have been listed in the regulatory standard for real estate companies of SIX Swiss Exchange in Zurich since July 2, 2012 (securities number 14 805 212, ticker symbol ZUGN).

Dividend

On account of the good result, the board of directors proposes to the general meeting of shareholders a cash distribution at the top end of the strategic range: the payout from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.50 per series A registered share and CHF 15.00 per series B registered share.

Upcoming events

April 30, 2013	General meeting of shareholders
May 8, 2013	Payment of dividend
September 2, 2013	Publication of half-year results

Performance series B registered share

	Nominal value	Number	Share of votes	Share of capital
Series A registered share	2.50	1 948 640	86.1%	38.2%
Series B registered share	25.00	315 136	13.9%	61.8%

Figures per series A registered share

in CHF	2012	2011
Net income [1]	11.44	9.82
Net income excl. income from revaluation of inv. properties [1,3]	3.59	3.07
Shareholders' equity (NAV) [2]	119.85	109.24
Shareholders' equity (NAV) before deferred taxes [2]	134.61	122.29
EPRA NAV [2,4]	131.01	119.45
Cash distribution [5]	1.50	–

Figures per series B registered share

in CHF		2012	2011
Net income [1]		114.38	98.18
Net income excl. income from revaluation of inv. properties [1,3]		35.92	30.65
Shareholders' equity (NAV) [2]		1 198.52	1 092.41
Shareholders' equity (NAV) before deferred taxes [2]		1 346.06	1 222.88
EPRA NAV [2, 4]		1 310.06	1 194.51
Cash distribution [5]		15.00	–
Stock market price	High	1 335	–
	Low	1 135	–
	Launch	1 191	–
	At year-end	1 200	–

Total capitalization

in CHF million		2012
Market capitalization [2, 6]	At year-end	602.7

Pro forma figures, with the exception of figures as at the cut-off date of 31.12.2012

[1] In relation to number of shares on average outstanding (series A registered shares converted)
[2] In relation to number of shares outstanding (series A registered shares converted)
[3] Corresponds to net income excluding income from the revaluation of investment properties (net) and the resulting deferred taxes
[4] Net asset value (NAV) calculated in accordance with the best practices recommended by the European Public Real Estates Association EPRA
[5] Proposal of the board of directors
[6] Conversion of series A registered shares on the basis of the year-end rate applicable to series B registered shares

Contact

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This annual report is published in German and English. The German version shall prevail and be binding.

Notes on possible forward-looking statements:
The present annual report of Zug Estates Group may contain forward-looking statements. Such statements can be identified by expressions such as “shall”, “assume”, “expect”, “anticipate”, “intend”, “aim”, “future” or similar terms, as well as by discussions of strategies, goals, plans or intentions, etc. They are subject to known or unknown risks and uncertainties that could cause actual results and occurrences to differ materially from the expectations contained or implied in the forward-looking statements.

Publishing information

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Zug City Center site: Christian Ammann, Zurich
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Portraits CEO/CFO: Franz Rindlisbacher, Zurich
Portraits Board members: Martina Meier, Zurich/Franz Rindlisbacher, Zurich

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