

Annual Report

2014

The number '2014' is rendered in a large, bold, black font. The interior of each digit is filled with a blurred photograph of a high-speed train in motion, showing orange and white stripes. The background of the entire page is a solid dark blue.

At a glance

		2014	2013	%
Zug Estates Group				
Operating revenue (excl. income from the revaluation of inv. properties)	TCHF	62 065	59 095	5.0%
Operating expenses	TCHF	24 409	25 910	- 5.8%
Operating income before depreciation and revaluation	TCHF	37 656	33 185	13.5%
Revaluation of investment properties (net)	TCHF	21 314	26 900	- 20.8%
Income from sale of investment properties	TCHF	483	0	n.m.
EBIT	TCHF	55 855	56 531	- 1.2%
Net income	TCHF	45 149	44 807	0.8%
Net income excluding income from revaluation ¹	TCHF	23 982	20 660	16.1%
Total assets	TCHF	1 088 106	981 926	10.8%
Interest-bearing debt	TCHF	320 000	250 000	28.0%
– Debt ratio		29.4%	25.5%	–
Shareholders' equity (NAV)	TCHF	662 830	629 069	5.4%
– Equity ratio		60.9%	64.1%	–
– Return on equity ²		7.0%	7.3%	–
Headcount (full-time equivalents)		157.2	154.1	2.0%
Share				
Closing price	CHF	1 244	1 162	7.1%
Market capitalization ³	TCHF	610 267	573 519	6.4%
Earnings per series B registered share ⁴	CHF	91.75	89.99	2.0%
Earnings per series B registered share excl. revaluation ⁴	CHF	48.74	41.50	17.5%
Distribution per series B registered share ⁵	CHF	18.50	16.50	12.1%
Shareholders' equity (NAV) per series B registered share ³	CHF	1 351.15	1 274.55	6.0%
EPRA NAV per series B registered share ³	CHF	1 468.89	1 387.29	5.9%
Portfolio				
Investment properties	TCHF	900 276	835 867	7.7%
Investment properties under construction	TCHF	94 771	47 023	101.5%
Undeveloped plots	TCHF	9 269	9 269	0.0%
Total real estates portfolio	TCHF	1 004 316	892 159	12.6%
Operating properties (market value)	TCHF	106 724	106 507	0.2%
Total portfolio	TCHF	1 111 040	998 666	11.3%
Property income ⁶	TCHF	37 450	34 733	7.8%
Vacancy rate investment properties ⁷		4.4%	2.7%	–
Gross return investment properties ⁸		4.8%	4.8%	–
Gross return operating properties ⁹		6.6%	6.6%	–

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 In relation to number of shares outstanding (series A registered shares converted)

⁴ In relation to number of shares on average outstanding (series A registered shares converted)

⁵ Proposed by board of directors, in form of cash distribution from reserves from capital contributions

⁶ Comprises rental income and income from Miteigentümergeinschaft Metalli

⁷ As at the balance sheet date, as a percentage of projected rental income

⁸ Projected rental income (annualized) as a percentage of the market value on the balance sheet date

⁹ 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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Foreword

Dear shareholders,

Zug Estates achieved a strong operating result once again in 2014 and further strengthened its position as a focused real estate company. Dynamic growth saw the portfolio reach CHF 1.1 billion – twice its value six years ago. We shall continue to strive for further growth in the future, especially at the Suurstoffi site, where a number of investment projects of more than CHF 400 million are successively being brought to construction readiness; they will be implemented as the right market opportunities present themselves.

Why is Zug Estates so determined to pursue dynamic portfolio expansion at a time when real estate companies are about to become even more exposed to a market environment which – while still robust at the moment – will become increasingly fragile in the medium term? What are the strategic principles and guidelines of Zug Estates as regards the spatial and functional focus of these further investments?

A portfolio consisting of an entire urban district

First of all, Zug Estates is consistently committed to a small number of high-quality integral real estate products of a particular market size. Zug Estates believes that adopting this strategy will enable it to adapt more efficiently to future changes in demand caused by demographic and structural developments, instead of focusing on a large number of geographically dispersed individual properties each with its own specific micro market environment.

The Metalli site in Zug and the Suurstoffi site in Risch Rotkreuz are two areas or districts offering a diverse and versatile range of homes, services and retailers with high-quality infrastructure. Both districts have further potential for expansion alongside the existing building stock under the terms of the current planning rules. If these development reserves are realized, they will each provide space for homes and jobs for around 5 000 people. As its name suggests, Zug Estates is therefore committed to developing integral real estate products. Its business is urban management.

Accessibility is vital

Secondly, the spatial focus of Zug Estates is based on high quality accessibility, which ensures that the investment sites are easy to reach and have good public access. The mobility requirements of society and the economy are not expected to decline in the future, but they may well become more complex. Physical connections to the public transport infrastructure, as well as the provision of adequate infrastructure for private transport, will become increasingly important. This prerequisite for the locations is admirably fulfilled thanks to the excellent, high-quality accessibility of the Suurstoffi and Metalli sites – they have the best access in the canton of Zug and Central Switzerland. A mobility management scheme is also being tried out at the two locations with the aim of making accessibility even better.

Zug Estates also regards virtual access as just as important as physical access. In addition to the installation of a high-performance communications infrastructure, user-friendly local services are being implemented – a first in the context of site amenities. Zug Estates believes that this strategic focus on optimum accessibility will also ensure that the Group continues to be attractively positioned over the longer term.

Growth is a market opportunity

The question still arises – and has been emphasized by the recent decisions of the Swiss National Bank – whether an unequal allocation of funds in sub-markets of the real estate sector is connected with market distortions. The warning signals are not going away. In this context, it is therefore necessary to give very thorough consideration to investments in construction projects.

Although Zug Estates has substantial development reserves in its portfolio, the board of directors is careful not to press ahead with development too fast. Nor is there any time pressure with regards to utilizing these development reserves, since they have been priced in at favorable costs. Realizing construction projects for the Group's own portfolio also incurs less risk exposure to market price changes. Zug Estates remains committed to the principle of achieving profitable growth from the market opportunities available.

Responsibility is a brand hallmark

Real estate is more than a commodity. The Suurstoffi and Metalli brands are well known far beyond Zug. This is one reason why Zug Estates lays great emphasis on strengthening the portfolio as an attractive residential and business location of the future. The usability and facilities of the rental spaces, the structural variety of the properties on offer, the high aesthetic and functional quality of the public and private exterior spaces, the impressive urban design and distinctive architecture, the productive debate with social developments, the suitability of the infrastructure and local services, plus of course efficient management: these are all key elements of the phased development and appropriate positioning of the districts.

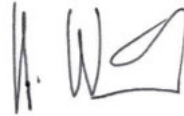
Another key element is the aspiration to design the buildings to operate without emissions and with the smallest possible amount of external energy. This zero-zero vision is being implemented competitively in the Suurstoffi district and is expected to be a key feature of all Zug Estates properties in the future. In summer 2015, we intend to publish a separate sustainability report on this topic for the first time.

Ladies and gentlemen, with these strategic priorities Zug Estates, a listed company since 2012, stands on solid ground and is well prepared for the challenges ahead. Given our track record over recent years, we are confident that we shall be able to boost the company's value again in 2015 through rigorous management of the real estate portfolio, which is spatially concentrated but diversified in terms of use, and drive profitable growth.

The board of directors proposes to the general meeting of shareholders that the dividend be increased by another 12% to CHF 18.50. Moreover, it confirms the business target of gradually improving the payout to shareholders while continuing to pursue a high level of investment activity and making cautious use of borrowed funds.

I would like to thank you, our shareholders, for the trust you place in Zug Estates.

Zug, March 2015



Hannes Wüest
Chairman of the board of directors

Financial year report

Dear shareholders,
Ladies and gentlemen,

The Zug Estates Group achieved a gratifying result once again in 2014. The 2014 financial year was notable for a high level of investment activity and profitable growth overall. In addition, significant progress was made on the development of the Suurstoffi site.

Net income excluding income from revaluation up 16.1%

Zug Estates generated operating income of CHF 62.1 million in 2014. This represents a year-on-year increase of 5%. Property income rose by CHF 2.7 million to CHF 37.5 million, despite a decrease in residential rents resulting from the reductions in the reference rate. The main reason for the increase was that the apartments and commercial space completed in the previous year were included in the results for the full year. Income in the hotel & catering business unit rose to CHF 20.6 million in a persistently challenging market environment. Operating expenses fell by 5.8% compared with the previous year, to CHF 24.4 million. This is mainly attributable to significantly lower property expenses. In 2013 several periodic measures were implemented that did not have to be carried out in 2014. Operating income before depreciation and revaluation rose by 13.5% to CHF 37.7 million in the year under review (previous year: CHF 33.2 million).

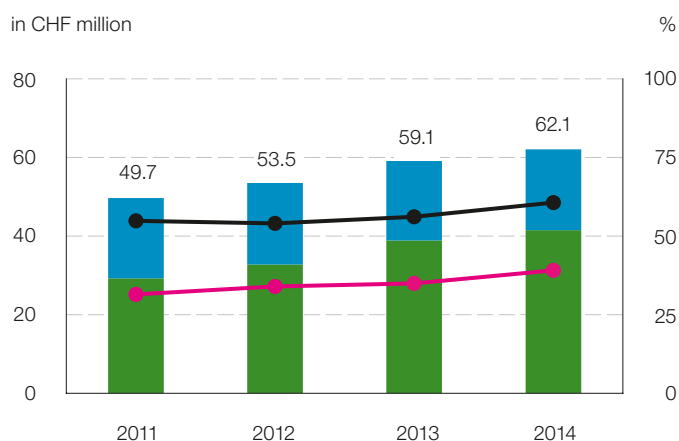
As expected, the real estate market continued to flatten out. Income from the revaluation of investment properties (net) was well into positive figures at CHF 21.3 million, but was lower than the previous year's figure of CHF 26.9 million. The progress achieved in the existing development projects and the successful conclusion of new and repeat rental agreements contributed to the positive performance. In addition, there was a gain of CHF 0.5 million on the sale of an apartment in Baar. Operating profit (EBIT) of CHF 55.9 million was CHF 0.7 million below the figure for the previous year.

In 2014 Zug Estates sold the remaining securities acquired in the capital increase of 2012 and therefore no longer holds a

stake in Metall Zug AG. At CHF 1.3 million, the financial result was below the previous year's figure. Tax expenditure fell by CHF 2.3 million compared with the previous year, helped in particular by a cut in the tax rate for deferred taxes from 15.0% to 14.6%.

Net income came to CHF 45.1 million, up 0.8% on the previous year. 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 income and corresponding deferred taxes – income increased by 16.1% to CHF 24.0 million.

Operating income and result



Property income and other operating revenue (left-hand scale)

Hotel & catering income (left-hand scale)

Operating income before depreciation and revaluation in % operating income (right-hand scale)

Net income excluding income from revaluation, as a percentage of operating revenue (right-hand scale)

Earnings excluding revaluation rises to CHF 48.74 per series B registered share

Net income excluding income from revaluation, which is relevant to the payout to shareholders, rose by 17.5% to CHF 48.74 per series B registered share, thus significantly exceeding the prior-year figure. The net asset value (NAV) per series B registered share increased to CHF 1 351.15 (previous year: CHF 1 274.55). The EPRA NAV, which takes the operating properties into

account, came to CHF 1 468.89 per series B registered share (previous year: CHF 1 387.29). The Zug Estates share closed at CHF 1 244 on December 31, 2014, below the NAV and the EPRA NAV. Overall earnings per share came to 8.5% in the 2014 financial year.

Fair value of overall portfolio rises to CHF 1 111.0 million

The Group energetically pursued its growth strategy in the year under review, investing CHF 92.5 million in expanding its portfolio further. On the one hand, a 5.5% stake was acquired in the Miteigentümergeinschaft Metalli co-ownership association in Zug, thus increasing the total participation to 72.25%. On the other hand, the second phase of development in Risch Rotkreuz was largely completed. The book value of the entire portfolio stood at CHF 1 043.4 million at the end of the year, up 11.8% on the previous year. Operating properties are stated at cost less write-downs. The fair value of these properties is CHF 106.7 million, with the fair value of the entire portfolio thus amounting to CHF 1 111.0 million (previous year: CHF 998.7 million). No properties were acquired or disposed of, with the exception of the sale of a non-strategic apartment and the acquisition of the co-ownership stake mentioned previously.

Vacancy rate remains low

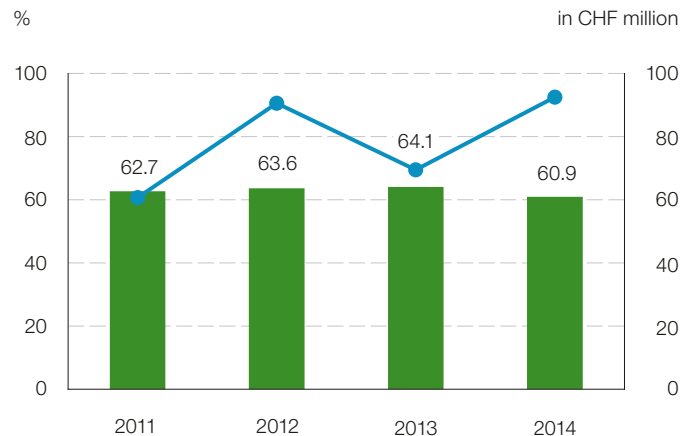
As expected, the vacancy rate of 4.4% at December 31, 2014 was higher than in the previous year because the vacant space in the new office building at Suurstoffi 41 is reserved for the future use of the Lucerne University of Applied Sciences and Arts (HSLU). Adjusted for voids before initial renting, the vacancy rate of 1.6% remains at a low level (previous year: 0.8%).

Equity ratio still over 60% despite higher investment activity

The Zug Estates Group can build on a solid equity base offering long-term stability. As at December 31, 2014, equity capital totaled CHF 662.8 million, equivalent to an equity ratio of 60.9%. As at the end of December, borrowed capital stood at CHF 320 million, corresponding to 29.4% of total assets. The average residual term of the interest-bearing debt was 7.6 years,

while the average interest rate was 2.2% (previous year: 2.6%). In addition, in the previous year the Group took out a long-term CHF 75 million forward mortgage maturing in May 2015. This, coupled with cash and cash equivalents of CHF 24.2 million as at year-end, provides the Group with adequate scope to fund the continuing expansion of its real estate portfolio.

Equity ratio



Equity ratio (left-hand scale)

Investment in the portfolio (right-hand scale)

Substantial progress in site development

In the year under review, Zug Estates achieved important progress both in Zug and in Risch Rotkreuz:

- The redevelopment of the outside space at the Metalli shopping mall was completed. The car park has been modernized and equipped with a user-friendly parking guidance system. New tenants were also gained, and these provide an attractive addition to the range of outlets on offer at Metalli.
- Progress on the construction projects on the Suurstoffi site is going according to plan. Construction work on the office building at Suurstoffi 41 was completed in mid-2014 and a section handed over to SIS Swiss International School. Central Switzerland's biggest timber housing estate with a total of 156 apartments was largely completed. All the apartments have been let since July 2014 and residents are due to move in during the first half of 2015.

- The Suurstoffi Ost development plan has been legally binding since spring 2014. This means that further development reserves totaling more than 80 000 square meters, of which about 40% is designated for residential use, have been officially secured. Zug Estates plans to invest around CHF 400 million in developing these reserves in stages over the next few years.
- In October 2014, HSLU decided to build its new IT Department at the Suurstoffi site in Risch Rotkreuz. The first students are expected to occupy temporary accommodation in existing buildings in Rotkreuz from 2016 onwards. By 2019, around 1 000 students should be occupying buildings constructed specially for HSLU at the site. In addition to the campus structure and the pioneering energy system, the excellent accessibility of the location was a key factor in Lucerne University's choice of location.

Business hotel segment stable

After several difficult years the Swiss tourist industry has recently experienced an upturn, with a year-on-year increase in the number of overnight stays. The business hotel segment was able to benefit from this recovery. Hotelbusiness Zug AG further strengthened its leading market position in the business hotel segment in Zug. Occupancy rates at its establishments rose slightly, with room prices remaining almost unchanged, while accommodation revenue increased by 3.6% to CHF 11.2 million and catering revenue remained steady. Overall income therefore rose 1.7% to CHF 20.6 million.

Positive outlook

We look forward to the future with confidence. We believe that demand for residential property will remain high and that tenants will therefore be found. However, the downturn in the commercial market that has been apparent for the past two years – especially for office space – is gathering pace, and this is likely to have an increasing impact on the available Zug Estates units. In terms of changes of tenants, the Group expects longer absorption times and a slight rise in vacancies overall. The long contract periods and good diversification of the portfolio with

a high proportion of residential property should nevertheless ensure continuity.

Operationally, we are expecting high rental income in the real estate segment as another 145 rental apartments become occupied in the first half of 2015. Owing to the expected slowdown in market momentum, we assume that income from the revaluation of investment properties (net) will be below the figure for the previous year.

We take a cautious view of the earnings outlook for the hotel & catering segment. Increasing pressure on prices should be expected generally. Catering income is also expected to decline because of renovation work. All catering sales at the Theater Casino Zug will cease in 2016, since Hotelbusiness Zug AG has decided for strategic reasons not to extend its lease with the City of Zug when it expires at the end of 2015.

Overall, we expect operating income before depreciation and revaluation to increase by a mid-single-digit percentage in 2015.

The thoughtful development of the Suurstoffi site will continue to be an important priority. Planning for the next phase, with an investment volume of about CHF 110 million, has reached an advanced stage. The planning application is expected to be submitted in spring 2015, so we are assuming that we can begin construction during the second half of the year. Meanwhile, the planning work for the subsequent development phases, with an investment volume of a further CHF 150 million, is continuing apace. In 2015 we expect to make investments of CHF 30 to 50 million.

Zug, March 2015



Tobias Achermann
CEO



Gabriela Theus
CFO

Responsibility



Acting sustainably means taking responsibility

The timing and current position of the two site development projects are very different – the Metalli site is now a bustling district of Zug, while the Suurstoffi site is in the midst of the construction process. However, one thing has not changed: when Zug Estates decides to develop a whole site sustainably, it makes an active commitment to the place and to the people who live and work there – and that includes assuming social responsibility.



The thoughtful incorporation of existing buildings is essential if an area is to be developed sustainably.

It is nearly three decades since the first phase of the Metalli site was opened. In many respects, 1987 was a different era – life went on at a slower pace in what was still mainly the analog age. The concept of sustainability, in the sense of developing a building – or even an entire neighborhood – with a view to the long term, was unknown. With hindsight, the decision to convert the site of the Zug metal factory (which at that time was considered rather a long way out of the city despite being close to the railway station) into a vibrant district seems visionary and courageous – and it meant assuming responsibility for a place which in those days resembled the ugly duckling rather than a proud swan. After all, what has now turned out to be such a success was anything but a safe bet in the mid-1980s. Today, the Metalli site is a central location serving the city of Zug. With its excellent accessibility, the site provides work for 2 000 people and homes for 700 residents.

Active commitment to a forward-looking society

One of the reasons why the venture succeeded and a multifaceted, lively district was created is that back then at the planning, development and construction stage, Zug Estates took account of a number of elements that we now know to be necessary if a district is to be developed sustainably. High quality urban development is a fundamental requirement of a functioning neighborhood. A balanced interplay of buildings and open space. What counts above all are good houses, built for the long term to high architectural standards and yet flexible enough to be able to respond to change.

Outside spaces are just as important, and these must be designed to meet the diverse needs of the users while offering both freedom and security. Furthermore, sustainable mobility is required – with bicycles and pedestrian traffic playing key roles – as well as good public transport links, ideally complemented by car sharing schemes. Another requirement is mixed use, including homes, jobs, businesses and services – with ground floor public areas essential to the quality of the public spaces. In addition to open structures that can respond to changing conditions, there must also be room for preservation of the area's history, since maintaining its identity is a vital part of its future. Last but not least is the commitment of the participants: developers that not only want to create neighborhoods worth living in for a long time to come, but are also ready to assume responsibility accordingly; public authorities that not only demand quality but also create the necessary conditions for it; and, ideally, users who are involved in their neighborhood.

The goal

In this respect, what applied to the Metalli site in the mid-1980s is true for the Suurstoffi site today: it is a promise to the future – not least from the property developers, which are once again taking responsibility and setting ambitious goals for the site in terms of energy consumption and environmental impact. On completion, the site in Risch Rotkreuz with above average accessibility will provide 3 000 jobs and be home to 1 500 people – all with CO₂-free operation and no use of external energy sources. Nearly 1 000 people already live and work in the Suurstoffi district. We don't know what Rotkreuz will look like in 30 years' time, but there's a good chance that an urban district with a great quality of life will emerge there – just as it has at the Metalli site, which is now part of Zug city center. In addition to a sustainable development strategy for creating an outstanding urban development with high-quality buildings that are at the cutting edge in terms of energy use and impact on the environment, two things in particular are needed: time and the commitment of the developers, the public authorities and the people who live and work in the neighborhood.

Public areas on the ground floor are essential for the quality and usefulness of the external space.





Whether trains or buses linked to the city network, good public transport links are vital for future mobility.

Portfolio

The Zug Estates Group develops, markets and manages properties in the Zug region. It focuses on centrally located sites suitable for a wide range of uses and with potential for sustainable development. The majority of the portfolio is located at the Metalli site in Zug and the Suurstoffi site in Risch Rotkreuz and is broadly diversified by type of use.

Continuous expansion of the portfolio

The Group pursues a policy of active growth. Its focus is on actively developing existing reserves in the two areas in Risch Rotkreuz and Zug. Since 2009 the value of the portfolio has practically doubled. In the next few years, the focus will be on continuing the thoughtful development of the Suurstoffi site in Risch Rotkreuz:

2015–2017

Suurstoffi 16–20, will have around 170 rental apartments, 50 units for student accommodation and approx. 7 000 m² of commercial space.

Investment volume approx. CHF 110 million.

2016-2018

Suurstoffi 39, residential tower block with a height of 70 m, about 100 condominium properties and approx. 500 m² of commercial space.

Investment volume approx. CHF 70 million

2017-2019

Suurstoffi 2–6, future premises of HSLU, approx. 10 000 m² of commercial space.

Investment volume approx. CHF 40 million

2018-2020

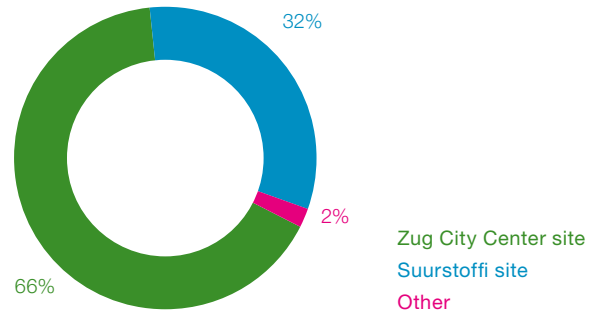
Suurstoffi 22/43–45, approx. 30 000 m² of commercial space, development as required.

Investment volume approx. CHF 120 million

In addition, the Group has further development potential at the Zug site with a possible investment volume of around CHF 300 to 400 million.

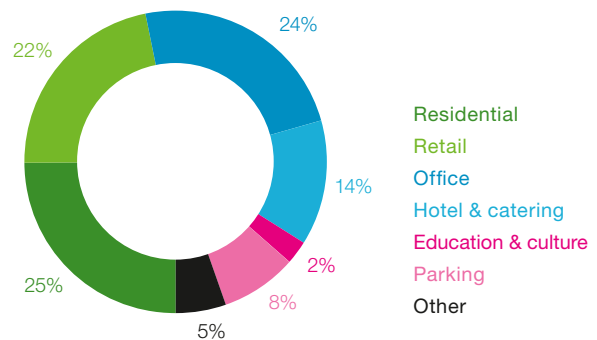
Portfolio by site

Based on fair value as at December 31, 2014



Portfolio by use

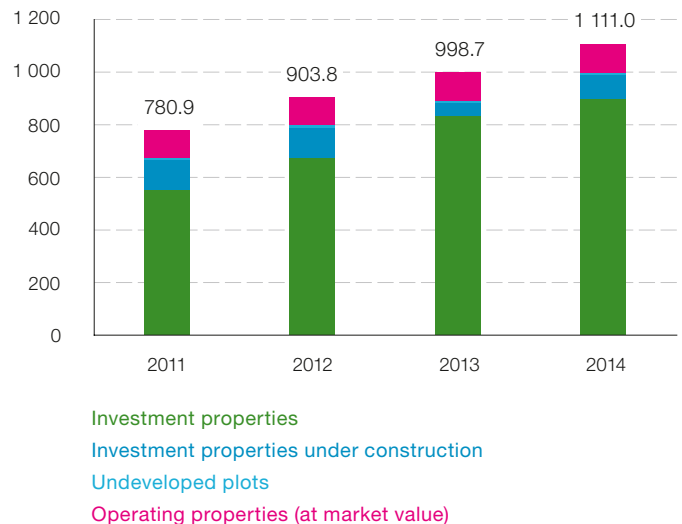
Based on projected rental revenue ¹ as at December 31, 2014



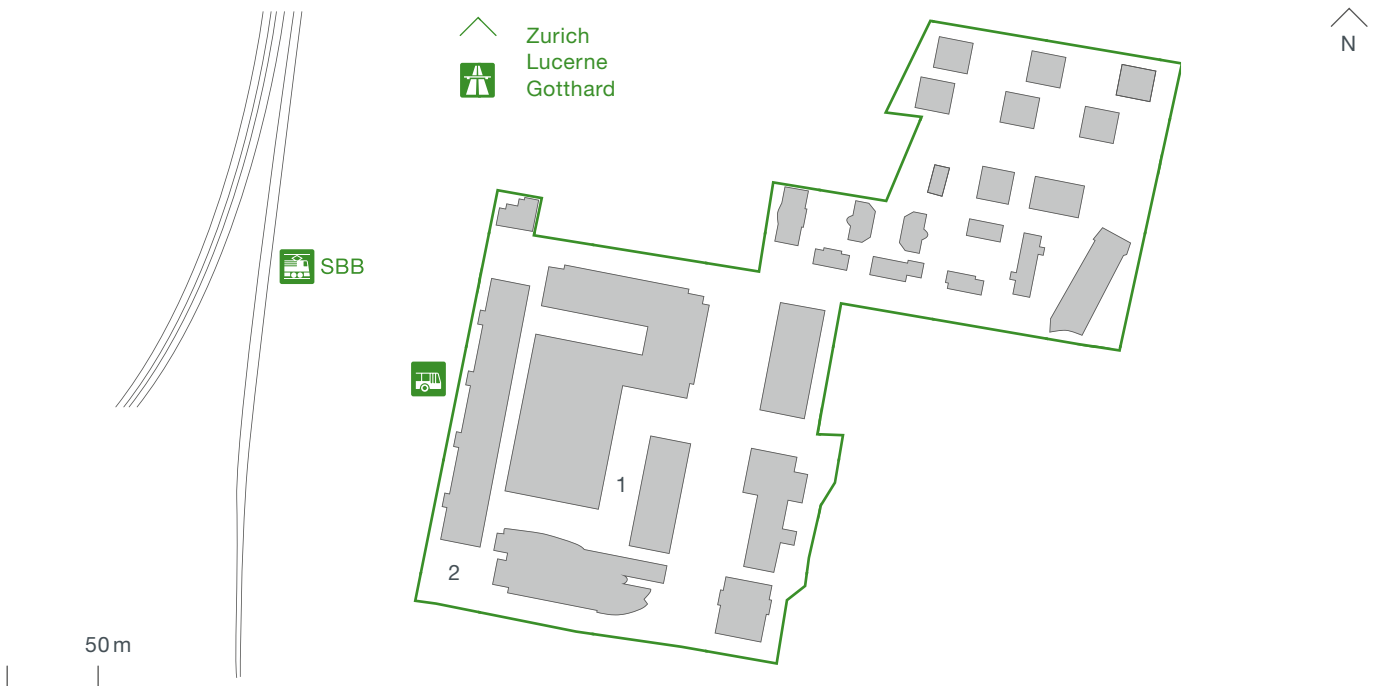
¹ From point of view of real estate business unit

Value of portfolio

in CHF millions



Metalli/Zug City Center site



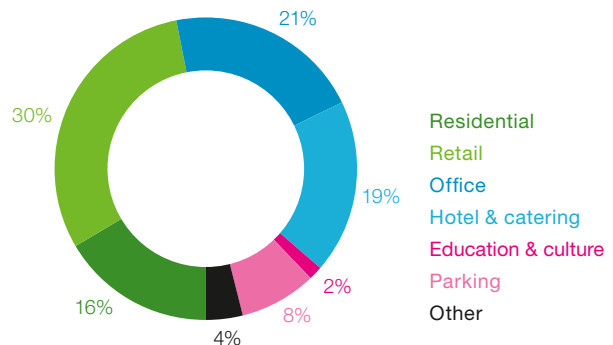
Key data as at December 31, 2014

Site area	58 213 m ²
Market value ¹	CHF 728.7 millions
Projected rental income investment properties ¹	CHF 28.9 millions
Gross yield investment properties	4.6%
Vacancy rate investment properties	1.6%
Residents	approx. 700
Workplaces	approx. 2 000
Local amenities	Metalli shopping mall with approx. 16 000 m ² of accessible sales area and annual turnover of around CHF 170 million, plus a wide 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 five-minute drive from site

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

Metalli/Zug City Center site by use

Based on projected rental revenue ² as at December 31, 2014



¹ Due proportion of fair value and projected rental revenue for (co-owned) property at Baarerstrasse 20-22, Zug; includes fair value of operating properties

² From point of view of real estate business unit

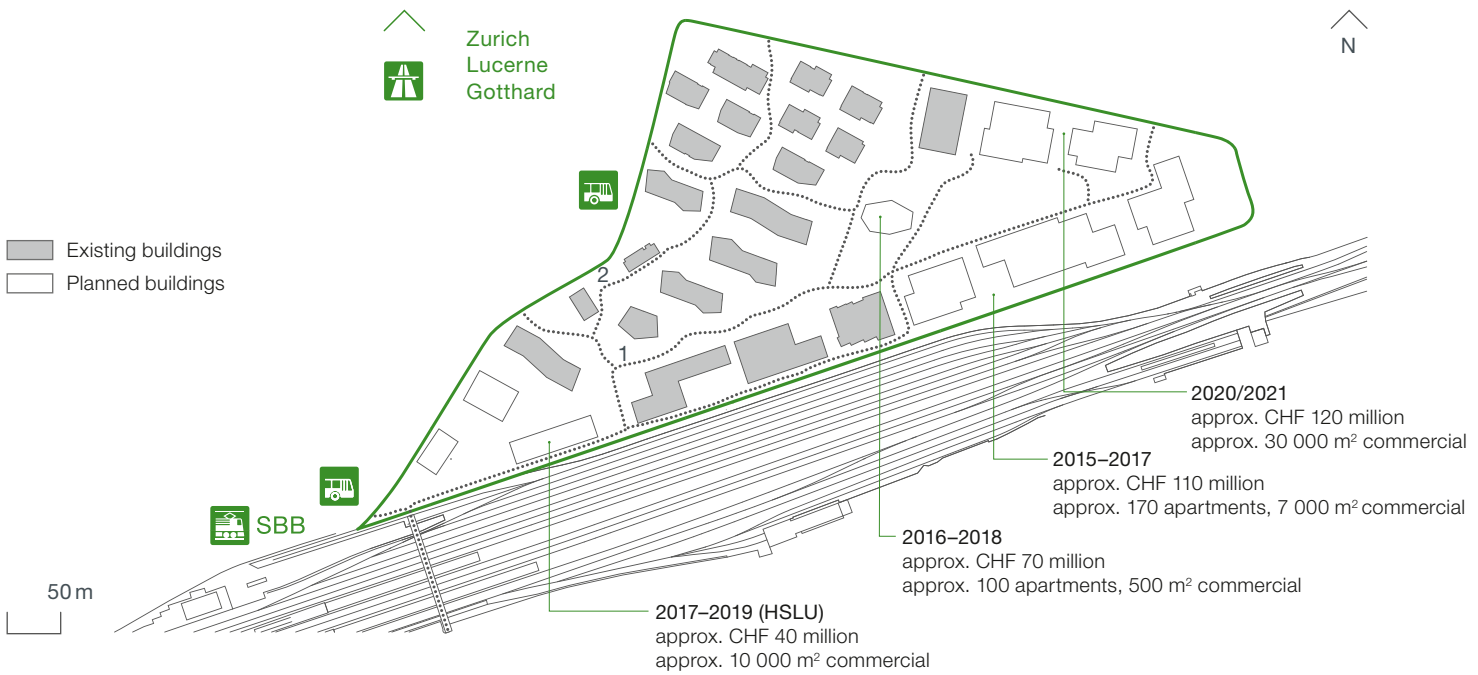


1 | Metalli, landscaped external space



2 | Metalli-Square

Suurstoffi site



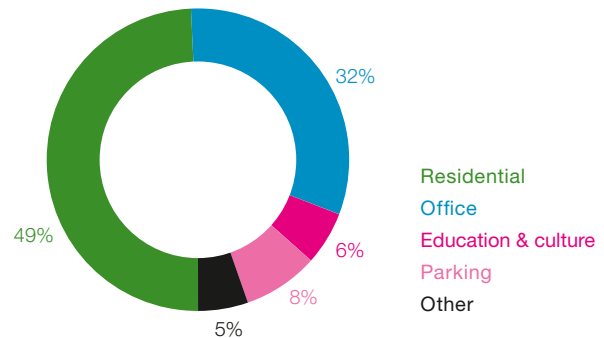
Key data as at December 31, 2014

Site area	104 340 m ²
Market value	CHF 359.8 millions
Projected rental income investment properties	CHF 12.7 millions
Gross yield investment properties	4.9%
Vacancy rate investment properties	11.5%
Residents	approx. 550
Workplaces	approx. 400
Local amenities	Education (private international school), childcare, fitness center, mobility, further space is being marketed, shops and other local facilities in town
Access	Train station (Interregio route) nearby, bus stop served by regional bus and postbus system on site, Rotkreuz motorway interchange is two-minute drive from site

The coming years will see the Suurstoffi site in Risch Rotkreuz 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 3 000 workplaces.

Suurstoffi site by use

Based on projected rental revenue as at December 31, 2014





2 | Old Suurstoffi building with view over the site

List of properties

	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, Zug Estates share)	Zug	CO	72.25	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	1910–1991	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
Suurstoffi 8–12 (construction site 5, buildings A+B)	Rotkreuz	SO	100	2013	–
Suurstoffi 14 (construction site 5, buildings C)	Rotkreuz	SO	100	2013	–
Suurstoffi 41	Rotkreuz	SO	100	2014	–
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	SO	100	1971	–
Rote Trotte 14–16	Baar	C	100	2007	–
Industriestrasse 8	Oberentfelden	SO	100	1956	1974
Total other					
Total investment properties (excl. properties under construction)					
Investment properties under construction					
Suurstoffi West (construction site 3)	Rotkreuz	SO	100	2014/2015	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Rotkreuz	SO	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
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 floor space and number of parking spaces excludes 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 (Hotel City Garden), Haldenstrasse 9, 10, 11 (serviced city apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices)

Plot area m ²	Residential m ²	Office m ²	Retail m ²	Hotel/catering m ²	Storage m ²	Miscellaneous m ²	Total rentable area m ²	Total no. of parking spaces
16 419	8 170	12 169	17 886	862	4 377	905	44 369	519
4 843	270	5 325	3 086	0	3 626	0	12 307	121
2 155	1 965	1 634	381	461	708	0	5 149	93
3 200	-	-	-	-	-	-	-	-
1 637	0	1 713	0	0	360	0	2 073	30
3 615	3 148	0	0	0	0	59	3 207	54
13 473	8 222	0	0	0	11	38	8 271	68
45 342	21 775	20 841	21 353	1 323	9 082	1 002	75 376	885
19 370	14 546	0	0	0	0	19	14 565	282
2 680	0	0	0	0	0	520	520	0
11 961	10 094	3 590	0	0	159	0	13 843	311
2 290	0	8 177	0	0	448	0	8 625	37
6 430	0	5 988	0	0	489	0	6 477	65
42 731	24 640	17 755	0	0	1 096	539	44 030	695
2 806	503	698	0	0	33	0	1 234	29
1 687	718	0	0	0	0	105	823	10
20 551	0	1 212	0	141	6 094	6 457	13 904	105
25 044	1 221	1 910	0	141	6 127	6 562	15 961	144
113 117	47 636	40 506	21 353	1 464	16 305	8 103	135 367	1 724
18 770	10 312	0	0	0	0	0	10 312	413
18 770	10 312	0	0	0	0	0	10 312	413
42 539	-	-	-	-	-	-	-	-
42 539	-	-	-	-	-	-	-	-
174 426	47 636	40 506	21 353	1 464	16 305	8 103	135 367	1 724
12 871	1 879	860	0	13 002	277	0	16 018	178
187 297	49 515	41 366	21 353	14 466	16 582	8 103	151 385	1 902

Additional information

in CHF thousands or %	Book value	Book value	Projected rental revenue	Projected rental revenue	Vacancy rate	Vacancy rate
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Zug City Center site, Zug	621 948	584 587	28 873	27 110	1.6	1.7
Suurstoffi site, Risch Rotkreuz	255 738	227 090	12 654	11 133	11.5	5.6
Other	22 590	24 190	1 432	1 515	0.5	0.4
Investment properties	900 276	835 867	42 959	39 758	4.4	2.7
Inv. properties under construction, at fair value	77 460	35 640	-	-	-	-
Inv. properties under construction, at production cost	17 311	11 383	-	-	-	-
Undeveloped plots	9 269	9 269	-	-	-	-
Total real estate portfolio	1 004 316	892 159	42 959	39 758	4.4	2.7
Operating properties ¹	39 090	41 045	-	-	-	-
Total portfolio	1 043 406	933 204	-	-	-	-

¹ Wüest & Partner AG estimated the fair value as at December 31, 2014 at TCHF 106 724 (previous year: TCHF 106 507).

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 railway station. The development will, essentially, become part of the Group portfolio.

During the first phase, completed in spring 2013, around 13 000 m² of commercial space and 228 rental apartments were created. In a second development phase, with an investment volume of approx. CHF 100 million, an office building with approx. 6 000 m² of rental space was completed in mid-2014 and 156 apartments are close to completion.

Project status

The first construction phase has been completed, The second construction phase is about to be completed. The construction of the office block (around 6 000 m² of rental space) was started in April 2013 and successfully completed in summer 2014. SIS Swiss International School rents additional space here. In July 2013, work commenced on the construction of nine apartment blocks with a total of 145 rental and 11 owner-occupied apartments. The construction of the residential properties will be completed shortly and the apartments will be handed over to the residents in spring 2015.

in %	31.12.2014	31.12.2013
Occupancy level by floor area (commercial units) or number (residential units)		
Suurstoffi 41 (office building east)	45	45
Suurstoffi 19–35 (construction site 3)	100	30
Completion		
Suurstoffi 41 (office building east)		completed
Suurstoffi 19–35 (construction site 3)		Spring 2015

Valuation report of the independent real estate expert

Zug Estates Holding AG
Industriestrasse 12
6300 Zug

February 27, 2015

Reference-number: 104403

Report of the independent valuation expert
Valuation as of December 31, 2014

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, 2014, Wüest & Partner AG (Wüest & Partner) valued the properties and sections of properties held by the Zug Estates Group. 15 investment properties, one property 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. Nor is any account taken of the Zug Estates Group's liabilities in respect of taxation (apart from ordinary property taxes) and financing costs.

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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.

The property under construction was 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 lettable 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 property under construction could be reliably estimated. Sufficient documentation, such as construction permits, cost estimates, project plans, rent rolls/breakdowns of apartments, was available as a basis for such estimates.

Eight investment properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2014.

Results

As of December 31, 2014, Wüest & Partner determined the market value of the total of 22 properties. These break down into 15 investment properties, one property under construction and six operating properties. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

- 15 Investment properties	CHF	900,276,000.-
- 1 Property under construction	CHF	77,460,000.-
- 6 Operating properties	CHF	106,724,000.-
- Total		CHF 1,084,460,200.-

Changes during reporting period

- Within the review period from January 1, 2014 to December 31, 2014 the following changes took place:
- Property Suurstoffi 41, Risch (Rotkreuz) ZG: Reclassification from property under construction to investment property;
- Property Rote Trotte 14, 16, Baar ZG: Sale of one apartment and two parking spots;
- Property Metalli I/II, Baarerstrasse 20-22, Zug ZG: Acquisition of additional 5.5% co-ownership shares.

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 27, 2015
Wüest & Partner AG



Marco Feusi MRICS
Partner



Silvana Dardikman
Manager

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, 2015, on which the valuation was based, were received by Wüest & Partner during the period from November 2014 to October 2014.
- 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 micro-location 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 3.40% to 5.50% (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 earmarked 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.

«Finding the right premises for our clients – that is our passion.»

Petra Lustenberger and Anja Drescher,
Property Management



Sustainability report

With the phased occupation of the Suurstoffi site, Zug Estates came a step closer to its vision of operating the properties without the use of external sources of energy and with no emission of greenhouse gases.

With its zero-zero vision, the Zug Estates Group wants to operate the buildings in its portfolio in a sustainable, carbon-free manner and without external energy supplies. As well as setting social objectives, the company is thus adopting a holistic approach to sustainable management.

The Zug Estates Group has deliberately chosen not to use sustainability labels common in the construction business as they are awarded on the basis of projected figures. However, since 2010 it has had its energy and water consumption and the CO₂ emissions at its sites measured annually by the Center for Interdisciplinary Building Technology of Lucerne University of Applied Sciences (HSLU).

Ecological objectives of Zug Estates

Energy: Use of renewable energy sources; energy and resource-efficient usage

Emissions: Minimization of CO₂ emissions, other combustion gases and fine particles; reduction of noise and light emissions

Materials and products: Use of materials low in pollutants, energy-efficient technologies, products and equipment; use of renewable materials; short transportation routes

Biodiversity and water: Implementation of suitable measures in landscape design to preserve biodiversity

Primary energy consumption reduced again

In 2014 consumption of non-renewable primary energy for heating per square meter of rental space fell significantly for the entire portfolio for the fourth time in succession: by nearly 10% compared with 2013 and by as much as 29% compared with 2010 (adjusted for heating degree days). There was a comparable reduction in greenhouse gas emissions alongside the fall in primary energy consumption. In addition to the greater proportion of energy-efficient rental space at the Suurstoffi site, numerous small measures at the Zug site also contributed. The 2012 switchover to green electricity instead of the normal electricity mix available from the Wasserwerke Zug (WWZ) utility company also made a difference.

Area heated by renewable energy doubles

Whereas 87% of the entire rental space was still heated with natural gas (64%) or heating oil (23%) in 2013, this fell to 75% (natural gas 55%, heating oil 20%) in 2014. This means that the area heated by renewable sources has almost doubled since the last reporting period. The main reason for this change in the energy mix is that additional, more energy-efficient, rental spaces at the Suurstoffi site are now in use. Downhole heat exchanger pumps provide heating and hot water there. These are run on electricity from the WWZ grid (green electricity) and from photovoltaic panels on the buildings. In the current reporting period, photovoltaic panels provided 37% of the electricity used by the Suurstoffi heat pumps, and this is set to rise to about 80% when the photovoltaic-thermal (PVT) system

comes into operation. The aim is that all the electricity required for the production of heating will be provided by photovoltaics by the time construction is completed in 2020/21.

Electricity consumption down by a quarter in five years

Over all the sites, electricity consumption per square meter of rental space fell by 9% compared with the previous reporting period, despite rising occupancy levels. Consumption by the tenants can be influenced only indirectly, by fitting economical electrical appliances and lighting. Demand for general electricity per square meter is a more meaningful indicator. This fell by 12% compared with 2013 and by 23% compared with 2010. A corresponding reduction was observed in CO₂ emissions, too. Specific water consumption in cubic meters per square meter of rental space has stabilized since 2012 at the Zug city center site and the Oberentfelden factory site. There was a slight increase at the Suurstoffi site compared with the previous period connected with the rental of the spaces available there.

Simultaneous production of heating and power

The very latest technology for producing energy from sunlight has been widely installed at the Suurstoffi site. PVT modules produce power and heating simultaneously. More solar energy can thus be harvested from the same surface area. Furthermore, the solar cells do not become as hot because the «waste» heat is constantly being removed. This extends their life and increases their electricity production efficiency by about 5% over the year. On hot summer days the extra amount produced can be as much as 15%. The heat thus collected is then fed into the energy grid installed on the site. The buildings draw on this for heating and service water via heat pumps. In summer, the surplus heat produced by the PVT system is directed into the ground; it can then be recovered in winter. To the best of our knowledge, the PVT system at the Suurstoffi site is currently the largest in the world.

Key figures for PV and PVT systems

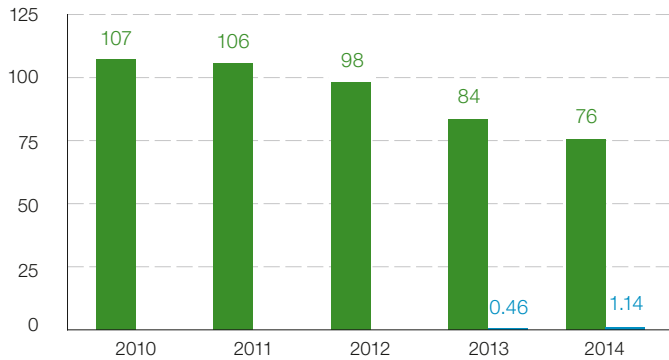
System	Module area in m ²	Electricity output in kWp	Electricity yield in kWh p.a.	Thermal yield in kWh p.a.	Commissioning
PV system ¹	3 484	595	552 000	–	2012/2013
PVT system ²	2704	424	365 000	1 626 000	2014/2015
Total share	6 188	1 019	917 000	1 626 000	–

¹ Photovoltaic system

² Thermal photovoltaic system

Primary energy construction for heating and hot-water production

kWh/m² rental space (adjusted for heating degree days)



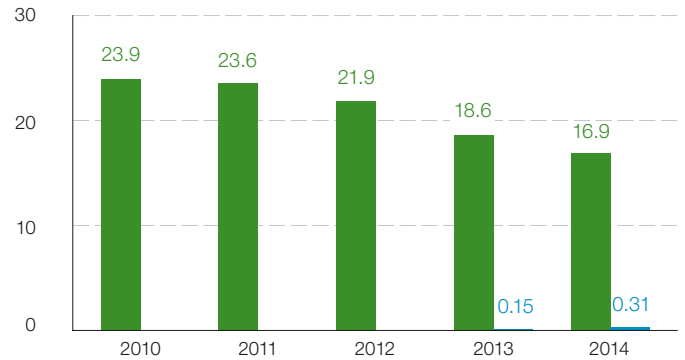
All properties

Suurstoffi site

Primary energy consumption (non-renewable) for heating and hot-water production. Due to the small share of non-renewable energies in the electricity mix of WWZ (factor 0.058), the balance for the Suurstoffi site is much more favorable than for the other properties heated with fossil fuels (factor 1.11 or 1.23).

CO₂ equivalents for heating and hot-water production

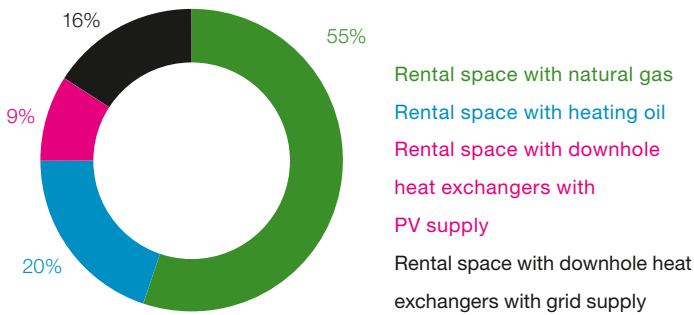
kg CO₂/m² rental space (adjusted for heating degree days)



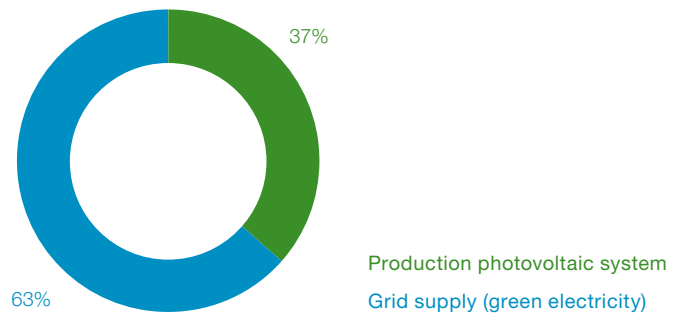
All properties

Suurstoffi site

Space broken down by energy source for heating (2014)

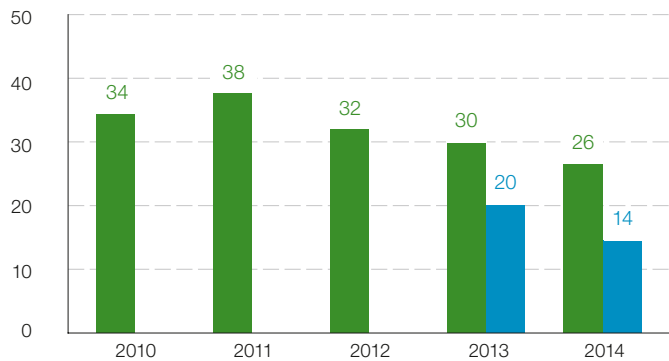


Operating current for heating and hot-water production at Suurstoffi site (2014)



Final energy consumption electricity (common area ¹)

kWh/m² rental space



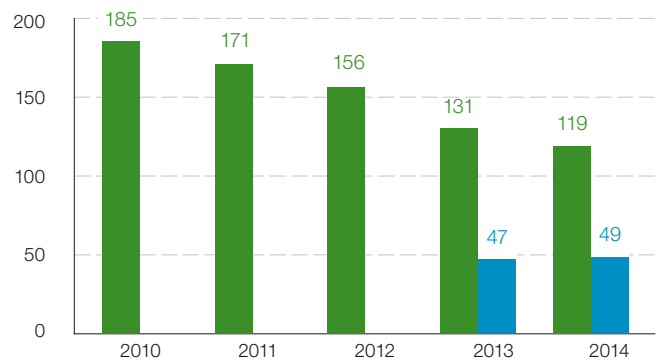
All properties

Suurstoffi site

¹ Without operating current for heating and hot-water production at Suurstoffi site

Final energy consumption electricity (incl. tenants)

kWh/m² rental space



All properties

Suurstoffi site

Overview of consumption data

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

	2010		2011	
	Absolute	per m ²	Absolute	per m ²
Rental space ¹	95 400 m ²	–	100 900 m ²	–
Primary energy supply for heating and hot-water production	10.6 Mio. kWh	111 kWh	9.9 Mio. kWh	99 kWh
Primary energy supply adjusted for heating degree days	10.2 Mio. kWh	107 kWh	10.6 Mio. kWh	106 kWh
Residential/commercial properties	8.0 Mio. kWh	108 kWh	7.3 Mio. kWh	97 kWh
Hotel properties	1.6 Mio. kWh	223 kWh	1.8 Mio. kWh	151 kWh
Industrial property	1.0 Mio. kWh	71 kWh	0.9 Mio. kWh	64 kWh
CO₂ equivalents heating/hot-water	2 369 t	25 kg	2 225 t	22 kg
CO ₂ equivalents heating/hot-water adjusted for heating degree days	2 285 t	24 kg	2 382 t	24 kg
Zug City Center site	2 054 t	25 kg	2 148 t	25 kg
Suurstoffi site, Risch Rotkreuz	–	–	–	–
Oberentfelden factory site	231 t	17 kg	233 t	17 kg
Electricity – common area	2.6 Mio. kWh	34 kWh	2.8 Mio. kWh	38 kWh
Electricity – tenants	15.1 Mio. kWh	158 kWh	14.4 Mio. kWh	143 kWh
Residential	–	–	–	–
Office/retail/commercial	–	–	–	–
Hotel/catering incl. common area electricity	–	–	–	–
Industrial incl. common area electricity	6.1 Mio. kWh	440 kWh	5.3 Mio. kWh	379 kWh
Other (parking areas, warehouses/archives)	–	–	–	–
Total electricity ²	17.7 Mio. kWh	185 kWh	17.2 Mio. kWh	171 kWh
Zug City Center site	11.5 Mio. kWh	142 kWh	11.9 Mio. kWh	137 kWh
Suurstoffi site, Risch Rotkreuz	–	–	–	–
Oberentfelden factory site	6.1 Mio. kWh	440 kWh	5.3 Mio. kWh	379 kWh
CO₂-equivalents electricity	283 t	3.0 kg	274 t	2.7 kg
Water consumption	71 948 m³	0.75 m³	74 344 m³	0.74 m³
Zug City Center site	71 392 m ³	0.88 m ³	73 775 m ³	0.85 m ³
Suurstoffi site, Risch Rotkreuz	–	–	–	–
Oberentfelden factory site	556 m ³	0.04 m ³	569 m ³	0.04 m ³

¹ Data per square meter refer to rental space

² Electricity mix Zug City Center site and Suurstoffi site: Before 2012, 25% nuclear power and 75% hydropower; from 2012, green electricity from Wasserwerke Zug (WWZ) with 95% hydropower and 5% solar electricity. Oberentfelden factory site (2010 to 2013): 83.2% nuclear power and 16.8% hydropower.

2012		2013		2014	
Absolute	per m ²	Absolute	per m ²	Absolute	per m ²
105 000 m ²	–	119 900 m ²	–	140 600 m ²	–
10.2 Mio. kWh	97 kWh	10.5 Mio. kWh	88 kWh	9.2 Mio. kWh	66 kWh
10.3 Mio. kWh	98 kWh	10.0 Mio. kWh	84 kWh	10.6 Mio. kWh	76 kWh
7.5 Mio. kWh	97 kWh	7.8 Mio. kWh	84 kWh	6.9 Mio. kWh	61 kWh
2.0 Mio. kWh	144 kWh	2.0 Mio. kWh	152 kWh	1.6 Mio. kWh	115 kWh
0.8 Mio. kWh	55 kWh	0.7 Mio. kWh	50 kWh	0.8 Mio. kWh	55 kWh
2 280 t	22 kg	2 351 t	20 kg	2 064 t	15 kg
2 297 t	22 kg	2 232 t	19 kg	2 375 t	17 kg
2 109 t	23 kg	2 069 t	23 kg	2 150 t	24 kg
–	–	2 t	0.15 kg	10 t	0.3 kg
188 t	14 kg	161 t	12 kg	212 t	15 kg
2.5 Mio. kWh	32 kWh	2.8 Mio. kWh	30 kWh	3.0 Mio. kWh	26 kWh
13.9 Mio. kWh	133 kWh	12.8 Mio. kWh	107 kWh	13.8 Mio. kWh	98 kWh
–	–	1.0 Mio. kWh	24 kWh	1.2 Mio. kWh	23 kWh
–	–	6.0 Mio. kWh	114 kWh	6.7 Mio. kWh	107 kWh
–	–	2.0 Mio. kWh	147 kWh	2.0 Mio. kWh	143 kWh
4.6 Mio. kWh	329 kWh	3.3 Mio. kWh	239 kWh	3.2 Mio. kWh	232 kWh
–	–	0.6 Mio. kWh	–	0.6 Mio. kWh	–
16.4 Mio. kWh	156 kWh	15.7 Mio. kWh	131 kWh	16.8 Mio. kWh	119 kWh
11.8 Mio. kWh	130 kWh	11.6 Mio. kWh	128 kWh	11.8 Mio. kWh	129 kWh
–	–	0.7 Mio. kWh	47 kWh	1.7 Mio. kWh	49 kWh
4.6 Mio. kWh	329 kWh	3.3 Mio. kWh	239 kWh	3.2 Mio. kWh	232 kWh
297 t	2.8 kg	284 t	2.4 kg	305 t	2.2 kg
72 202 m³	0.69 m³	81 240 m³	0.68 m³	100 471 m³	0.71 m³
71 734 m ³	0.79 m ³	71 510 m ³	0.79 m ³	72 303 m ³	0.79 m ³
–	–	8 095 m ³	0.54 m ³	26 825 m ³	0.76 m ³
468 m ³	0.03 m ³	1 635 m ³	0.12 m ³	1 343 m ³	0.10 m ³

Consumer data are based on information from local energy suppliers and meter readings at the sites. The data were evaluated by the Center for Interdisciplinary Building Technology (ZIG) of the Lucerne University of Applied Sciences (HSLU). ZIG HSLU attests to the accuracy of the analysis.

To allow better comparison of the different sources of energy, heating energy consumption is reported in the form of primary energy and CO₂ equivalents. Primary energy is energy contained in the original energy form or source, e.g. mineral oil or natural gas. CO₂ equivalents show the amount of greenhouse gas released by energy consumption. These values were calculated using factors according to SIA 2040.

«I do my utmost
to delight our
guests every
single day.»

Markus Aichhorn, Executive Chef de Cuisine, Parkhotel,
City Garden Hotel & Restaurant Bären



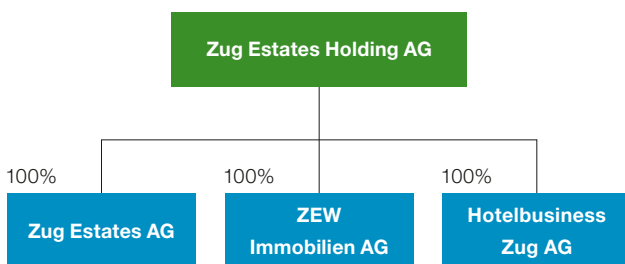
Corporate governance report

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, 2014, or to the year under review (2014) respectively, unless stated otherwise. No essential changes occurred between December 31, 2014 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 56.

1.2 Significant shareholders

All the significant shareholders known to Zug Estates Holding AG are listed in the financial report on page 64 (see «Significant shareholders»). Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer own a total of 65.6% of the voting rights together with the Buhofer Trust II, a fixed-interest trust according to the law of Liechtenstein. Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia 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 these, there are no mutual agreements between shareholders who are subject to registration. In the 2014 financial year, 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.

2. Capital structure

2.1 Capital

The composition of the share capital is described in the financial report on page 63 (see «Shares issued»).

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»).

2.4 Shares

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 «Shares issued»). Series A (privileged voting shares, par value CHF 2.50) registered shares are not listed. Series B (ordinary shares, par value CHF 25.00) 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, recognition of 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 cir-

cle of shareholders and/or beneficial owners, particularly pursuant to the Federal Act on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents;

- 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



Board of directors, left to right:

Dr. Beat Schwab, Heinz Stübi, Armin Meier, Prof. Dr. Annelies Häcki Buhofer, Martin Wipfli und Hannes Wüest; missing Heinz M. Buhofer

3.1 Members of the board of directors

	First appointed	End of term
Hannes Wüest , CH, 1946 Chairman of the board of directors (non-executive ¹) Chairman of the Strategy and Investment Committee	2012	2015
Heinz M. Buhofer , CH, 1956 Member of the board of directors (non-executive) Chairman of the Nomination and Compensation Committee	2012	2015
Prof. Dr. Annelies Häcki Buhofer , CH, 1954 Member of the board of directors (non-executive) Member of the Hotel and Audit Committees	2012	2015
Armin Meier , CH, 1958 Member of the board of directors (non-executive) Chairman of the Hotel Committee	2013	2015
Dr. Beat Schwab , CH, 1966 Member of the board of directors (non-executive)	2014	2015
Heinz Stübi , CH, 1954 Member of the board of directors (non-executive) Chairman of the Audit Committee	2012	2015
Martin Wipfli , CH, 1963 Member of the board of directors (non-executive) Member of the Strategy and Investment Committee as well as the Nomination and Compensation Committee	2012	2015

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

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 on governing and supervisory bodies None

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 on governing and supervisory bodies Chairman of the board of directors of Metall Zug AG, Zug; vice-chairman of the board of directors of Wasserwerke Zug 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 on governing and supervisory bodies Chairman of the board of directors of BURU Holding AG, Cham, and Holmia Holding AG, Zug; role in management bodies of national and international professional associations; member of the Research Council of the Swiss National Science Foundation

Armin Meier

Education IT engineer, Bern University of Applied Sciences, Executive MBA, University of St. Gallen

Professional background Managing Director of Boyden Switzerland, Zurich, since 2010; Chief Commercial Officer Travelport, London, 2008–2010; CEO Kuoni Travel Holding Ltd, Zurich, 2005–2007; member of the executive board of the Federation of Migros Cooperatives, Zurich, 2002–2005; President and CEO Atraxis AG, Zurich, 1998–2002; CEO ABB PTI AG, Baden, 1995–1998

Previous activities for the Zug Estates Group Chairman of the board of directors of Hotelbusiness Zug AG, 2012–2013

Activities on governing and supervisory bodies Member of the board of directors of KIBAG HOLDING AG, Zurich, and directorships at other unlisted companies

Dr. Beat Schwab

Education Dr. rer. pol., University of Bern, MBA, Columbia University

Professional background Head Real Estate Asset Management Switzerland of Credit Suisse AG, since 2012; CEO of Wincasa AG, 2006–2012; member of the management of ISS Schweiz AG, 2004–2006; director of SEVIS AG, 1999–2004; various positions in banking

Previous activities for the Zug Estates Group None

Activities on governing and supervisory bodies Member of the board of directors of Wincasa AG, various mandates at Credit Suisse AG and related companies/organizations

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 Stickssysteme AG, Arbon, 1993–2000; various positions within Finance unit at Roche Group, Basel, 1980–1993

Previous activities for the Zug Estates Group None

Activities on governing and supervisory bodies Vice-chairman of the board of directors of Thurella AG, Egnach; member of the board of directors of 4B Holding AG, Zug

Martin Wipfli

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

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, 2007–2012

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

3.3 Additional mandates

A member of the board of directors may hold no more than four additional mandates in listed companies and no more than 20 mandates in unlisted companies. For the purposes of calculating, the number of mandates in cases where several legal entities are associated with one another, one mandate is counted in full and the remaining mandates each count 10%. Mandates are deemed to comprise activities in the most senior executive and management bodies of legal entities that are obliged to obtain an entry in the commercial register or a corresponding foreign register and which are not controlled by the company. There is no limit on the number of other types of mandate that may be held provided these do not hinder the member of the board of directors in the performance of their duties toward the company and other enterprises associated with it.

The Nomination and Compensation Committee reviewed and verified compliance with the relevant provisions of the articles of association in the 2014 financial year.

3.4 Elections and terms of office

Members of the board of directors are elected by the general meeting of shareholders on an individual basis and for a period of one year or until the next ordinary general meeting. The general meeting of shareholders elects the chairman of the board of directors and the members of the Nomination and Compensation Committee on an individual basis. In all other respects, the board of directors constitutes itself. Members of the board of directors may be re-elected at any time, but must step down at the subsequent general meeting of shareholders after reaching the age of 70.

The general meeting of shareholders also elects an independent proxy on an annual basis. The term of office of the independent proxy ends at the closing of the next ordinary meeting of shareholders.

3.5 Internal organizational structure

In the year under review the board of directors held four 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 mem-

ber of Group Management is entitled to request that a meeting be convened, specifying the meeting's purpose. Ten days before 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 four committees: the Strategy and Investment Committee, the Hotel Committee, the Nomination and Compensation Committee, and the Audit Committee.

Strategy and Investment Committee

The Strategy and Investment Committee 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 usually meets once a month. In the year under review, 11 meetings were held, each lasting approximately three hours. The committee consists of Hannes Wüest (chairman) and Martin Wipfli; the Group Management also participates in the discussions.

Hotel Committee

The Hotel Committee assists the Group board of directors in managing the hotel & catering business unit in that the board of directors of the hotel company reports directly to the committee. The Hotel Committee works with the board of directors and management of the hotel company to formulate the strategy of the hotel & catering business unit. The Hotel Committee usually meets four times a year. In the year under review, four meetings were held, each lasting three hours. Armin Meier (chairman) and Annelies Häcki Buhofer serve on the committee, and the Group Management also participates in the discussions.

Nomination and Compensation Committee

The Nomination and Compensation Committee 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 proposes suitable candidates for the various managing bodies to the board of directors. The

committee also drafts, for the attention of the board of directors, the proposal to be submitted to the general meeting of shareholders regarding the amount of the total compensation and the additional compensation to be paid to the members of the board of directors and Group Management, as well as the compensation report. In keeping with the level of compensation approved by the general meeting of shareholders, the committee 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. The Nomination and Compensation Committee usually meets three times a year. In the year under review, three meetings were held, each lasting approximately two hours. Heinz M. Buhofer (Chairman) and Martin Wipfli serve on the Nomination and Compensation Committee. The CEO also participates in the discussions, except when his employment contract or remuneration are being discussed.

Audit Committee

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. The Audit Committee usually meets quarterly. In the year under review, five meetings were

held, each lasting three hours. Heinz Stübi (chairman) and Annelies Häcki Buhofer serve on the committee; the CEO, CFO and auditors also attend the meetings.

3.6 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 initiative and to address emerging business opportunities until they reach a stage at which a decision can be made.

3.7 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 Group companies report to Group Management once a month. The board of directors is informed of the Group's operational and financial performance every quarter. The results are compared 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 on the progress of business.

The board of directors has put in place a comprehensive system for monitoring and managing the risks associated with the company's activities. This process involves risk identification, risk analysis, risk management and risk reporting. Risks are identified in the categories of environment, strategy, reputation, finance, IT/infrastructure, personnel/management/organization, products/services and processes, and evaluated in terms of their likelihood of occurrence and potential to cause damage. 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.



4. Group Management

4.1 Members of Group Management

	since
Tobias Achermann , CH, 1971, CEO	2014
<hr/>	
Gabriela Theus , CH, 1973, CFO	2012

4.2 Other activities and vested interests

Tobias Achermann – CEO

Education Executive MBA, University of Applied Sciences HTW Chur; MAS Real Estate Management, Lucerne University of Applied Sciences and Arts; Swiss Federally Certified Real Estate Trustee

Professional background Managing Director of Clair AG, Cham, 2008–2014; Head of Real Estate, Arthur Waser Group, Lucerne, 2004–2008; Head Real Estate Accounting, BDO Visura, Aarau, 2001–2004; Department Head, Swiss Association of Home Owners Aargau, Baden, 1993–2001

Activities on governing and supervisory bodies None

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

4.3 Additional mandates

Members of Group Management may hold a maximum of two additional mandates, one of which may be with a listed company. The acceptance of mandates by members of Group Management requires the approval of the board of directors.

The members of Group Management did not hold any additional mandates in the 2014 financial year.

4.4 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 them is available in the compensation report on pages 44 to 46.

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 they may act at the general meeting of shareholders through written proxy to another shareholder entitled to vote or through the independent proxy.

Power of attorney and instructions may be given to the independent proxy in writing or electronically. There are no arrangements in place for electronic attendance of the general meeting of shareholders.

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 CHF 1 million may request in writing, and on specification of the motion, inclusion of an item on the agenda within 40 days before the general meeting unless the company issues a public notice specifying a different deadline. The written request must be accompanied by a bank statement, confirming that the shares are on deposit until after the general meeting.

6.5 Inscriptions into the share register

Registered shareholders who 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 before the date of the meeting – are listed in the share register as shareholders entitled to vote receive the invitation to the ordinary general meeting directly. 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 exercised this function since 2013.

8.2 Auditing fees

In the reporting period, Ernst & Young AG, Zug, invoiced Zug Estates Holding AG or the Zug Estates Group TCHF 94 (previous year: TCHF 90) 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

Ernst & Young AG received TCHF 33 additional fees in connection with accounting issues (previous year: TCHF 19 for services in connection with the inspection of the pro forma statements for 2012).

8.4 Information tools used for the external audit

The Audit Committee assesses the performance, the remuneration and the independence of the auditors 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. The official medium of publication is the Swiss Official Gazette of Commerce (SOGC). 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. Ad hoc releases can be subscribed at <http://www.zugestates.ch/en/home/main/investor-relations/ad-hoc-publicity>. Published ad hoc and press releases can be downloaded at <http://www.zugestates.ch/en/home/main/media/press-releases>, the corporate calendar at <http://www.zugestates.ch/en/home/main/investor-relations/corporate-calendar> and the half-yearly and annual reports at <http://www.zugestates.ch/en/home/main/investor-relations/reports>. Contact details, important dates and information about the shares of Zug Estates Holding AG may also be found on pages 80 to 82 of this annual report.

«The Metalli's varied range of amenities makes it the beating heart of Zug.»

Sreten Petkovic, Center Manager at Metalli Center



Compensation report

The Zug Estate Group's compensation policy provides a suitable basis for the remuneration of employees and managers that is both performance-based and in line with the market.

The Zug Estate Group's compensation policy provides a suitable basis for the remuneration of employees and managers that is both performance-based and in line with the market. The compensation system is structured in such a way that the interests of the key employees are compatible with the interests of the Group. It is built on the following guiding principles:

- The Group's compensation system is straightforward and transparent.
- Members of the board of directors receive fixed compensation only.
- The variable compensation for members of Group Management is set at a moderate level.

On an annual basis, the general meeting of shareholders votes on whether to approve the proposal of the board of directors for the total compensation to be paid to the board of directors for the period until the next ordinary general meeting as well as for the total compensation to be paid to Group Management for the coming financial year. The general meeting also acknowledges the compensation report by consultative vote.

The following remarks outline the principles of the compensation system and the details of the compensation received by the board of directors and Group Management for the 2014 financial year.

Board of directors

Pursuant to article 18 of the company's articles of association, the members of the board of directors receive a fixed compen-

sation in cash. They will, in principle, also be reimbursed for expenses incurred on behalf of the company, provided that any such reimbursement of further expenses will be paid only in exceptional cases and if evidenced by supporting documentation within 60 days. No such expenses were paid in the year under review.

Acting on the proposal of the Nomination and Compensation Committee, the entire board of directors determines at its discretion on an annual basis the amount of the fixed cash compensation to be paid to the individual members for the period from the next ordinary general meeting of shareholders to the subsequent ordinary general meeting and submits this amount to the general meeting for approval. When determining said amount, particular consideration is given to the performance of additional functions and to work done on the committees of the board of directors (function bonus). External consultants are not engaged.

The compensation paid to the board of directors in the year under review was slightly lower than in the previous year. At the 2015 general meeting of shareholders, the board of directors will propose that, compared with the 2014 financial year, a slightly higher amount be made available as the total fixed cash compensation payable to the members of the board of directors until the next ordinary general meeting of shareholders. The envisaged increase is primarily due to the fact that, with effect from January 1, 2015, those members of the board of directors who pay their social insurance contributions themselves will in future receive an additional payment in the amount of these contributions (AHV, IV, EO, ALV). This is to ensure that

those members of the board of directors who settle their contributions themselves are treated equally to the other members.

Group Management

Pursuant to article 18 of the company's articles of association, the compensation paid to members of Group Management comprises a fixed cash compensation, a performance-based compensation in cash, and a reimbursement of expenses in accordance with the expenses regulations approved by the cantonal tax authorities.

The fixed cash compensation is determined according to the actual area of responsibility, professional profile and expertise of each individual member of Group Management and the amount of work performed.

The performance-based compensation paid to Group Management is intended to ensure that the interests of Group Management, the board of directors and the shareholders correspond as closely as possible. Pursuant to article 18 of the company's articles of association, it may be equivalent to a maximum of half the fixed cash compensation.

When determining this amount, consideration is given mainly to the progress of business, as well as to individual performance, personal initiative and attainment of the agreed targets. The progress of business is evaluated in terms of economic success. This in turn is generally measured on the basis of the earnings drivers, with particular consideration given to the payout potential generated, earnings prospects and other factors. Accordingly, in the year under review, not only were the factors growth and earnings taken into account, but also the criteria of organization, processes and sustainability. Acting on the proposal of the Nomination and Compensation Committee, the board of directors determines at its discretion on an annual basis the fixed cash compensation and the performance-based compensation within the limits of the total amount approved by the general meeting of shareholders.

The compensation paid to Group Management in the year under review was practically unchanged compared with the previous year. At the 2015 general meeting of shareholders, the board of directors will propose that a larger amount be made available as the total fixed cash compensation and performance-based compensation in cash payable to the members

of Group Management for the 2016 business year. It must be noted in this connection that the two periods being compared are two years apart and that the proposed total amount includes a reserve that allows the board of directors scope when determining the future compensation payable to the Group Management.

Of the compensation paid in the year under review, the fixed cash component accounted for 87% and the performance-based component payable in the following year for 13% (previous year: fixed 93% and performance-based 7%). No external consultants were engaged.

Members of 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 Group Management and, in particular, compensation received by the latter.

The employment contracts of the members of Group Management stipulate a period of notice of six months.

Shareholding programs

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

Loans and credits

No loans or credits were granted to members of the board of directors or Group Management or associated persons, and none are outstanding.

Former members

All compensation paid to former members of the board of directors or Group Management who left the respective bodies in the 2014 financial year are shown in the compensation overview. Moreover, Zug Estates Holding AG has paid no direct or indirect compensation to former members of the board of directors or Group Management or associated persons.

There are no loans or credit facilities outstanding in relation to former members or associated persons.

Compensation for the calendar year in CHF	Compensa- tions net	Pension contri- butions ¹	Total 2014	Compensa- tions net	Pension contri- butions ¹	Total 2013
Hannes Wüest Chairman of the board of directors	350 000	0	350 000	250 000	0	250 000
Chairman of the Strategy and Investment Committee						
Heinz M. Buhofer ² Member of the board of directors	116 666	0	116 666	240 505	56 986	297 491
Chairman of the Nomination and Compensation Committee						
Prof. Dr. Annelies Häcki Buhofer Member of the board of directors	56 667	8 560	65 227	50 000	7 553	57 553
Member of the Hotel and Audit Committees						
Dr. Hajo Leutenegger ³ Member of the board of directors	16 667	1 061	17 728	50 000	4 187	54 187
Member of the board of directors						
Armin Meier Member of the board of directors	95 000	14 351	109 351	84 463	12 823	97 286
Chairman of the Hotel Committee						
Dr. Beat Schwab ³ Member of the board of directors	33 333	5 035	38 368	–	–	–
Member of the board of directors						
Heinz Stübi Member of the board of directors	66 667	10 071	76 738	56 670	8 561	65 231
Chairman of the Audit Committee						
Martin Wipfli Member of the board of directors	95 000	0	95 000	83 330	0	83 330
Member of the Strategy and Investment Committee as well as the Nomination and Compensation Committees						
Total board of directors²	830 000	39 078	869 078	814 968	90 110	905 078
Stephan Wintsch ³ CEO (to July 31, 2014)	235 671	110 855	346 526	401 150	187 895	589 045
Tobias Achermann ³ CEO (from 1 July 2014)	171 371	61 796	233 167	–	–	–
Total Group Management	647 401	266 543	913 944	613 214	280 537	893 751

¹ Employer's and employee's contributions to pension schemes, health insurance, accident insurance, AHV (old age and survivors insurance), IV (invalidity insurance), EO (compensation for loss of earnings) and ALV (unemployment insurance); members of the board of directors receive AHV, IV, EO and ALV contributions only.

² Heinz M. Buhofer was chairman of the board of directors until the 2014 general meeting of shareholders.

³ Compensation for members of the board of directors and Group Management who were appointed to or left the respective bodies in the course of 2014 is drawn pro rata (Dr. Beat Schwab for eight months from April 11, 2014, Tobias Achermann for six months from July 1, 2014, Dr. Hajo Leutenegger for four months until April 11, 2014 and Stephan Wintsch for seven months until July 31, 2014). The largest amount paid to a member of Group Management in 2014 was received by Stephan Wintsch. Compensation paid to the new CEO, Tobias Achermann, is disclosed on a voluntary basis.

The stated amounts cover compensation for the entire calendar year for activities at all Zug Estates Group companies.

Report of the statutory auditor on the compensation report



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 5 March 2015

Report of the statutory auditor on the compensation report

We have audited the compensation report dated 5 March 2015 of Zug Estates Holding AG for the year ended 31 December 2014 presented on page 45 to 46.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2014 of Zug Estates Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Andreas Blank
Licensed audit expert

«We develop
today the
living and
working
environments
of tomorrow.»

Birgit Hattenkofer, Project Development



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Consolidated balance sheet

Assets			
in CHF thousands	Note	31.12.2014	31.12.2013
Cash and cash equivalents		24 159	23 824
Securities	1	0	4 366
Trade receivables	2	1 953	1 836
Other receivables	3	4 838	5 218
Inventories		342	304
Properties held for sale	4	4 805	1 388
Prepaid expenses		2 242	4 540
Total current assets		38 339	41 476
Investment properties	5	900 276	835 867
Investment properties under construction	5	94 771	47 023
Undeveloped plots	5	9 269	9 269
Operating properties	6	39 090	41 045
Other tangible assets	7	4 904	5 444
Prepayments for tangible assets	8	0	535
Financial assets		1 414	1 214
Intangible assets	9	43	53
Total fixed assets		1 049 767	940 450
Total assets		1 088 106	981 926
Liabilities and shareholders' equity			
in CHF thousands	Note	31.12.2014	31.12.2013
Current financial liabilities	10	45 000	0
Trade payables	11	4 750	7 554
Other current liabilities		6 528	4 223
Accrued expenses		10 082	10 460
Current provisions	12	236	225
Total current liabilities		66 596	22 462
Long-term financial liabilities	10	275 000	250 000
Long-term provisions	12	84	80
Deferred tax liabilities	13	83 596	80 315
Total long-term liabilities		358 680	330 395
Total liabilities		425 276	352 857
Share capital	14	12 750	12 750
Capital reserves		543 159	551 014
Treasury shares		- 24 134	- 20 601
Retained earnings		131 055	85 906
Total shareholders' equity		662 830	629 069
Total liabilities and shareholders' equity		1 088 106	981 926

Consolidated income statement

in CHF thousands	Note	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Property income	16	37 450	34 733
Hotel & catering income	17	20 555	20 212
Other operating revenue	18	4 060	4 150
Total operating revenue		62 065	59 095
Property expenses		2 495	4 286
Cost of goods purchased for hotel & catering		2 396	2 298
Personnel expenses	19	13 865	13 902
Other operating expenses	20	5 653	5 424
Total operating expenses		24 409	25 910
Operating income before depreciation and revaluation		37 656	33 185
Revaluation of investment properties (net)	5	21 314	26 900
Gain from sale of investment properties		483	0
Operating income before depreciation (EBITDA)		59 453	60 085
Depreciation	21	3 598	3 554
Operating income (EBIT)		55 855	56 531
Financial result	22	– 5 349	– 4 093
Income before taxes (EBT)		50 506	52 438
Taxes	23	5 357	7 631
Net income		45 149	44 807
Earnings per share (in CHF)			
Earnings per series A registered share, undiluted	14	9.18	9.00
Earnings per series B registered share, undiluted	14	91.75	89.99

There are no potential dilutive effects to report. The diluted earnings per share correspond to the undiluted earnings per share.

Cash flow statement

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Net income for the period	45 149	44 807
Depreciation	3 598	3 554
Revaluation of investment properties (net)	– 21 314	– 26 900
Gain from sale of investment properties	– 483	0
Changes in provisions/deferred tax liabilities	3 296	6 387
Other non-cash items	– 2 368	– 1 306
Cash flow before changes in working capital	27 878	26 542
Change in securities	0	10 759
Change in trade receivables	– 117	382
Change in other receivables	380	– 2 151
Change in accrued income and prepaid expenses	2 298	– 3 996
Change in inventories	– 3 455	55
Change in trade payables	– 4 410	– 7 146
Change in other current liabilities	2 305	45
Change in accrued expenses and deferred income	– 6 886	– 1 850
Cash flow from operating activities	17 993	22 640
Investments in investment properties	– 81 735	– 54 975
Disposals of investment properties	1 900	35
Investments in undeveloped plots	0	– 118
Investments in operating properties	– 148	– 975
Investments in other tangible assets	– 585	– 803
Prepayments for tangible assets	– 367	0
Investments in intangible assets	– 19	– 14
Cash flow from investing activities	– 80 954	– 56 850
Increase of current financial liabilities	45 000	0
Increase of long-term financial liabilities	25 000	0
Purchase of treasury shares	– 14 553	– 10 248
Sale of treasury shares	15 993	0
Distribution to shareholders'	– 8 144	– 7 403
Cash flow from financing activities	63 296	– 17 651
Change in cash and cash equivalents	335	– 51 861
Composition of net cash and cash equivalents		
Net cash and cash equivalents at the beginning of reporting period	23 824	75 685
Net cash and cash equivalents at the end of reporting period	24 159	23 824
Change in cash and cash equivalents	335	– 51 861

In the reporting period, non-cash investments of TCHF 9 909 were made (previous year: TCHF 12 919). In addition, treasury shares to the value of TCHF 4 679 were acquired through a non-cash exchange. No non-cash financing was effected.

Statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total shareholders' equity
Balance on 01.01.2013	12 750	558 417	- 10 358	41 099	601 908
Purchase of treasury shares	-	-	- 10 243	-	- 10 243
Distribution from the reserves from capital contributions	-	- 7 403	-	-	- 7 403
Net income	-	-	-	44 807	44 807
Balance on 31.12.2013	12 750	551 014	- 20 601	85 906	629 069
Balance on 01.01.2014	12 750	551 014	- 20 601	85 906	629 069
Purchase of treasury shares	-	-	- 19 232	-	- 19 232
Sale of treasury shares	-	289	15 699	-	15 988
Distribution from the reserves from capital contributions	-	- 8 144	-	-	- 8 144
Net income	-	-	-	45 149	45 149
Balance on 31.12.2014	12 750	543 159	- 24 134	131 055	662 830

Notes

to the consolidated financial statements

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, 2014 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 first-time and early application of Swiss GAAP ARR 31 leads to additional disclosures under notes 14 and 23, but did not impact the results of operations and the cash flows. The business year covered by these consolidated financial statements is equivalent to the calendar year.

The board of directors approved the consolidated financial statements on March 5, 2015.

Scope of consolidation

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. 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, liabilities 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 & 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 & catering business unit, goods purchased are carried at the lower of acquisition price or fair value. In addition to specific value adjustments, general 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, investment properties under construction and undeveloped plots

Residential and commercial properties that already exist or are under construction (development properties) and undeveloped plots 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 half-yearly 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) and undeveloped plots are recognized at fair value as of the date on which the fair value can be reliably calculated. Zug Estates has stipulated legally binding building permission and a concrete construction project for which costs and income can be reliably determined as mandatory conditions for a reliable fair market calculation. When the conditions for making a reliable calculation of the fair value have not yet been met, investment properties under construction and undeveloped plots 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.

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 & catering activities. They are valued at acquisition or production cost less accumulated depreciation and accumulated impairment. 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 depreciated over 16 years because of its restricted useful life.

Other tangible assets

Other tangible assets, which are mainly utilized in the hotel & catering business unit, are valued at acquisition or production cost less accumulated depreciation. 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 now reported at fair value. This revision of the valuation principles does not affect the valuation of the corresponding assets, nor does it affect the results of operations or the cash flows in the current and past year.

Intangible assets

Acquired intangible 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 amortisation over an economic life of three years. Self-developed intangible assets are not recognized in the balance sheet.

Liabilities

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

Financial liabilities

Mortgages generally concluded for the long-term are recognized as long-term financial liabilities. Tranches due to mature within twelve month 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 current or long-term according to their expected due dates.

Employee benefits

The Group has several employee benefit plans that 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 FER 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 property production costs are recognized as reductions in the acquisition cost.

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 investments

Company	Domicile	Business	Share capital in CHF	Share of capital and votes 31.12.2014	Share of capital and votes 31.12.2013
Hotelbusiness Zug AG	Zug, ZG	Hotel & catering	1 000 000	100%	100%
ZEW Immobilien AG	Oberentfelden, AG	Real estate company	101 250	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%

1 | Securities

The securities are listed shares. The Zug Estates Group did not hold any securities as at the balance sheet date (market value previous year: TCHF 4 366).

2 | Trade receivables

in CHF thousands	31.12.2014	31.12.2013
Trade receivables from hotel & catering activities	1 114	852
Rent receivables	386	273
Other trade receivables	533	787
Provisions for doubtful receivables	- 80	- 76
Total trade receivables	1 953	1 836

3 | Other receivables

in CHF thousands	31.12.2014	31.12.2013
Withholding tax credits	57	155
Accounts for heating and service charge settlement	4 759	3 073
Other receivables	22	1 990
Total other receivables	4 838	5 218

The decline in «other receivables» is mainly due to input VAT.

4 | Properties held for sale

in CHF thousands	31.12.2014	31.12.2013
Acquisition value at the beginning of reporting period	1 388	0
Additions	3 417	1 388
Disposals	0	0
Acquisition value at the end of reporting period	4 805	1 388

A preliminary agreement was concluded with the municipality of Risch for the sale of the Suurstoffi 29 development property in connection with the Suurstoffi East development plan. Since 2013, therefore, this property is classified under current assets. In the year under review, TCHF 3 417 was invested in this property.

5 | 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 as at 01.01.2013	558 697	92 584
Investments	9 462	18 620
Acquisitions	0	0
Disposals ³	0	0
Reclassification of properties under construction to investment properties ⁴	0	109 607
Reclassification of undeveloped plots to properties under construction ⁵	0	0
Reclassification to properties for sale ⁶	0	0
Revaluation (net)	16 428	6 279
Balance as at 31.12.2013	584 587	227 090
Accumulated acquisition values as at 01.01.2013	300 881	73 713
Accumulated acquisition values as at 31.12.2013	310 343	186 614
Difference market values/acquisition values as at 01.01.2013	257 816	18 871
Difference market values/acquisition values as at 31.12.2013	274 244	40 476
Balance as at 01.01.2014	584 587	227 090
Investments	1 645	1 670
Acquisitions	27 200	0
Disposals ⁷	0	0
Reclassification of properties under construction to investment properties ⁸	0	24 470
Revaluation (net)	8 516	2 508
Balance as at 31.12.2014	621 948	255 738
Accumulated acquisition values as at 01.01.2014	310 343	186 614
Accumulated acquisition values as at 31.12.2014	339 188	210 381
Difference market values/acquisition values as at 01.01.2014	274 244	40 476
Difference market values/acquisition values as at 31.12.2014	282 760	45 357

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 cost less accumulated depreciation in accordance with the valuation principles.

³ Disposal of a hobby room at the Baar property, Rote Trotte 14/16

⁴ Reclassification of the Risch Rotkreuz properties, Suurstoffi 8-12 and Suurstoffi 14 to investment properties

⁵ Reclassification of the Risch Rotkreuz, S41 and site 3 plots to investment properties under construction

⁶ Reclassification of the Suurstoffi 29 development property held for sale

⁷ Disposal of an apartment (incl. two parking spaces) at the Baar property, Rote Trotte 14/16

⁸ Reclassification of the Risch Rotkreuz property, Suurstoffi 41 to investment properties

Other investment properties	Total investment properties	Total investment properties under construction ¹	Undeveloped plots ²	Total
24 363	675 644	111 234	11 311	798 189
0	28 082	40 293	0	68 375
0	0	0	118	118
- 35	- 35	0	0	- 35
0	109 607	- 109 607	0	0
0	0	1 997	- 1 997	0
0	0	- 1 225	- 163	- 1 388
- 138	22 569	4 331	0	26 900
24 190	835 867	47 023	9 269	892 159
22 384	396 978	94 709	11 311	502 998
22 344	519 301	42 136	9 269	570 706
1 979	278 666	16 525	0	295 191
1 846	316 566	4 887	0	321 453
24 190	835 867	47 023	9 269	892 159
0	3 315	61 746	0	65 061
0	27 200	0	0	27 200
- 1 418	- 1 418	0	0	- 1 418
0	24 470	- 24 470	0	0
- 182	10 842	10 472	0	21 314
22 590	900 276	94 771	9 269	1 004 316
22 344	519 301	42 136	9 269	570 706
21 460	571 029	81 785	9 269	662 083
1 846	316 566	4 887	0	321 453
1 130	329 247	12 986	0	342 233

The fair values are based on the market value assessments performed annually 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 of 3.4% to 5.5% (previous year: 3.6% to 5.4%).

As at December 31, 2014, the fire insurance values amounted to TCHF 580 521 (previous year: TCHF 549 795).

Additional information per property can be found on pages 18 to 19 of this report.

6 | Operating properties

in CHF thousands	2014	2013
Acquisition value at the beginning of reporting period	61 700	60 723
Additions	263	977
Disposals	0	0
Acquisition value at the end of reporting period	61 963	61 700
Accumulated depreciation at the beginning of reporting period	- 20 655	- 18 469
Disposals	0	- 1
Depreciation in the reporting period	- 2 218	- 2 185
Accumulated depreciation at the end of reporting period	- 22 873	- 20 655
Net book value at the beginning of reporting period	41 045	42 254
Net book value at the end of reporting period	39 090	41 045

The following properties located in Zug serve completely or partly as operating properties: Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence), Metallstrasse 20 (Hotel City Garden), 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 balance sheet date is TCHF 106 724 (previous year: TCHF 106 507). It was determined by the independent real estate expert (Wüest & Partner AG) using the DCF method. For the valuation as at the balance sheet date, discount rates within a range of 3.9% to 4.8% were applied.

As at 31 December, 2014, the fire insurance values were unchanged at TCHF 84 827.

7 | Other tangible assets

in CHF thousands	2014	2013
Acquisition value at the beginning of reporting period	19 077	18 257
Additions	811	890
Disposals	- 3 568	- 70
Acquisition value at the end of reporting period	16 320	19 077
Accumulated depreciation at the beginning of reporting period	- 13 633	- 12 299
Disposals	3 568	0
Depreciation in the reporting period	- 1 351	- 1 334
Accumulated depreciation at the end of reporting period	- 11 416	- 13 633
Net book value at the beginning of reporting period	5 444	5 958
Net book value at the end of reporting period	4 904	5 444

8 | Prepayments for tangible assets

No prepayments were made for investment properties (previous year: TCHF 535).

9 | Intangible assets

in CHF thousands	2014	2013
Acquisition value at the beginning of reporting period	197	183
Additions	19	14
Disposals	- 29	0
Acquisition value at the end of reporting period	187	197
Accumulated amortization at the beginning of reporting period	- 144	- 109
Disposals	29	0
Amortization in the reporting period	-29	-35
Accumulated amortization at the end of reporting period	- 144	- 144
Net book value at the beginning of reporting period	53	74
Net book value at the end of reporting period	43	53

Intangible assets comprise software utilized in the business units.

10 | Financial liabilities

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

Residual term in CHF thousands	31.12.2014	31.12.2013
Under 1 year	45 000	0
1 to 3 years	0	0
3 to 5 years	100 000	50 000
5 to 10 years	40 000	90 000
Over 10 years	135 000	110 000
Total	320 000	250 000
Of which current	45 000	0
Of which long-term	275 000	250 000

The average residual term of the interest-bearing debt is 7.6 years (previous year: 9.5 years). The average capital-weighted interest rate on all interest-bearing financial liabilities is 2.2% (previous year: 2.6%). The short-term loans were taken out on a rolling basis, while the long-term loans were taken out at fixed interest rates. In the 2013 financial year, a 15-year TCHF 75 000 fixed-rate loan with an interest rate of 2.45% was also arranged under a forward contract maturing in May 2015 to supersede the short-term facilities. The fair value of the forward contract as at December 31, 2014 was TCHF -11 112 (previous year: TCHF 5 381). In light of the underlying transaction, it was not recognized in the balance sheet.

To secure the long-term financial liabilities, properties with a book value of TCHF 631 158 (previous year: TCHF 419 170) have been encumbered.

11 | Trade payables

in CHF thousands	31.12.2014	31.12.2013
Advance payments from tenants	1 702	1 585
Trade payables to suppliers	3 048	5 969
Total trade payables	4 750	7 554

12 | Provisions

in CHF thousands	2014	2013
Provisions at the beginning of the reporting period	305	137
Increase	215	192
Utilization	- 200	- 24
Release	0	0
Provisions at the end of the reporting period	320	305
Of which current at the end of reporting period	236	225
Of which long-term at the end of reporting period	84	80

13 | Deferred tax liabilities

in CHF thousands	2014	2013
Deferred tax liabilities at the beginning of reporting period	80 315	74 096
Net creation recognized in the income statement in reporting period	3 281	6 219
Deferred tax liabilities at the end of reporting period	83 596	80 315

The average tax rate for deferred income taxes amounts to 14.6 % (previous year: 15.0 %).

14 | Shareholders' equity

Shares issued	Security number	Par 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 year under review, Zug Estates Holding AG acquired 16 315 series B registered treasury shares at an average price of CHF 1 178 and sold 13 321 series B registered treasury shares at an average price of CHF 1 203 (previous year: acquired 8 648 series B registered treasury shares at an average price of CHF 1 185, no sales).

As at December 31, 2014, Zug Estates Holding AG holds 18 400 series A registered treasury shares (unchanged) and 17 592 series B registered treasury shares (previous year: 14 598).

Non-distributable statutory reserves amount to TCHF 7 676 (previous year: TCHF 28 281) as at December 31, 2014.

Shareholders' equity (NAV) per share

in CHF	31.12.2014	31.12.2013
Shareholders' equity (NAV) per outstanding series B registered share, before deferred taxes	1 521.55	1 437.27
Shareholders' equity (NAV) per outstanding series B registered share, after deferred taxes	1 351.15	1 274.55

Earnings per share

Information on series A registered shares		2014	2013
Series A registered shares issued	Number	1 948 640	1 948 640
Series A registered treasury shares (weighted average)	Number	18 400	18 400
Average outstanding series A registered shares	Number	1 930 240	1 930 240
Share in net income attributable to series A registered shares	TCHF	17 711	17 371
Applicable number of series A registered shares	Number	1 930 240	1 930 240
Earnings per series A registered share, undiluted	CHF	9.18	9.00
Information on series B registered shares		2014	2013
Series B registered shares issued	Number	315 136	315 136
Series B registered treasury shares (weighted average)	Number	16 095	10 274
Average outstanding series B registered shares	Number	299 041	304 862
Share in net income attributable to series B registered shares	TCHF	27 438	27 436
Applicable number of series B registered shares	Number	299 041	304 862
Earnings per series B registered share, undiluted	CHF	91.75	89.99

There are no potential dilutive effects to report. The diluted earnings per share correspond to the undiluted earnings per share.

15 | Significant shareholders

As of 31 December 2014, the following shareholders owned more than 3% of total voting rights:

number or %	Series A registered shares	Series B registered shares	Votes	Votes previous year
Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer ¹	1 480 650	4 481	65.6%	66.3%
Ursula Stöckli-Rubli	328 000	17 006	15.2%	15.2%
Werner O. Weber, indirectly held through Wemaco Invest AG	82 000	46 600	5.7%	5.7%

¹ The Group also comprises Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki, if acting in mutual agreement. The shares held indirectly via Metall Zug AG in 2013 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 77.

16 | Property income

The reported property income of TCHF 37 450 (previous year: TCHF 34 733) comprises actual rental income and income from Miteigentümergeinschaft Metalli. This position contains rental revenue from all properties.

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Actual rental income	24 701	22 879
Income from Miteigentümergeinschaft Metalli ¹	12 749	11 854
Total property income	37 450	34 733

¹ Proportional gross profit

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 %	31.12.2014	31.12.2013
Under 1 year, incl. unlimited rental contracts	44.4	40.5
Over 1 year	5.1	6.7
Over 2 years	2.0	5.8
Over 3 years	6.6	0.6
Over 4 years	5.8	6.2
Over 5 years	1.1	1.7
Over 6 years	2.1	1.2
Over 7 years	0.8	0.8
Over 8 years	15.5	1.6
Over 9 years	8.5	16.1
Over 10 years	8.1	18.8
Total	100.0	100.0

As at December 31, 2014, the five largest tenant Groups together generate 27.0% (previous year: 28.1%) of annualized projected rental revenue.

Tenants, share in %	31.12.2014	Tenants, share in %	31.12.2013
Novartis	8.3	Novartis	8.6
Migros ²	7.2	Migros ³	7.2
UBS	5.7	UBS	6.2
Dosenbach-Ochsner	3.0	Nord Stream	3.1
H&M	2.8	Dosenbach-Ochsner	3.0

² Various companies of the Migros Group

17 | Hotel & catering income

in CHF thousands	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Accommodation	11 170	10 780
Catering	8 582	8 465
Ancillary services	811	971
Sales deductions	-8	-4
Total hotel & catering income	20 555	20 212

18 | Other operating revenue

in CHF thousands	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Revenue from services	1 563	1 605
Revenue from own work	346	274
Revenue from leasing of personnel	2 090	2 167
Other revenue	61	104
Total other operating revenue	4 060	4 150

19 | Personnel expenses

in CHF thousands	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Wages and salaries	11 622	11 682
Pension expenses	626	637
Other personnel expenses	1 617	1 583
Total personnel expenses	13 865	13 902

20 | Other operating expenses

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Marketing/sales promotion	890	864
Maintenance and repair	449	408
Administrative expenses	643	487
IT/software	364	225
Legal and consultancy costs	417	746
Hire, leasing	453	453
Other costs ¹	2 437	2 241
Total other operating expenses	5 653	5 424

¹ Other operating expenses mainly include costs incurred by the hotel & catering business unit for laundering services and for the operation of the properties.

21 | Depreciation

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Depreciation of operating properties	2 218	2 185
Depreciation of other tangible assets	1 351	1 334
Amortization of intangible assets	29	35
Total depreciation	3 598	3 554

22 | Financial result

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Interest income from banks	12	23
Gain on securities	475	1 933
Fair value of financial assets	192	0
Total financial income	679	1 956
Interest expense mortgage loans	5 978	5 973
Other financial expenses	50	73
Losses on securities	0	3
Total financial expenses	6 028	6 049
Financial result	– 5 349	– 4 093

In the reporting period, borrowing costs in the amount of TCHF 1 449 (previous year: TCHF 1 038) were capitalized.

23 | Taxes

in CHF thousands	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Income taxes	2 076	1 412
Deferred taxes	3 281	6 219
Total taxes	5 357	7 631
Average weighted tax rate	2014	2013
Income before taxes (EBT)	50 506	52 438
Average tax rate	14.86%	14.51%
Income taxes at average tax rate	7 505	7 607
Unrecognized tax losses	0	26
Utilisation of previously unrecognized tax losses	-31	0
Reduction of tax rate	-2 117	0
Other effects	0	-2
Total income taxes	5 357	7 631

Potential tax reductions resulting from unrecognized loss carry forwards and temporary differences amount to 0 (previous year: TCHF 33).

24 | Contingent liabilities and other off-balance sheet obligations

Zug Estates AG is the majority owner of Miteigentümergeinschaft 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 contract, penalties amounting to a maximum of TCHF 290 were agreed with one tenant. In addition, the tenant is to be compensated for any damage incurred in excess of the penalty.

25 | 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	31.12.2014	31.12.2013
up to 1 year	18	20
up to 3 years	0	25
over 3 years	42	0
Total	60	45

26 | Pension plan liabilities

The employee benefit plan of Zug Estates Holding AG and its subsidiary 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 that are themselves risk bearers.

Employer's contribution reserves (ECR)

As at December 31, 2014 there are no employer's contribution reserves.

Economic benefits/economic liabilities and pension expenses

in CHF thousands	Deficit/ surplus of joint pension plans 31.12.2014	Economic share of com- pany 31.12.2014	Economic share of com- pany 31.12.2013	Change or impact on net income in financial period	Contri- butions for the period	Pension expenses in personnel expenses 2014	Pension expenses in personnel expenses 2013
Patronage funds/pension schemes	0	0	0	0	0	0	0
Pension plans without surplus/deficit	0	0	0	0	626	626	456
Pension plans with surplus	0	0	0	0	0	0	0
Pension plans with deficit	0	0	0	0	0	0	181
Total pension expenses	0	0	0	0	626	626	637

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	2014	2013
Pension contributions at the company's expense	626	637
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	626	637
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	626	637
Change in economic benefits for the company from surplus	0	0
Change in economic liabilities for the company from deficit	0	0
Total change in economic impact of surplus/deficit	0	0
Total pension expenses in personnel expenses in the period	626	637

Total pension expenses in personnel expenses in the period under review amounted to TCHF 626 (previous year: TCHF 637). No extraordinary contributions were agreed or paid in the reporting period.

27 | Segment report

The Group's business activities comprise the business units «real estate» and «hotel & catering».

01.01.2013 – 31.12.2013		Hotel & catering	Corporate & eliminations ¹	
in CHF thousands	Real estate			Total
Operating revenue	44 943	20 276	– 6 124	59 095
Operating expenses	12 387	19 319	5 796	25 910
Revaluation of investment properties (net)	26 900	0	0	26 900
Operating income before depreciation (EBITDA)	59 456	957	– 328	60 085
Operating income (EBIT)	56 991	– 105	– 355	56 531

01.01.2014 – 31.12.2014

in CHF thousands

Operating revenue	47 470	20 619	– 6 024	62 065
Operating expenses	10 581	19 452	5 624	24 409
Revaluation of investment properties (net)	21 314	0	0	21 314
Income from sale of investment properties	483	0	0	483
Operating income before depreciation (EBITDA)	58 686	1 167	– 400	59 453
Operating income (EBIT)	56 126	157	– 428	55 855

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 – stays with the real estate business unit. Based on an integrated view of the hotel & 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 & catering business unit generated operating income of CHF 3.4 million (previous year: CHF 3.3 million) and an annualized EBITDA return of 6.4% (previous year: 6.3%) on the market values of these properties.

28 | Transactions with related parties

In the year under review, revenue of TCHF 195 (previous year: TCHF 239) from hotel, catering and property management services were received from companies of the Metall Zug Group. This was offset by expenses and investments of TCHF 122 (previous year: TCHF 120) for services and deliveries of equipment. As at the balance sheet date, receivables due from Metall Zug Group companies amounted to TCHF 18 (previous year: TCHF 6) and liabilities to them TCHF 21 (previous year: TCHF 1). Furthermore, in the year under review, 15 895 series B registered treasury shares were acquired by Metall Zug AG at a market price of TCHF 18 734 and 18 400 series A registered shares of Metall Zug AG were sold to the same at a market price of TCHF 4 679. Consequently, Zug Estates Holding AG no longer holds any shares of Metall Zug AG.

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 them is available in the compensation report on pages 44 to 46. As at the balance sheet date, liabilities to members of the board of directors amounted to TCHF 134 (previous year: TCHF 93).

29 | Events after the balance sheet date

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

Report of the statutory auditor to the consolidated financial statements



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 5 March 2015

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 70 of Zug Estates Holding AG, which comprise the consolidated balance sheet, consolidated income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these 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 year ended 31 December 2014 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 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

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Andreas Blank
Licensed audit expert

«The Suurstoffi site is testimony to what will be possible in the future.»

Rolf Stirnimann and Markus Villiger,
Suurstoffi Technical Services



Balance sheet of Zug Estates Holding AG

Assets

in CHF thousands	Note	31.12.2014	31.12.2013 ¹
Cash and cash equivalents		17 578	7 604
Securities with quoted price		0	3 571
Other receivables due from third parties		40	139
Other receivables due from Group companies	1	900	800
Expenses prepaid to third parties		52	14
Accrued income Group companies	3	9 500	3 000
Total current assets		28 070	15 128
Loans to Group companies	2	16 200	30 900
Financial assets with quoted price		1 414	0
Investments		2 003	2 003
Tangible assets		7	12
Intangible assets		25	48
Fixed assets		19 649	32 963
Total assets		47 719	48 091

Liabilities and shareholders' equity

in CHF thousands	Note	31.12.2014	31.12.2013 ¹
Other current liabilities to third parties		69	171
Other current liabilities to Group companies		4	0
Other current liabilities to related parties	4	134	0
Accrued expenses due to third parties		555	291
Accrued expenses due to Group companies		0	8
Total current liabilities		762	470
Total liabilities		762	470
Share capital		12 750	12 750
Statutory reserves			
– Reserves from capital contributions		41 125	49 850
– Other capital contributions		1 222	351
Voluntary retained earnings			
– Earnings carried forward from the previous year		3 771	99
– Net income for the year		12 223	3 672
Treasury shares	7	– 24 134	– 19 101
Total shareholders' equity		46 957	47 621
Total liabilities and shareholders' equity		47 719	48 091

¹ See notes for previous year's figures

Income statement of Zug Estates Holding AG

in CHF thousands	Note	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013 ¹
Dividend income	3	9 500	3 000
Other income		1 885	1 840
Total income		11 385	4 840
Personnel expenses		1 773	1 849
Other operating expenses		511	318
Total operating expenses		2 284	2 167
Operating income before depreciation (EBITDA)		9 101	2 673
Depreciation		28	27
Operating income (EBIT)		9 073	2 646
Financial expenses		38	561
Financial income	8	3 476	1 628
Income before taxes (EBT)		12 511	3 713
Direct taxes		288	41
Net income for the year		12 223	3 672

¹ See notes for previous year's figures

Notes

to the financial statements of Zug Estates Holding AG

Zug Estates Holding AG is an incorporated company, the 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.

Financial reporting principles applied in these financial statements

(where these are not specified by law)

The financial statements presented here were for the first time and early prepared in accordance with the provisions on commercial accounting contained in the Swiss Code of Obligations (articles 957 - 963b CO, in force since January 1, 2013). It must be noted in this connection that in order to ensure the long-term prosperity of the company, recourse is taken to the option of creating and dissolving hidden reserves.

Previous years' figures

The previous year's figures were prepared in accordance with the principles of commercial accounting formerly in force as contained in the Swiss Code of Obligations, but are presented here in compliance with the minimum classification prescribed in the new financial reporting legislation.

Receivables and liabilities

Where applicable, receivables and liabilities are broken down on the balance sheet into third parties, related parties and Group companies. «Related parties» comprises receivables from and liabilities to directors, executives and shareholders. «Group companies» comprises receivables from and liabilities to companies in which direct or indirect participations are held.

A breakdown of «related parties» is provided in the notes.

Securities/financial assets

Securities short-term and financial assets are stated at the quoted price as at the balance sheet date. No fluctuation reserves were established.

Loans to Group companies

Loans are reported at their nominal value. If there are indications that loans have been overvalued, the book values must be reviewed and adjusted if necessary.

Tangible assets

Tangible assets are valued at acquisition cost less accumulated depreciation for tax purposes. The position tangible assets comprises movables. The straight-line depreciation method is applied on the basis of a useful life of three to five years. If there are indications that tangible assets have been overvalued, the book values must be reviewed and impaired if necessary.

Intangible assets

Acquired intangible 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 amortisation over an economic life of three years. Self-developed intangible assets are not recognized in the balance sheet.

Treasury shares

Treasury shares are recognized at the time of purchase at acquisition cost as minus items under equity. In the event of a subsequent resale, the gain or loss is directly taken to equity.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital and votes 31.12.2014	Share of capital and votes 31.12.2013
Hotelbusiness Zug AG	Zug, ZG	Hotel & catering	1 000 000	100%	100%
ZEW Immobilien AG	Oberentfelden, AG	Real estate company	101 250	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%

1 | Other receivables due from Group companies

Other receivables due from Group companies include the current portion of loans granted to subsidiaries in the amount of TCHF 900 (previous year: TCHF 800).

2 | Loans to Group companies

This position comprises long-term loans to finance their operations in the amount of TCHF 16 200 (previous year: TCHF 30 900).

3 | Accrued income Group companies

Dividends from subsidiaries totaling TCHF 9 500, which were distributed from the ordinary profits of the 2014 financial year, are recorded as dividend income (previous year: TCHF 3 000).

4 | Other current liabilities to related parties.

Other current liabilities to related parties comprise current liabilities to members of the board of directors in the amount of TCHF 134 (previous year: TCHF 93).

5 | Significant shareholders

As at December 31, 2014 Zug Estates Holding AG was aware of the following significant shareholders within the meaning of art. 663c of the Code of Obligations (shareholders with holdings greater than 5% of all voting rights):

numbers or %	Series A registered shares	Series B registered shares	Votes	Votes prev. year
Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer ¹	1 480 650	4 481	65.60%	66.25%
Ursula Stöckli-Rubli	328 000	17 006	15.24%	15.24%
Werner O. Weber, indirectly held through Wemaco Invest AG	82 000	46 600	5.68%	5.68%

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

6 | Share ownership by current members of the corporate bodies

numbers	Series A registered shares as at 31.12.2014	Series B registered shares as at 31.12.2014	Series A registered shares as at 31.12.2013	Series B registered shares as at 31.12.2013
Hannes Wüest, chairman	0	500	0	250
Heinz M. Buhofer, member	563 040 ¹	1	563 040 ¹	1
Prof. Dr. Annelies Häcki Buhofer, member	154 062 ¹	10 762	108 154 ¹	7 727
Armin Meier, member	0	60	0	30
Dr. Beat Schwab, member	0	10	–	–
Heinz Stübi, member	0	90	0	90
Martin Wipfli, member	0	266	0	266
Tobias Achermann, CEO	0	0	–	–
Gabriela Theus, CFO	0	0	0	0

¹ For the most part held through Buhofer trust II

No shares or options on such shares were allocated to board of directors and Group Management or employees.

7 | Treasury shares

In the year under review, Zug Estates Holding AG acquired 16 315 series B registered treasury shares at an average price of CHF 1 178 and sold 13 321 series B registered treasury shares at an average price of CHF 1 203.

As at December 31, 2014, Zug Estates Holding AG holds 18 400 series A registered treasury shares and 17 592 series B registered treasury shares stated at historical acquisition costs of TCHF 24 134 (previous year: 18 400 series A registered shares and 14 598 series B registered shares stated at TCHF 19 101).

8 | Financial income

Financial income comprises interest received on loans to Group companies as well as income from securities, and also includes income from the revaluation of treasury shares by TCHF 1 504 to its acquisition cost. This latter income item arose in application of the new financial reporting legislation, which stipulates that treasury shares are recognized at acquisition cost as minus items under equity.

9 | Number of full-time equivalents

The number of full-time equivalents averaged fewer than 10 in the year under review.

10 | Significant events after the balance sheet date

No events that must be disclosed took place after the balance sheet date.

Proposal for the appropriation of available earnings

in CHF	31.12.2014	31.12.2013
Retained earnings carried forward	3 770 735	98 536
Net income	12 222 925	3 672 199
Retained earnings	15 993 660	3 770 735
Allocation to statutory retained earnings	615 000	0
Retained earnings to be carried forward	15 378 660	3 770 735

Furthermore, the board of directors proposes that CHF 9 075 508 from the reserves from capital contributions be reclassified as voluntary free reserves and that the subsequent distribution to shareholders, which is exempt from withholding tax, be made as follows:

in CHF	
For each series A registered share	1.85 net
For each series B registered share	18.50 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 Tuesday, April 21, 2015 («payment-date»).

Report of the statutory auditor on the financial statements of Zug Estates Holding AG



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 5 March 2015

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 73 to 78, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2014.

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 year ended 31 December 2014 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 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

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Andreas Blank
Licensed audit expert

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).

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

Breakdown of shareholder structure of series B registered shares as at December 31, 2014

Series B registered shares by number	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
> 1 000	48	3.6%	221 166	76.8%
501-1 000	31	2.3%	21 295	7.4%
101-500	100	7.4%	22 795	7.9%
51-100	106	7.9%	8 118	2.8%
11-50	466	34.8%	11 709	4.1%
1-10	589	44.0%	2 981	1.0%
Total	1 340	100.0%	288 064	100.0%

Shares pending registration of transfer

27 072

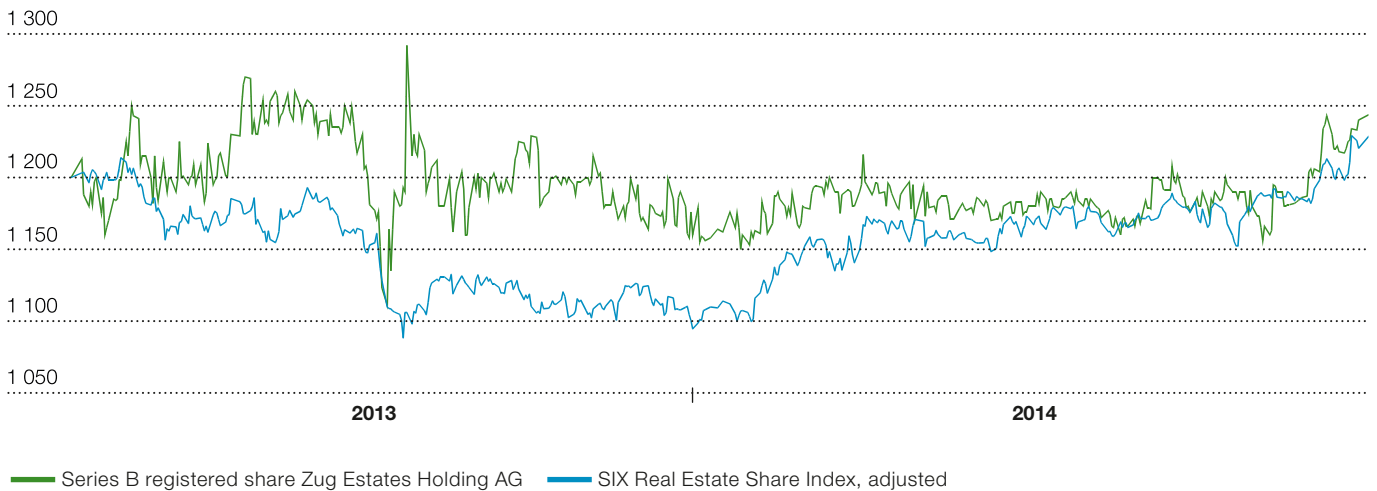
Total series B registered shares issued

315 136

Series B registered shares by category of shareholder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	1 126	84.0%	105 313	36.6%
Pension fund/employee benefits	77	5.7%	46 336	16.1%
Funds/banks/investment managers	63	4.7%	19 909	6.9%
Insurers	13	1.0%	3 576	1.2%
Other legal entities	61	4.6%	112 930	39.2%
Total	1 340	100.0%	288 064	100.0%

Series B registered shares by provenance of shareholder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	1 297	96.8%	283 186	98.3%
Outside Switzerland	43	3.2%	4 878	1.7%
Total	1 340	100.0%	288 064	100.0%

Performance series B registered share



Key figures per share

Figures per series A registered share

in CHF	2014	2013	2012
Net income ¹	9.18	9.00	11.44
Net income excl. income from revaluation of investment properties ^{1,3}	4.87	4.15	3.59
Shareholders' equity (NAV) ²	135.11	127.45	119.85
Shareholders' equity (NAV) before deferred taxes ²	152.16	143.73	134.61
EPRA NAV ^{2,4}	146.89	138.73	131.01
Cash distribution ⁵	1.85	1.65	1.50

Figures per series B registered share

in CHF	2014	2013	2012
Net income ¹	91.75	89.99	114.38
Net income excl. income from revaluation of investment properties ^{1,3}	48.74	41.50	35.92
Shareholders' equity (NAV) ²	1 351.15	1 274.55	1 198.52
Shareholders' equity (NAV) before deferred taxes ²	1 521.55	1 437.27	1 346.06
EPRA NAV ^{2,4}	1 468.89	1 387.29	1 310.06
Cash distribution ⁵	18.50	16.50	15.00

Stock market price

	High	2014	2013	2012
	Low	1 150	1 111	1 135
	At year-end	1 244	1 162	1 200

Total capitalization

in CHF million	2014	2013	2012	
Market capitalization ^{2,6}	At year-end	610.3	573.5	602.7

Figures for the 2012 period are pro forma.

¹ In relation to number of shares on average outstanding

² In relation to number of shares outstanding

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

Upcoming events

April 14, 2015	General meeting of shareholders
April 21, 2015	Cash distribution to shareholders
August 29, 2015	Publication of half-year results

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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.

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