ZugEstates

2017

Annual Report

“The Zug Estates Group sees further growth and higher earnings. Property income and net income excluding income from revaluation both increased within the space of a year.”

Company profile

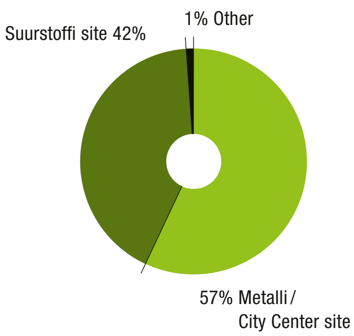
The Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites which are suitable for a wide range of uses and allow sustainable development. The real estate portfolio comprises the two sites in Zug and Risch Rotkreuz. As at December 31, 2017, the total portfolio value was CHF 1.41 billion.

26.1 million

Net income excluding income from revaluation as at December 31, 2017

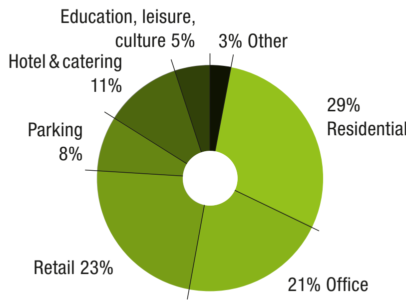
Portfolio by site

Based on fair value
as at December 31, 2017



Portfolio by use

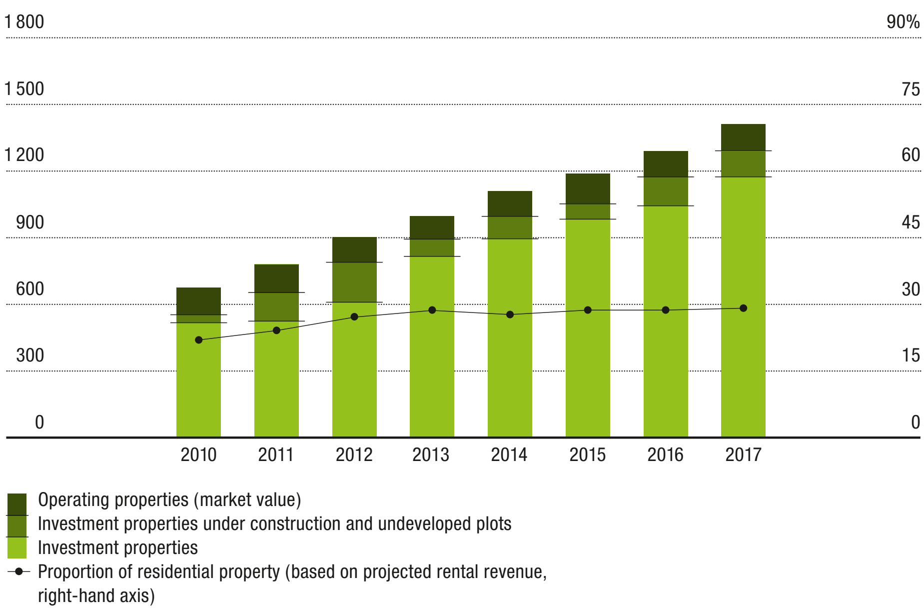
Based on projected rental revenue[1]
as at December 31, 2017



[1] From point of view of real estate business unit

Value of portfolio

in CHF million



Selected key figures

		2017	2016	%
Zug Estates Group				
Operating revenue (excluding income from revaluation of investment properties)	TCHF	62 858	61 232	2.7%
Operating expenses	TCHF	23 476	22 788	3.0%
Operating income before depreciation and revaluation	TCHF	39 382	38 444	2.4%
Revaluation of investment properties (net)	TCHF	8 712	28 065	–69.0%
Income from sale of investment properties	TCHF	999	420	137.9%
EBIT	TCHF	45 675	63 796	–28.4%
Net income	TCHF	34 403	48 353	–28.9%
Net income excluding income from revaluation [1]	TCHF	26 110	24 027	8.7%
Total assets	TCHF	1 413 185	1 265 403	11.7%
Interest-bearing debt	TCHF	459 939	350 200	31.3%
– Interest-bearing debt in % of total assets		32.5%	27.7%	
Shareholders' equity	TCHF	804 010	774 528	3.8%
– Equity ratio		56.9%	61.2%	
– Return on equity [2]		4.4%	6.5%	
Headcount	FTE	134.9	130.5	3.4%
Share				
Closing price	CHF	1 827	1 653	10.5%
Market capitalization [3]	TCHF	921 553	827 174	11.4%
Earnings per series B registered share [4]	CHF	68.32	98.06	–30.3%
Earnings per series B registered share excluding revaluation [4]	CHF	51.85	48.73	6.4%
Distribution per series B registered share [5]	CHF	25.50	23.00	10.9%
NAV at market value per series B registered share [3]	CHF	1 732.57	1 683.49	2.9%
Portfolio				
Investment properties	TCHF	1 181 425	1 043 489	13.2%
Investment properties under construction	TCHF	106 618	128 519	–17.0%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	**TCHF**	**1 290 567**	**1 174 532**	**9.9%**
Operating properties (market value)	TCHF	117 296	115 976	1.1%
Total portfolio	**TCHF**	**1 407 863**	**1 290 508**	**9.1%**
Property income [6]	TCHF	41 940	40 089	4.6%
Vacancy rate investment properties [7]		1.5%	1.8%	
Gross return investment properties [8]		4.1%	4.3%	

1 Equal to net income excluding income from revaluation of investment properties (net), excluding income from sale of investment properties and 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
6 Comprises rental income and income from Miteigentümergemeinschaft Metall
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

Table of contents

Financial report

Letter to shareholders

"Actively shaping the future."

Dear shareholders

The Swiss real estate market is beginning to show signs that the current growing cycle is weakening somewhat after many years. This development is being magnified by a decrease in immigration, while low interest rates ensure the likelihood of a soft landing. In a more challenging environment such as this, the strategic elements carefully put in place by Zug Estates to ensure that the company has a robust business model prove their worth.

Large sites offering broad operational diversification and synergies are still key priorities, as are the concentration of activities on the economically strong Canton of Zug, intelligent energy concepts as tangible models of sustainability, and an extremely solid equity base.

Hallmark Suurstoffi features

"In the 2017 financial year, Zug Estates made targeted investments in sustainable growth for the company."

This is why Zug Estates again invested in a targeted manner in sustainable growth for the company in the 2017 financial year. Our clear strategic focus on sites allows us to actively shape not only the future of Zug Estates, but also that of the communities which are home to these sites. Four large buildings on the Suurstoffi site in Rotkreuz were under construction at the same time. With work continuing on the Aglaya, Switzerland's first vertical garden high-rise, the site's mix of uses is set to become even more diverse as the condominiums are sold. We are also constructing what at 36 meters will be the tallest wooden building in Switzerland. Outstanding architectural quality is not the only defining factor of these two projects. In terms of creating a very pleasant ambience to be in, even more can be achieved with green areas and the use of wood and other natural materials. By bringing sought-after products to the market, we are able to keep our vacancy rate at a very low 1.5% despite growth. In 2018 too, we will again be investing around CHF 160 million in the Suurstoffi site, including the campus of the Lucerne University of Applied Sciences and Arts.

City Center site with major potential

We have instigated a master plan that marks the start of the medium- and longer-term process of renewing the Zug City Center site together with the Metalli complex. Our endeavors to lock into the huge consolidation potential this offers will be characterized by foresightedness and a high standard of quality. The prime location in the direct vicinity of the station also presents an opportunity not only to develop a real estate project, but also be instrumental in shaping part of the city of Zug. Overall, we are projecting an investment volume of CHF 300 to 400 million in the longer term.

“Developing the City Center site is more than a real estate project. We are actively shaping part of the city of Zug.”

Financial stability

Testifying to the company’s capital market viability as well as optimizing its cost structure, Zug Estates issued the first five-year fixed-term CHF 100 million bond with a coupon of 0.7% in January 2017. Zug Estates remains committed to its policy of paying out up to 50% of net income excluding income from revaluation. The board of directors will propose to the general meeting of shareholders a payout of CHF 25.50, representing an increase of 10.9%.

Departure from the board of directors

We announced in March 2017 that Heinz M. Buhofer will be stepping down from the board of directors at the 2018 general meeting of shareholders. With his great farsightedness and entrepreneurial spirit, Heinz M. Buhofer has played a key role in shaping the company since 1984. For over ten years, he was chairman of the board of directors of predecessor firm MZ Immobilien AG, and was chairman at the time of the successful stock exchange listing of Zug Estates in 2012. The board of directors wishes to thank Heinz M. Buhofer for his successful contribution over many years and for his judicious and committed approach.

Changes to the shareholder structure

In connection with his resignation, Heinz M. Buhofer had proposed that a voluntary offer be considered for the conversion of series A registered shares (voting shares) into listed series B registered shares, provided that this continues to satisfy Lex Koller restrictions and that it enables a successor solution from within the company. Both conditions have been satisfied, and the board of directors has thus decided to submit to shareholders with voting rights a voluntary conversion offer, subject to the requisite resolution of the general meeting of shareholders. This reinforces the public nature of the company and increases the liquidity of B shares. To ensure compliance with Lex Koller over the long term, the board of directors is proposing an amendment to the articles of association that will place even greater emphasis on this element in future.

The board of directors is also proposing that entrepreneur Johannes Stöckli be elected to the board. Having him and Annelies Häcki Buhofer on the board continues to ensure that anchor shareholders with a long-term outlook are well represented, and that the continuity which is so vital to a real estate company remains intact.

I would like to extend my sincere thanks to you, our shareholders, for the trust you place in Zug Estates.

Zug, March 2018

Dr. Beat Schwab
Chairman of the board of directors

Highlights in 2017

"Zug Estates can look back on an eventful 2017 financial year."

2017

February 17

Successful first issue of a fixed-term CHF 100 million bond

July 27

Zug Estates is granted a permit to build the Rotkreuz campus of the Lucerne University of Applied Sciences and Arts

August 30

Verein Innovationspark Zentralschweiz decides in favor of Suurstoffi

September 26

Topping-out ceremony at the Suurstoffi site for Switzerland's first wooden high-rise

October 17

Marketing success: Mobilezone announces plans to relocate its headquarters to the Suurstoffi site in Rotkreuz

October 26

The vertical garden high-rise Aglaya wins the Arc Award in the BIM Innovation category

November 3

Master plan for Zug City Center site instigated

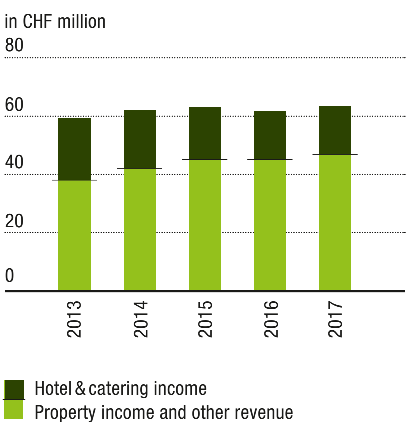
Financial year report

"The Zug Estates Group sees further growth and higher earnings. The vacancy rate remains at a very low level."

Dear shareholders
Ladies and gentlemen

The year under review saw an increase in both property income (+4.6%) and the fair value of the portfolio (+9.1%, from CHF 1.29 billion to CHF 1.41 billion). The very low vacancy rate of 1.5% compared with other companies in the sector was reduced by a further 0.3 percentage points year-on-year. On the income side, operating revenue increased by 2.7%. Net income excluding income from revaluation rose by 8.7%. Development projects totaling CHF 250 million are currently under construction. Long-term contracts have already been secured for three-quarters of this future rental space. These projects will lead to an increase in revenue as of 2018.

Operating revenue



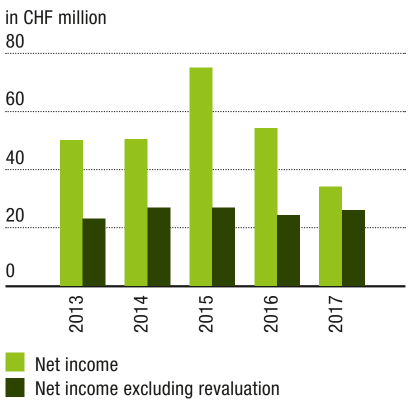
Increase in property income and net income excluding revaluation

Property income rose by 4.6% from CHF 40.1 million to CHF 41.9 million. The extensive room renovation work carried out at the Parkhotel Zug resulted in a slight reduction in the income generated by the hotel & catering business unit (–1.9% year-on-year). Following a significant increase in the previous year, the business unit's GOP (gross operating profit) was nevertheless maintained at a high level.

The Zug Estates Group reported a 2.7% increase in operating revenue. Operating expenses were up by 3.0% as a result of the higher personnel costs incurred to expand and strengthen the organization. Operating income before depreciation and revaluation rose by 2.4% to CHF 39.4 million.

As a result of revaluations (net) and completion of a further construction phase at the Suurstoffi site, the book value of the investment properties increased by CHF 137.9 million. Income from the revaluation of investment properties (net) thus decreased year-on-year from CHF 28.1 million to CHF 8.7 million, remaining in positive territory. The contributing factors here were the above-average quality of the locations and properties in the portfolio (high proportion of residential property), and the continuous development and positioning of the Suurstoffi site as a preferred location for housing and business.

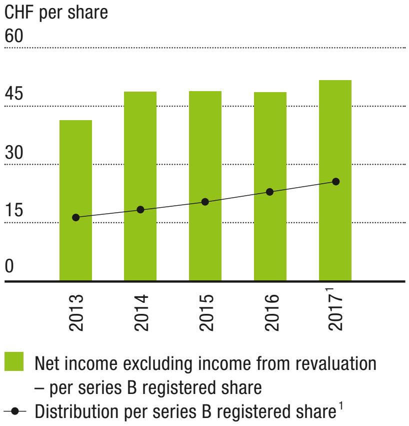
Net income and net income excluding revaluation



The financial result improved by CHF 1.6 million to CHF 5.5 million as a consequence of the higher capitalization of building loan interest and borrowing costs. Due to the lower level of income from the revaluation of investment properties (net), tax expenditure fell by CHF 2.6 million year-on-year to CHF 5.7 million.

As a result of the decrease in income from the revaluation of investment properties (net), EBIT and net income were, as expected, lower year-on-year at CHF 45.7 million and CHF 34.4 million, respectively. At CHF 26.1 million, net income excluding revaluation was, however, CHF 2.1 million or 8.7% higher than the previous year's figure.

Net income excluding income from revaluation and payout per series B registered share



[1] Payable in the following year; 2017: proposal of the board of directors

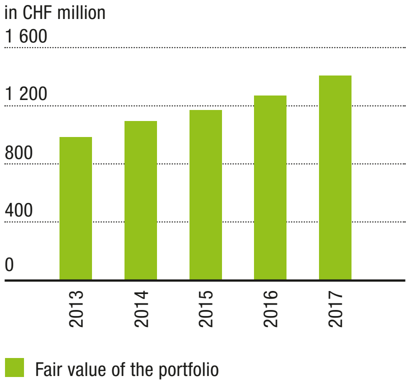
Payout increases by 10.9%

Net income excluding income from revaluation, which is relevant for the payout to shareholders, amounted to CHF 51.85 per series B registered share (previous year: CHF 48.73). In order to ensure that the payout to shareholders is in balanced proportion to re-investment, Zug Estates pays out up to 50% of net income excluding income from revaluation to shareholders. The solid result and intact future prospects allow the board of directors to propose to the 2018 general meeting of shareholders that the payout be increased by 10.9% to CHF 25.50 per series B registered share. This is equivalent to a payout of 49.3%. The payout has increased by 70% since the stock exchange listing.

Total return per share at 11.9%

The NAV at market value, a measure including the fair value of properties used for operational purposes, came to CHF 1 732.57 per series B registered share (previous year: CHF 1 683.49). The Zug Estates share closed at CHF 1 827 on December 31, 2017, 10.5% higher than at the beginning of the year. Factoring in the payout of CHF 23.00 per series B registered share made in April 2017, overall earnings per share came to 11.9% in the 2017 financial year (previous year: 15.8%).

Fair value of portfolio



Portfolio up by 9.1% to CHF 1.41 billion

The Zug Estates Group pursued its growth strategy in the year under review, investing CHF 110 million in expanding its portfolio further. In addition, expenses in the amount of CHF 22.3 million for the Aglaya promotional property were reported. At the Suurstoffi site in Risch Rotkreuz, construction projects with a total investment volume of CHF 340 million continued. A master plan was initiated for the Zug City Center site.

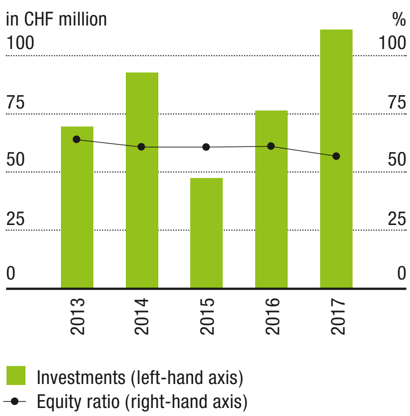
Properties used for operational purposes are stated at cost less write-downs. The fair value of these properties was CHF 117.3 million (previous year: CHF 116.0 million), with the fair value of the entire portfolio thus amounting to CHF 1 407.9 million (previous year: CHF 1 290.5 million).

Equity ratio still at 56.9% despite strong investment activity

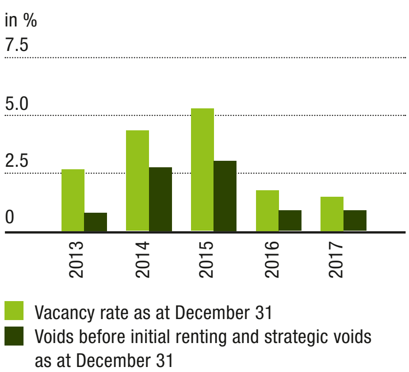
The Zug Estates Group can build on a solid equity base offering long-term stability. As at December 31, 2017, equity capital totaled CHF 804 million, equivalent to a solid equity ratio of 56.9% (previous year: 61.2%).

Borrowed capital stood at CHF 459.9 million as at the end of December, corresponding to 32.5% of total assets and well under the self-imposed limit of 40%. In relation to the value of the portfolio of CHF 1.41 billion, the loan-to-value ratio was 32.7%.

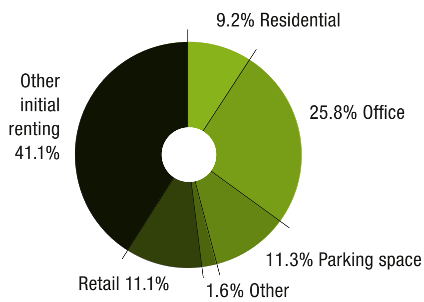
Equity and investments



Vacancy rate (on reference date)



Breakdown of vacancies as at December 31, 2017 by use



Zug Estates has a long-term hedge in place against interest rate risk. The average residual term of the interest-bearing debt was 6.4 years (previous year: 8.2 years), while the average interest rate was at 2.0% (previous year: 2.5%).

The Group has undrawn credit lines of CHF 100 million and cash and cash equivalents of CHF 24.7 million, giving it enough scope to finance the planned expansion of its real estate portfolio.

Vacancy rate remains at a very low level

Rental agreements were concluded for all 152 newly built apartments on construction site A prior to completion. 81% of the commercial space on the same construction site is let. A long-term rental agreement was also concluded for the last rental unit on the 5th floor of building S41.

Retail space at the City Center site was let to brands including Calzedonia and Brezelkönig. As well as further enhancing the retail mix, the new leases will also generate higher rental revenue. By contrast, it is proving more of a challenge to market office space.

As at December 31, 2017 (reference date), the vacancy rate was 1.5%, representing a decrease of a further 0.3 percentage points year-on-year. Adjusted for voids before initial renting, the vacancy rate fell once again to 0.6% (previous year: 0.9%).

Intensive construction activity in sync with marketing successes

2017 was a year of intensive construction and development activity. The four major projects underway – construction site A (S16–20), the wooden high-rise (S22), the vertical garden high-rise Aglaya, and the campus of Lucerne University of Applied Sciences and Arts – are expected to generate a substantial increase in income as of 2018. These projects account for an investment volume of around CHF 450 million. Long-term agreements have already been secured for some 75% of this future rental space.

Development and marketing status update:

- Construction of the third development phase/buildings S16, S18 and S20 (see chart on page 15) was completed on schedule. The staggered handover to tenants began in the fourth quarter of 2017, with completion scheduled for mid-February 2018. The investment volume for the approximately 11 000 m^2 of commercial space, 152 apartments and 52 student accommodation units amounts to some CHF 110 million. Car-sharing service provider Mobility and market research institute GfK are the principal tenants. The occupancy level for the apartments is 100%, and for the commercial space 81%.
- Construction work on what is currently set to be Switzerland's tallest wooden building is likewise going to schedule. The investment volume for office building S22 is approximately CHF 55 million. Long-term rental agreements have been concluded with biotechnology company Amgen for around one-third of the commercial space. Arval and Mobilezone have also joined the ranks of notable future tenants certain to further enhance the Suurstoffi site's appeal as a business location. A staggered move-in is planned over the period from summer 2018 to the end of the year. Long-term rental agreements have already been concluded for 60% of the 11 885 m^2 of office and commercial space. Negotiations (some at an advanced stage) with further prospective tenants are underway.

- The vertical garden high-rise Aglaya is also in the design and build phase. Completion and hand-over is scheduled for the first half of 2019. The investment volume runs to approximately CHF 100 million, 92% of which is for promotional purposes. The marketing successes are also encouraging, with 70% of apartments already sold or reserved by end-2017.
- Following the issue of the building permit for the campus of Lucerne University of Applied Sciences and Arts in July 2017, work on the CHF 185 million project could begin immediately. Three buildings with a total of 26 000 m^2 of rentable office and commercial space are to be constructed. Long-term rental contracts have been signed with Lucerne University of Applied Sciences and Arts for around 70% of this space, and move-in is scheduled to be completed by fall 2019. The second construction phase is scheduled for completion by summer 2020.
- Consistently strong demand for commercial space prompted the decision by Zug Estates to begin planning work on the last two buildings at the Suurstoffi site (S43 and S45). Zurich-based Bauart Architects and Planners Ltd were awarded the mandate to conduct a study. The needs-led project is to be carried out in stages.
- A master plan was initiated to develop the Zug City Center site. Initial results from the four interdisciplinary teams are expected in Q2 2018.
- Furthermore, renovation of the 73 rooms at the Parkhotel Zug was completed on time.

“We continue to expect stable demand for residential units.”

Business hotel segment

In a challenging market environment, Hotelbusiness Zug AG succeeded in maintaining occupancy rates at its establishments despite a slight increase in room prices. At CHF 10.6 million, income from hotel activities was slightly lower than in the previous year (CHF 10.9 million). This is due mainly to the related temporary non-use of the 73 rooms at the Parkhotel Zug while they were under renovation. Catering income remained stable at CHF 5.5 million. Overall income for the business unit decreased 1.6% year-on-year to CHF 16.8 million. Following a significant increase in the previous year, the business unit’s GOP (gross operating profit) was maintained at a high level.

Outlook for 2018

Overall, we are looking to see a slight improvement in operating income before depreciation and revaluation. We anticipate a year-on-year increase in net income excluding income from revaluation.

In the real estate business unit, we expect to see a rise in rental revenue as construction site A (S16–20) is completed and as tenants start moving into building S22 from summer 2018 on. At the same time, further renovation work at the Metalli complex points to higher property expenses.

In the hotel & catering segment, thanks in part to the newly renovated rooms, we expect to maintain sales and gross operating profit at prior-year levels in what remains a difficult market environment.

Zug, March 2018

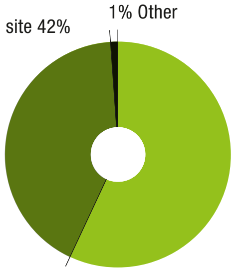
Tobias Achermann
CEO

Mirko Käppeli
CFO

Portfolio

"The Zug Estates Group develops, markets and manages sites in the Zug region. It focuses on central locations that allow sustainable, high-density development and are suitable for a wide range of uses."

Portfolio by site
Based on fair value as at December 31, 2017



Zug Estates invests in sites in the Zug region. A large part of the real estate portfolio is located at the Zug City Center site and at the Suurstoffi site in Risch Rotkreuz, and is broadly diversified by type of use. The Group also runs a city resort in Zug incorporating the leading 4-star superior business hotels Parkhotel Zug and City Garden. As an attractive business and residential location, the Zug region provides optimum conditions for the long-term sustainable development of the portfolio: centrality and accordingly easy reachability, access to a large talent pool, and business-friendly authorities. Zug remains top of the rankings in the latest issue of the Credit Suisse Locational Quality Indicator.

By concentrating on the Zug area, the Group is able to capitalize on its regional market intelligence and familiarity with the local business community.

Above-average property qualities with attractive market positioning

Zug Estates takes an integrated development approach geared to the specific locational features of its sites in order to create forward-looking environments. Thanks to their central location and excellent accessibility, both the busy Metalli shopping area in Zug and the university campus in Risch Rotkreuz will enjoy attractive long-term positioning as places of business. District-based services, superior green surroundings and resource-efficient energy systems explain why the sites are so sought-after – by both residential and commercial tenants. Accordingly, the Zug Estates Group portfolio offers above-average locational and property features coupled with low vacancy rates. Furthermore, the portfolio's usage mix is balanced, with 29% residential property and significant development reserves, which are to be successively exploited over the next few years.

Growing real estate portfolio with plenty in the development pipeline

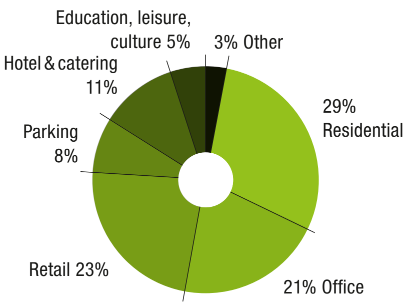
As at December 31, 2017, the portfolio had a fair value of CHF 1.41 billion, having appreciated by an average 9.3% p.a. since the Zug Estates Group's stock exchange listing in 2012.

Zug Estates pursues a policy of active growth. The focus up to the end of 2019 will be on continuing the development of the Suurstoffi site in Risch Rotkreuz. Development projects for the Group's own portfolio, with an investment volume of around CHF 250 million and rental revenue of approx. CHF 11.5 million per year, are currently under construction. Moreover, some CHF 92 million (promotional share) are being invested in the construction of 85 condominium apartments in the Aglaya vertical garden high-rise.

There are plans to invest a further CHF 300 million to CHF 400 million in the development of the Zug City Center site. Masterplanning commenced in 2017. Initial results from the studies are expected in the second quarter of 2018. Zug Estates also intends to acquire a further site in the medium to long term. Insofar as projects can be carried out as planned, the value of the portfolio will grow to approx. CHF 1.65 billion by 2020.

Portfolio by use

Based on projected rental revenue[1] as at December 31, 2017

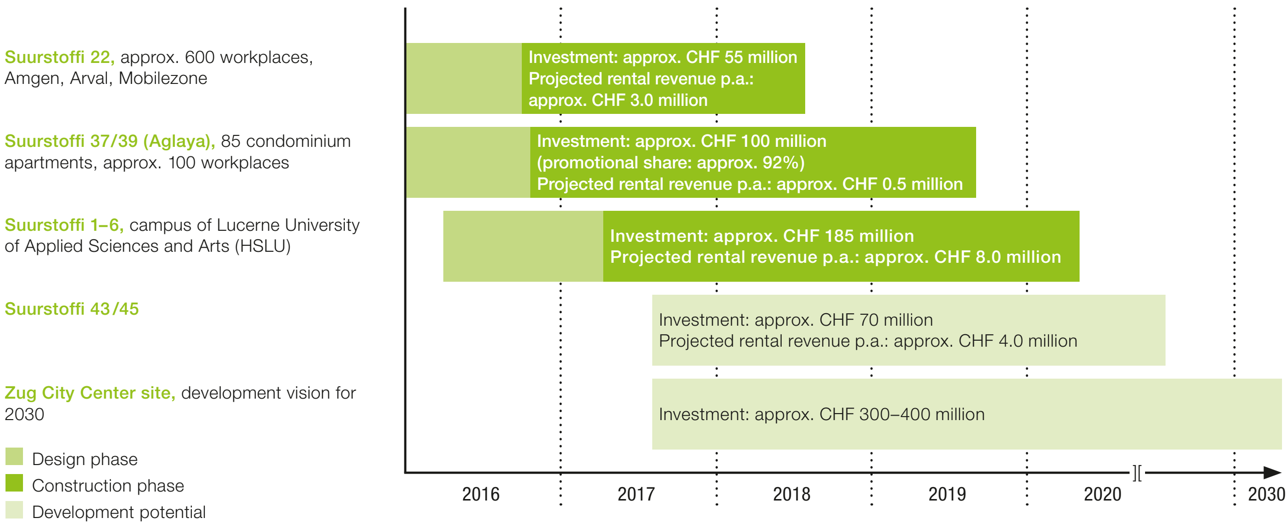


[1] From point of view of real estate business unit

On-site business hotels

In Zug, the Zug Estates Group also operates a city resort geared to the needs of business clients. The total capacity runs to 250 accommodation units plus ancillary catering and conferencing facilities. The resort comprises the leading business hotels Parkhotel Zug and City Garden in addition to long-stay apartments. Ideally integrated into the Zug City Center site and within walking distance of the train station, workplaces and shopping facilities, the resort benefits from numerous synergies with the rest of the site.

Development pipeline

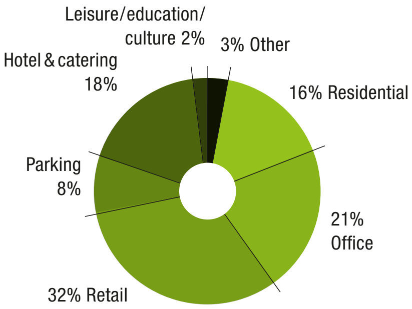


Metalli / Zug City Center site

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

Mix of use

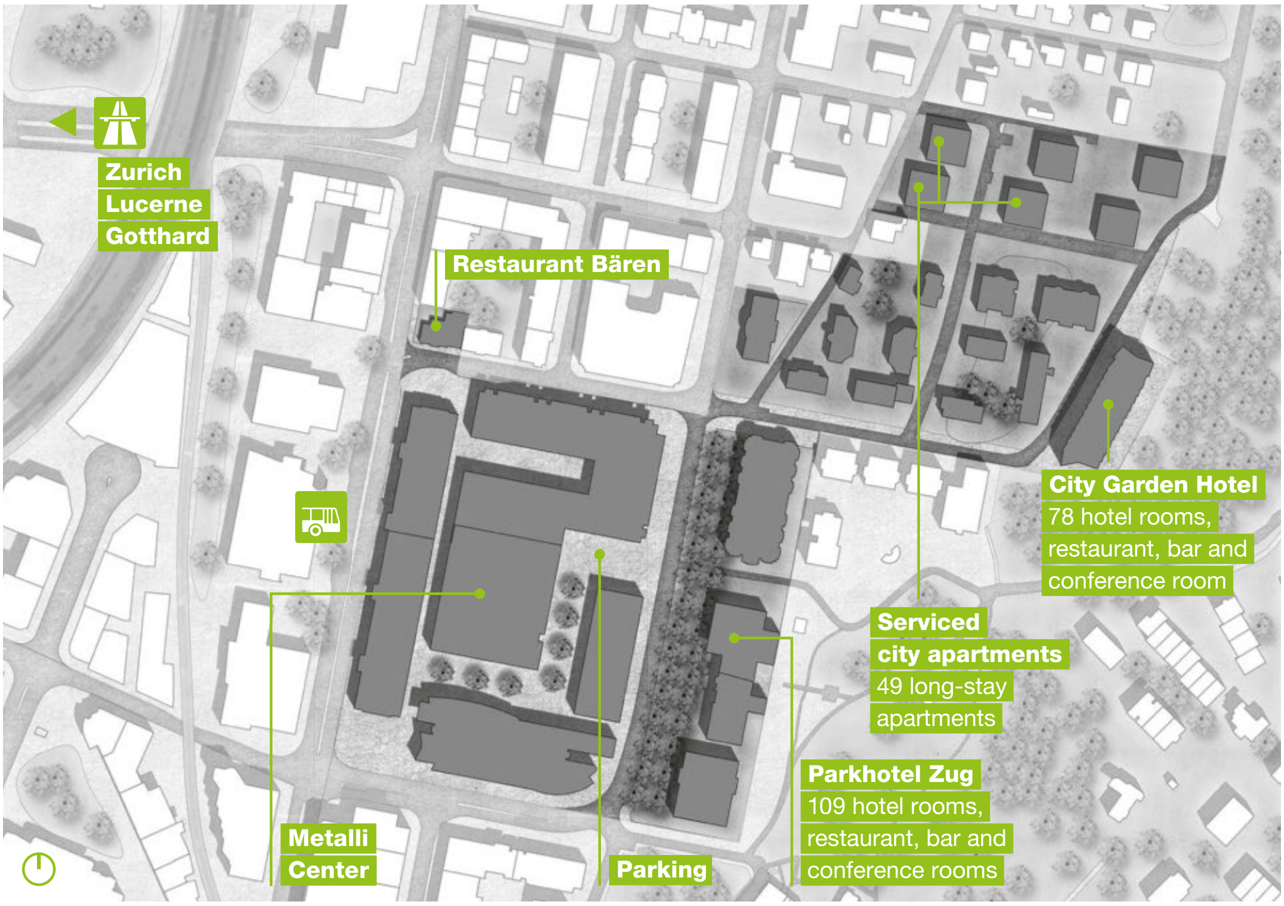
Based on projected rental revenue [1, 3]
as at December 31, 2017



Key data as at December 31, 2017

Site area	58 737 m²
Market value [1, 2]	CHF 800.2 million
Projected rental revenue investment properties [1]	CHF 28.7 million
Gross yield investment properties	4.2%
Residents	approx. 700
Workplaces	approx. 2000
Local amenities	Metalli shopping area with approx. 16 000 m² of accessible sales area and an annual turnover of about CHF 165 million, city resort with 250 accommodation units, a wide variety of catering, health care, childcare, educational, training and youth culture facilities

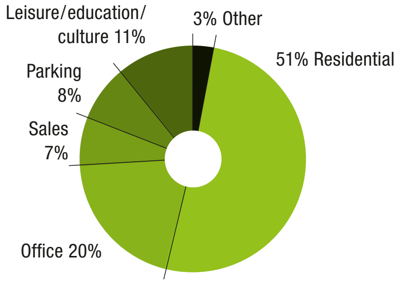
1 Due proportion of fair value and projected rental revenue for (co-owned) property at Baarerstrasse 20–22, Zug
2 Includes fair value of operating properties
3 From point of view of real estate business unit



Suurstoffi site, Risch Rotkreuz

The Suurstoffi site in Risch Rotkreuz is evolving into an integrated, traffic-free neighborhood with a combination of living, working and recreational facilities. Once completed, it will accommodate some 1 500 residents, almost 2 000 students, and over 2 500 workplaces.

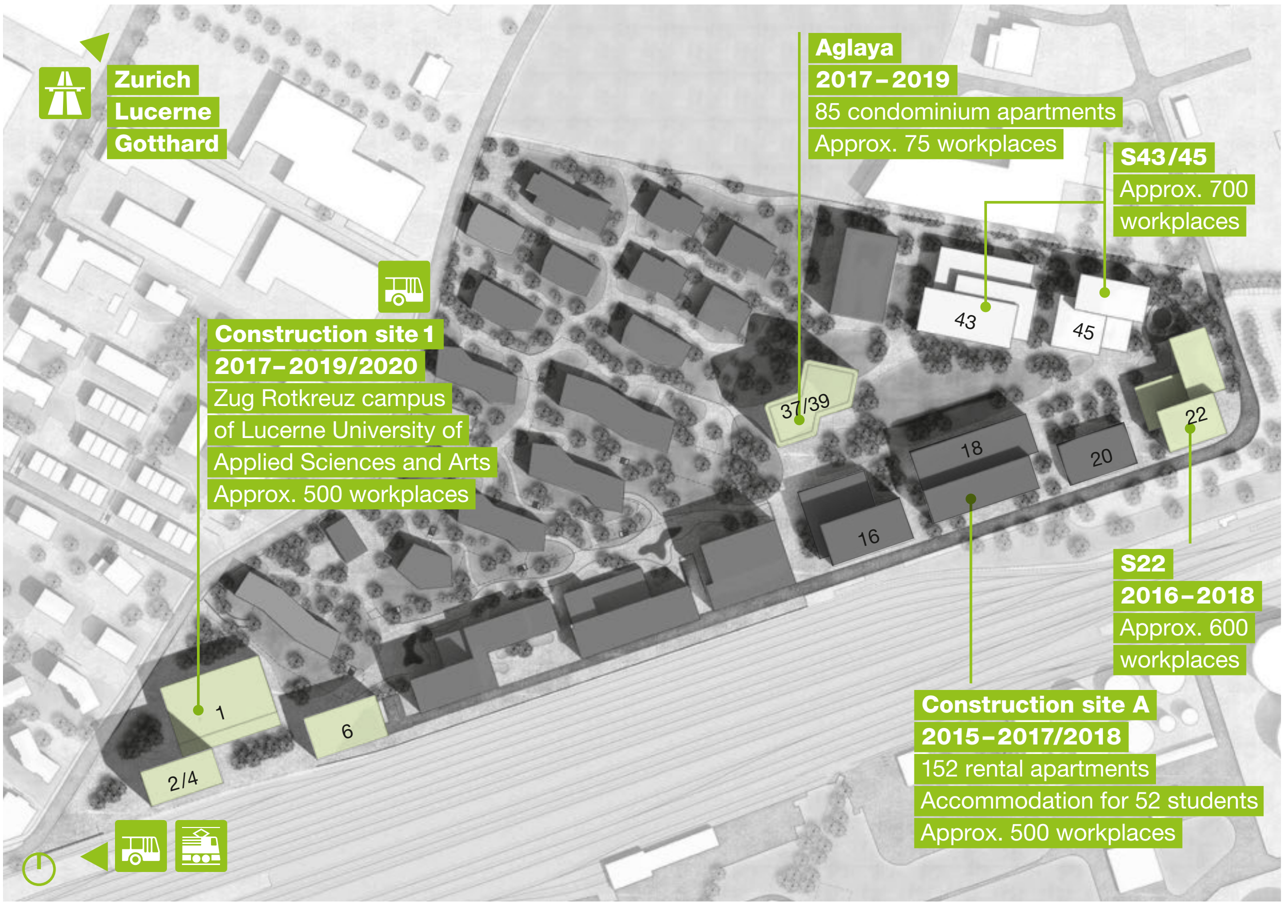
Mix of use
Based on projected rental revenue as at December 31, 2017



Key data as at December 31, 2017

Site area	105 439 m²
Market value	CHF 595.0 million
Projected rental revenue investment properties	CHF 19.8 million
Gross yield investment properties	4.1%
Residents	approx. 900
Workplaces	approx. 1 100
Local amenities	Education (private bilingual school), university, childcare, fitness center, car sharing, catering, shops and other local facilities in town

Existing buildings Under development Under construction



List of properties

Investment properties	Place	Form of ownership[1]	Ownership share in %	Year of construction	Year of refurbishment
Zug City Center site					
Baarerstrasse 20–22 (Metalli I/II, Zug Estates share)	Zug	CO	72.25	1987/1991	–
Zug, 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/ Bleichimattweg	Zug	SO	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 5, 9, 13–17	Risch Rotkreuz	SO	100	2011/2012	–
Suurstoffi 19–35	Risch Rotkreuz	SO	100	2015	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Risch Rotkreuz	SO	100	approx. 1926	2012
Suurstoffi 8–12	Risch Rotkreuz	SO	100	2013	–
Suurstoffi 14	Risch Rotkreuz	SO	100	2013	–
Suurstoffi 16–20	Risch Rot- kreuz	SO	100	2017/2018	
Suurstoffi 41	Risch Rotkreuz	SO	100	2014	–
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	SO	100	1971	–
Rote Trotte 14–16	Baar	C	100	2007	–
Total other					
Total investment properties (excluding properties under construction)					
Investment properties under construction					
Suurstoffi 22 (construction site A)	Risch Rotkreuz	SO	100	2018	–
Suurstoffi 37/39 (Aglaya)	Risch Rotkreuz	SO	100	2019	–
Suurstoffi 1–6 (campus of HSLU)	Risch Rotkreuz	SO	100	2019/2020	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Risch Rotkreuz	SO	100	–	–
Total undeveloped plots					
Total real estate portfolio[3]					
Operating properties[3, 4]	Zug	SO/C	100	–	–
Total portfolio					

1 SO: sole ownership; LHP: leasehold plot; CO: co-ownership; C: condominium
2 Zug Estates AG is the ground lessor
3 Information on floor space and number of parking spaces excludes properties under construction
4 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)

Plot area m^2	Residential m^2	Office m^2	Retail m^2	Hotel/catering m^2	Leisure/education/culture m^2	Storage/other m^2	Total rentable area m^2	Total no. of parking spaces
16 419	8 130	10 143	17 886	862	2 239	5 118	44 378	519
4 843	270	5 491	3 056	149	–	3 060	12 026	121
2 155	1 965	1 370	381	461	264	755	5 196	93
3 200	–	–	–	–	–	–	–	–
1 637	–	1 713	–	–	–	360	2 073	30
3 615	3 148	–	–	–	–	59	3 207	54
13 997	8 322	–	–	–	100	49	8 471	71
45 866	**21 835**	**18 717**	**21 323**	**1 472**	**2 603**	**9 401**	**75 351**	**889**
15 503	11 336	–	–	–	–	19	11 355	224
12 417	10 278	–	–	–	–	35	10 313	394
2 680	–	–	–	–	520	–	520	–
15 237	10 095	86	–	337	3 405	281	14 204	286
8 359	–	8 527	–	–	–	621	9 148	49
14 098	11 861	6 659	–	–	1 447	2 731	22 698	232
3 496	–	620	–	–	5 861	–	6 481	–
71 790	**43 570**	**15 892**	**–**	**337**	**11 233**	**3 687**	**74 719**	**1 185**
2 806	503	698	–	–	–	33	1 234	29
1 687	273	–	–	–	–	31	304	4
4 493	**776**	**698**	**–**	**–**	–	**64**	**1 538**	**33**
122 149	**66 181**	**35 307**	**21 323**	**1 809**	**13 836**	**13 152**	**151 608**	**2 107**
6 863	–	11 131	–	–	–	754	11 885	239
7 858	–	1 821	–	–	–	292	2 113	–
8 591	–	9 437	–	–	14 726	1 740	25 903	137
23 312	**–**	**22 389**	**–**	**–**	**14 726**	**2 786**	**39 901**	**376**
10 337	–	–	–	–	–	–	–	–
10 337	**–**	**–**	**–**	**–**	–	–	**–**	**–**
155 798	**66 181**	**35 307**	**21 323**	**1 809**	**13 836**	**13 152**	**151 608**	**2 107**
12 871	1 879	873	–	13 002	–	277	16 031	188
168 669	**68 060**	**36 180**	**21 323**	**14 811**	**13 836**	**13 429**	**167 639**	**2 295**

Additional information

in CHF thousands or %	Book value 31.12.2017	Book value 31.12.2016	Projected rental revenue 31.12.2017	Projected rental revenue 31.12.2016	Vacancy rate 31.12.2017	Vacancy rate 31.12.2016
Zug City Center site, Zug [1]	682 449	675 517	28 680	28 640	1.1	1.0
Suurstoffi site, Risch Rotkreuz	486 336	355 319	19 838	16 041	2.0	3.2
Other	12 640	12 653	509	513	0.4	0.2
Investment properties	**1 181 425**	**1 043 489**	**49 028**	**45 194**	**1.5**	**1.8**
Investment properties under construction	106 618	128 519	–	–	–	–
Undeveloped plots	2 524	2 524	–	–	–	–
Total real estate portfolio	**1 290 567**	**1 174 532**	**49 028**	**45 194**	**1.5**	**1.8**
Operating properties [2]	35 434	36 461	–	–	–	–
Total portfolio	**1 326 001**	**1 210 993**	**–**	**–**	**–**	**–**

[1] Due proportion of fair value and projected rental revenue for (co-owned) property at Baarerstrasse 20–22, Zug

[2] Wüest Partner AG estimated the fair value as at December 31, 2017 at TCHF 117 296 (December 31, 2016 TCHF 115 976)

Additional information on Suurstoffi development project, Risch Rotkreuz

Project description

A mixed-use development to accommodate approx. 1 500 residents, nearly 2 000 students and over 2 500 workplaces is being built in several phases on the approx. 100 000 m^2 Suurstoffi site near Rotkreuz train station. The development will, essentially, become part of the Group portfolio.

Project status

Work on the third phase in the eastern part of the Suurstoffi site was completed successfully. All 152 rental apartments, the 52 rooms for students at Lucerne University of Applied Sciences and Arts (HSLU) and 81% of the 11 000 m^2 of commercial space have been rented out. The two anchor tenants, market research company GfK and car-sharing provider Mobility, occupied their units in Q4 2017.

Construction of the office building at Suurstoffi 22 at the eastern end of the site is progressing according to plan. Scheduled for completion by mid-2018, the composite timber/concrete structure will house some 12 000 m^2 of office and light-industrial space. In the past financial year, two further anchor tenants, Arval und Mobilezone, were found for what is currently Switzerland's tallest timber high-rise. Negotiations with other prospective tenants are at an advanced stage. One-third of the office accommodation will be occupied by biotechnology company Amgen on a long-term lease.

The Aglaya vertical garden high-rise (Suurstoffi 37/39), at the center of the Suurstoffi site, is moving skyward. In addition to 2 100 m^2 of office space that will remain under the ownership of Zug Estates, the site will also feature 85 condominium apartments (recognized under current assets as promotional property). The office and residential units in the 70-m tower will be occupied in the first half of 2019. As at December 31, 2017, 70% of the apartments were sold or reserved.

Nearly 52 000 m^2 of commercial space and 513 apartments had been rented out on the Suurstoffi site by December 31, 2017.

The building permit for construction site 1 with the new HSLU campus was issued on July 26, 2017. Construction work for three buildings with a total investment volume of approx. CHF 185 million started in summer 2017. The 26 000 m^2 of floor space rented by the HSLU is likely to be ready for occupation in the third quarter of 2019. The rental contract will run for 30 years.

Occupancy level by floor area (commercial units) or number (residential units)		**31.12.2017**	**31.12.2016**
Suurstoffi 16–20	Residential	100%	0%
	Student accommodation	100%	100%
	Commercial	81%	68%
Suurstoffi 22	Commercial	60%	31%
Suurstoffi 37/39	Commercial	0%	0%
Suurstoffi 1–6	Commercial	69%	0%

Status of sales for promotional properties by number (residential units)		**31.12.2017**	**31.12.2016**
Suurstoffi 37/39	Residential	70%	0%

Completion	
Suurstoffi 16–20	December 2017–February 2018
Suurstoffi 22	Summer 2018
Suurstoffi 37/39	1. HY 2019
Suurstoffi 1–6	2019/2020

To the Board of Directors of Zug Estates Holding AG

Report of the independent valuation expert Valuation as of December 31, 2017

Zurich,
February 13, 2018

Commission
Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2017, Wüest Partner AG (Wüest Partner) valued the properties and sections of properties held by the Zug Estates Group. 16 investment properties, three properties under construction and six operating properties were valued.

Valuation standards
Wüest Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines. The property values determined correspond to the current value (market value) as described in Swiss GAAP ARR 18, item 14.

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

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

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

The properties under construction were also valued using the DCF method by means of reverse calculation (residual value method), inferring the project value on the balance sheet date in three steps:

- Valuation of the property at the time of completion – taking account of the current occupancy/sales rate and the market and cost estimate on the balance sheet date;
- Calculation of the market value on the balance sheet date, taking account of the projected investments still to be undertaken;
- Estimate of the development risk according to the current project status and treatment as a separate cash flow of a cost position.

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

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

Eleven properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2017.

Results

As of December 31, 2017, Wüest Partner determined the market value of the total of 25 properties. These break down into 16 investment properties, three properties under construction and six operating properties. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

in CHF	
16 Investment properties	1 181 424 725
3 Properties under construction	102 252 000
6 Operating properties	117 296 000
Total	**1 400 972 725**

Changes during reporting period

Within the review period from January 1, 2017 to December 31, 2017 the following changes took place:

— Property Suurstoffi 16, 18, 20: Combination of three separate valuations to a single valuation;
— Property Bleichimattweg 4, Zug: Reclassification into the group “Zentrumsliegenschaften”.

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.

Wüest Partner AG

Marco Feusi MRICS
Partner

Michael Auf der Maur
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, 2018, on which the valuation was based, were received by Wüest Partner in October 2017.
- **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 2.80% to 4.50% (net real terms).
- **Increased costs:** Unless otherwise specified, the valuations assume an annual inflation rate of 0.50% 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 ac-counts 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 ten 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 ap-propriate (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.

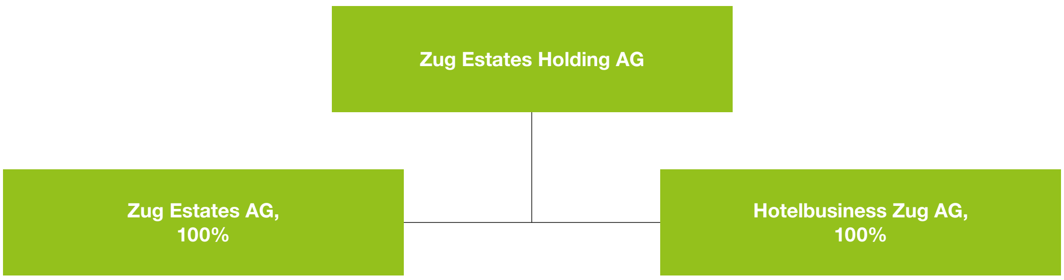
Corporate governance report

"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, 2017, or to the year under review (2017) respectively, unless stated otherwise. No essential changes occurred between December 31, 2017 and the submission deadline for the annual report. 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, Zurich.

1 Group structure and shareholders

1.1 Group structure



The list of consolidated companies can be found in the financial report on page 44.

1.2 Significant shareholders

All the significant shareholders who are known to Zug Estates Holding AG, together with information about the composition of shareholder groups, are listed in the financial report on page 55 (see "Significant shareholders"). Further information about the significant shareholders can also be seen on the website of the Disclosure Office of SIX Swiss Exchange at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Elisabeth Buhofer as well as Heinz M. Buhofer own a total of 66.0% of the voting rights together with the Buhofer Trust II, a fixed-interest trust according to the law of Liechtenstein. Via this trust, Zug Estates Holding AG is also indirectly owned by additional persons (see "Significant shareholders", footnote 1). In accordance with a shareholder pooling agreement between the members of the Stöckli group, the members of the group coordinate the exercising of their voting rights. The agreement also contains provisions on the limitation of transferability. The pool owns a total of 15.8% of the voting rights.

Other than this, the company is not aware of any mutual agreements between shareholders who are subject to registration.

In a disclosure made pursuant to article 120 ff. of the Swiss Financial Market Infrastructure Act (FMIA), the departure of the deceased Heinz Buhofer from the Group Elisabeth Buhofer as well as Heinz M. Buhofer was published on June 15, 2017. The composition of this Group remains otherwise unchanged.

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 54 (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 43 (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 54 (see "Shares issued"). Series A registered shares (privileged voting shares, par value CHF 2.50) are not listed. Series B registered shares (ordinary shares, par value CHF 25) 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 registration
In relation to the company, only those registered in the share register are recognized as registered shareholders or beneficiaries.

An entry is made in the share register:

- if, according to the information available to the company, recognizing an applicant as a shareholder does not and could not prevent the company and/or its subsidiaries from providing legally required proof of the composition of its circle of shareholders and/or beneficial owners, particularly pursuant to the Federal 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 for 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 keep away 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 holders of Series A registered shares. Usually, spouses and descendants of the current circle of shareholders must 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.

After hearing the affected party, the company may delete entries in the share register if these are based on false information provided by the buyer. Any such deletion must be communicated immediately to the buyer.

2.7 Convertible bonds and warrants/options

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

3 Board of directors

3.1 Members of the board of directors

	First appointed	End of term
Dr. Beat Schwab, CH, 1966 – Chairman of the board of directors (non-executive)	2014	2018
Heinz M. Buhofer, CH, 1956 – Member of the board of directors (non-executive)	2012	2018
Prof. Dr. Annelies Häcki Buhofer, CH, 1954 – Member of the board of directors (non-executive) – Member of the Audit Committee	2012	2018
Armin Meier, CH, 1958 – Member of the board of directors (non-executive) – Chairman of the Nomination and Compensation Committee	2013	2018
Martin Wipfli, CH, 1963 – Member of the board of directors (non-executive) – Chairman of the Audit Committee – Member of the Nomination and Compensation Committee	2012	2018

3.2 Other activities and vested interests

Dr. Beat Schwab

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

Professional background
Self-employed real estate entrepreneur and independent director, since 2017; head Real Estate Investment Management of Credit Suisse AG, 2012–2017; 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 Varia US Properties AG, Zug; member of the Board of Directors of Swiss Federal Railways SBB, Bern; vice-chairman of the board of directors of pom+Consulting AG, Zurich; member of the Board of Directors of Credit Suisse Asset Management (Schweiz) AG, Zurich; member of the Supervisory Board of Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH, Frankfurt, and mandates at other unlisted companies

Heinz M. Buhofer

Education
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, and WWZ AG, Zug; vice-chairman of the board of directors of Erdgas Zentralschweiz AG, Lucerne

Prof. Dr. Annelies Häcki Buhofer

Education
PhD, University of Zurich

Professional background
Management roles within the Faculty of Humanities at the University of Basel, 2002–2015; Professor of German Linguistics at the University of Basel, 1989–2015

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; member of the board of directors of V-ZUG AG, Zug, and V-ZUG Infra AG; role in management bodies of national and international professional associations

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, the Ameos Group AG, Zurich, Kuoni VFS Investment AG, Zurich, Evalueserve AG, Schaffhausen, and directorships at other unlisted companies

Martin Wipfli

Education
Attorney, Master of law, University of Berne

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

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

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

3.3 Additional mandates

Pursuant to the company's articles of association, 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 2017 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 five official meetings, which were also attended by the members of Group Management. In the case of excused absences, the topics on the meeting agenda will be discussed in advance with the chairman of the board of directors. In 2017, one member of the board of directors excused himself from one meeting for unavoidable reasons. The agenda items for the meetings of the board of directors are specified by the chairman and prepared by Group Management. Every member of the board of directors and every member of Group Management is entitled to request that a meeting be convened, specifying the meeting's purpose. Ten days prior to a meeting of the board of directors, the members of the board of directors will receive documentation that allows them to prepare for the discussion of the agenda items. Decisions are made by the entire board of directors with the assistance of the following two committees: the Nomination and Compensation Committee, and the Audit Committee.

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 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 the 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. All Committee members were present at these meetings in 2017. Armin Meier (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. Five meetings were held during the reporting year. In 2017, all Committee members were present at the meetings. Martin Wipfli (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 http://www.zugestates.ch/en/investor-relations/corporate-governance.html (German only). 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, management, construction and development risks, finance, IT/infrastructure, personnel/leadership/organization and general factors, 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
Mirko Käppeli, CH, 1979, CFO	2017

4.2 Other activities and vested interests

Group Management, from left: Tobias Achermann and Mirko Käppeli

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

Previous activities for the Zug Estates Group
None

Activities on governing and supervisory bodies
None

Mirko Käppeli, CFO

Education
Lic. oec. University of St. Gallen

Professional background
2010–2017 in various financial roles within the Seewarte Group, CFO from 2011; Finance manager, Gravhaven Mining AG, 2008–2009; Financial projects, Mobimo Group, 2005–2009; Controlling, Livit AG, 2002–2004

Previous activities for the Zug Estates Group
None

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 Nomination and Compensation Committee reviewed and verified compliance with the relevant provisions of the articles of association in the 2017 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 34 to 37.

6 Shareholders' participation

6.1 Voting rights restrictions and representation of voting rights

Each share entitles the holder to one vote.

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 Holding AG shall adopt resolutions and hold elections by the absolute 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 article 135 and 163 of the Swiss Financial Market Infrastructure Act (FMIA) is waived pursuant to article 125 para. 3 FMIA (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 2017.

8.2 Auditing fees

In the reporting period, Ernst & Young AG invoiced Zug Estates Holding AG or the Zug Estates Group TCHF 132 (previous year: TCHF 123) for services in connection with the auditing of the annual financial statements of Zug Estates Holding AG and its subsidiaries and the consolidated financial statements of the Zug Estates Group.

8.3 Additional fees

In the reporting period, Ernst & Young AG received additional fees in the amount of TCHF 18 for audit-related services (previous year: TCHF 21 for various clarifications about accounting matters).

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 https://www.zugestates.ch/en/investor-relations/ad-hoc-publicity.html. Published ad hoc and press releases can be downloaded at https://www.zugestates.ch/en/nc/media/press-releases.html, the corporate calendar at https://www.zugestates.ch/en/investor-relations/calendar.html and the half-year and annual reports at https://www.zugestates.ch/en/mn/downloads.html. Contact details, important dates and information about the shares of Zug Estates Holding AG may also be found on pages 72 to 74 of this annual report.

Compensation report

"The Zug Estates Group's compensation policy provides a suitable basis for the remuneration of members of the board of directors, 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 these persons 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 separately 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 (article 19 of the company's articles of association). 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 2017 financial year.

Board of directors

Pursuant to article 18 of the company's articles of association, members of the board of directors receive a fixed compensation 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 is paid only in exceptional cases, and if evidenced by supporting documentation, within 60 days. In the reporting period, as in the previous year, no expenses were paid out to members of the board of directors.

Acting on the proposal of the Nomination and Compensation Committee, the entire board of directors determines at its discretion, on an annual basis and within the limits of the total amount, 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 following ordinary general meeting. The total amount is submitted 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.

Compensation period up to the 2017 general meeting of shareholders

The general meeting of shareholders took a first vote on compensation on April 12, 2016 and approved a total amount for the board of directors of CHF 1 000 000 for the term of office up to the general meeting of shareholders on April 11, 2017.

Of this total, the sum of CHF 995 353 was effectively paid out (see detailed breakdown on the following page).

Compensation for the compensation period from

	13.04.2016–11.04.2017
Fixed compensation (net)	911 333
Variable compensation (net)	0
Pension contributions	84 020
Total compensation paid	**995 353**
Total amount approved	**1 000 000**
Difference	**–4 647**

Compensation period up to the 2018 general meeting of shareholders

The general meeting voted on compensation on April 11, 2017 and approved a total amount for the board of directors of CHF 900 000 for the term of office up to the next general meeting of shareholders in 2018. In the 2017 financial year, the compensation paid out to the board of directors amounted to a total of CHF 898 126. Of this sum, the amount of CHF 528 770 was paid out in the period from the 2017 general meeting of shareholders to December 31, 2017. Compared to the corresponding year-earlier period (CHF 626 079), this represents a decrease of 15.5%.

Proposal for the compensation period up to the 2019 general meeting of shareholders

At the 2018 general meeting of shareholders, the board of directors will propose that a total amount of CHF 900 000 (unchanged from the previous term of office) be made available as the fixed compensation in cash payable to the members of the board of directors during the term of office until the next ordinary general meeting of shareholders.

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. The employment contracts of the members of Group Management stipulate that the performance-based compensation will amount to no more than one-third of 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 earnings drivers – specifically, payout potential generated and earnings prospects – and other factors. 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.

2017 compensation period (financial year)

On April 12, 2016, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to the Group Management for the 2017 financial year. Of this total, the sum of CHF 982 869 was effectively paid out (see detailed breakdown below).

Compensation payments to Group Management

in CHF	Financial year 2017
Fixed compensation (net)	525 224
Variable compensation (net)	177 215
Pension contributions	280 430
Total compensation paid	**982 869**
Total amount approved	**1 200 000**
Difference	**–217 131**

2018 compensation period (financial year)

On April 11, 2017, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to the Group Management for the 2018 financial year.

Proposal for the 2019 compensation period (financial year)

At the 2018 general meeting of shareholders, the board of directors will propose that a total amount of CHF 1 200 000 (unchanged) be made available as the total compensation payable to the Group Management for the 2019 financial year.

Members of Group Management are, as a rule, 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. External consultants are not engaged.

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

Shareholding programs

Pursuant to article 18 of the company's articles of association, Zug Estates Holding AG does not have any participation or option programs. In the reporting period, no shares, option rights or conversion rights were assigned to members of the board of directors, Group Management or associated persons.

Loans and credits

In the reporting period, 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

Zug Estates Holding AG paid no direct or indirect compensation to former members of the board of directors or Group Management or associated persons in the reporting period.

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

Compensation payments to the board of directors and Group Management

The following compensation was paid to the members of the board of directors and the Group Management in the year under review.

Compensation for the 2017 financial year

in CHF	Fixed compensation (net)	Var. compensation (net) [1]	Pension contributions [2]	Total 2017
Dr. Beat Schwab	296 609	0	0	296 609
Hannes Wüest	183 333	0	22 295	205 628
Heinz M. Buhofer	71 742	0	0	71 742
Prof. Dr. Annelies Häcki Buhofer	73 333	0	11 027	84 360
Armin Meier	83 333	0	12 531	95 864
Heinz Stübi	25 000	0	3 759	28 759
Martin Wipfli	115 164	0	0	115 164
Total board of directors	**848 514**	**0**	**49 612**	**898 126**
Tobias Achermann, CEO	319 219	107 048	170 028	596 295
Total Group Management	**525 224**	**177 215**	**280 430**	**982 869**

Compensation for the 2016 financial year

	Fixed compensation (net)	Var. compensation (net) [1]	Pension contributions [2]	Total 2016
Hannes Wüest	400 000	0	48 069	448 069
Heinz M. Buhofer	60 414	0	0	60 414
Prof. Dr. Annelies Häcki Buhofer	61 667	0	9 273	70 940
Armin Meier	65 000	0	9 774	74 774
Dr. Beat Schwab	86 845	0	0	86 845
Heinz Stübi	75 000	0	11 278	86 278
Martin Wipfli	107 613	0	0	107 613
Total board of directors	**856 539**	**0**	**78 394**	**934 933**
Tobias Achermann, CEO	319 549	115 427	169 384	604 360
Total Group Management	**536 881**	**193 180**	**286 279**	**1 016 340**

[1] In line with the accrual principle, the variable compensation payable to the Group Management for the 2017 business year is posted in the applicable year (same method as previous year), but not paid out until April 2018

[2] 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

[3] Hannes Wüest was chairman of the board of directors until the 2017 general meeting of shareholders. Dr. Beat Schwab was elected as his successor. Heinz Stübi stepped down from the board of directors at the 2017 general meeting of shareholders. Payments to members of the board and directors and Group Management who were appointed or stepped down in 2017 will be drawn pro rata (Hannes Wüest and Heinz Stübi for four months to April 11, 2017, Gabriela Theus [former CFO, stepped down] for four months to April 30, 2017 and Mirko Käppeli [newly appointed CFO] for eight months from May 1, 2017)

To the General Meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Zug Estates Holding AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 36 to 37 of the remuneration report.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility

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

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

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

Opinion

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

Zug, 1 March 2018

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Daniel Zaugg
Licensed audit expert

Consolidated financial statements

Annual financial statements of Zug Estates Holding AG

Consolidated balance sheet

Assets

in CHF thousands	Note	31.12.2017	31.12.2016
Cash and cash equivalents		24 661	18 440
Trade receivables	1	2 649	924
Other receivables	2	6 933	4 186
Inventories		186	187
Properties held for sale	3	0	1 946
Promotional properties	4	39 214	16 906
Prepaid expenses		1 011	2 351
Total current assets		**74 654**	**44 940**
Investment properties	5	1 181 425	1 043 489
Investment properties under construction	5	106 618	128 519
Undeveloped plots	5	2 524	2 524
Operating properties	6	35 434	36 461
Other tangible assets	7	10 153	7 485
Prepayments for tangible assets	8	159	171
Financial assets		1 884	1 710
Intangible assets	9	334	104
Total fixed assets		**1 338 531**	**1 220 463**
Total assets		**1 413 185**	**1 265 403**

Liabilities and shareholders’ equity

in CHF thousands	Note	31.12.2017	31.12.2016
Current financial liabilities	10	60 200	0
Trade payables	11	3 613	5 370
Other current liabilities		12 988	6 751
Accrued expenses		27 224	27 584
Current provisions	12	14	0
Total current liabilities		**104 039**	**39 705**
Long-term financial liabilities	10	399 739	350 200
Long-term provisions	12	957	967
Deferred tax liabilities	13	104 440	100 003
Total long-term liabilities		**505 136**	**451 170**
Total liabilities		**609 175**	**490 875**
Share capital	14	12 750	12 750
Capital reserves		517 745	527 458
Treasury shares		–7 435	–12 227
Retained earnings		280 950	246 547
Total shareholders’ equity		**804 010**	**774 528**
Total liabilities and shareholders’ equity		**1 413 185**	**1 265 403**

Consolidated income statement

in CHF thousands	Note	2017	2016
Property income	16	41 940	40 089
Hotel & catering income	17	16 140	16 458
Additional income from ordinary business operations	18	4 296	4 494
Net proceeds of trade payables and receivables		**62 376**	**61 041**
Other operating revenue		482	191
Total operating revenue		**62 858**	**61 232**
Property expenses		–2 989	–2 816
Cost of goods purchased for hotel & catering		–1 501	–1 594
Personnel expenses	19	–13 632	–13 080
Other operating expenses	20	–5 354	–5 298
Total operating expenses		**–23 476**	**–22 788**
Operating income before depreciation and revaluation		**39 382**	**38 444**
Revaluation of investment properties (net)		8 712	28 065
Result from sale of investment properties		999	420
Operating income before depreciation (EBITDA)		**49 093**	**66 929**
Depreciation	21	–3 418	–3 133
Operating income (EBIT)		**45 675**	**63 796**
Financial result	22	–5 546	–7 129
Income before taxes (EBT)		**40 129**	**56 667**
Tax expenditure	23	–5 726	–8 314
Net income		**34 403**	**48 353**
Earnings per share			
Earnings per series A registered, undiluted *		6.83	9.81
Earnings per series B registered share, undiluted *		68.32	98.06

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

Consolidated statement of cash flows

in CHF thousands	Note	2017	2016
Net income for the period		34 403	48 353
Depreciation	6,7,9	3 418	3 133
Revaluation of investment properties (net)	5	–8 712	–28 065
Result from sale of investment properties		0	–420
Changes in provisions/deferred tax liabilities	12,13	4 441	8 174
Other non-cash items		–4 589	–2 835
Cash flow before changes in working capital		**28 961**	**28 340**
Change in trade receivables		–1 725	756
Change in other receivables		–2 747	3 111
Change in accrued income and prepaid expenses		1 340	693
Change in inventories/properties for sale		1 947	1 973
Change in promotional properties		–20 480	–16 751
Change in trade payables		–320	–931
Change in other current liabilities		6 237	–1 807
Change in accrued expenses and deferred income		1 229	–6 317
Cash flow from operating activities		**14 442**	**9 067**
Investments in investment properties	5	–109 127	–47 998
Investments in operating properties	6	–525	–4
Investments in other tangible assets	7	–3 012	–414
Investments in financial assets		0	–65
Investments in intangible assets	9	–320	–119
Cash flow from investing activities		**–112 984**	**–48 600**
Increase in current financial liabilities	10	10 000	0
Increase from bond issues	10	99 684	0
Sale of treasury shares	14	6 588	12 832
Distribution to shareholders		–11 509	–10 094
Cash flow from financing activities		**104 763**	**2 738**
Change in cash and cash equivalents		**6 221**	**–36 795**
Composition of net cash and cash equivalents			
Net cash and cash equivalents at the beginning of reporting period		18 440	55 235
Net cash and cash equivalents at the end of reporting period		24 661	18 440
Change in cash and cash equivalents		**6 221**	**–36 795**

In the reporting period, non-cash investments of TCHF 1 431 (previous year: TCHF 28 197) were made. No (previous year: TCHF 200) 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 01.01.2016	**12 750**	**534 181**	**– 21 688**	**198 194**	**723 437**
Treasury shares					
– Sale of treasury shares	0	3 371	9 461	0	12 832
Distribution from the reserves from capital contributions	0	– 10 094	0	0	– 10 094
Net income	0	0	0	48 353	48 353
Balance on 31.12.2016	**12 750**	**527 458**	**– 12 227**	**246 547**	**774 528**
Balance on 01.01.2017	**12 750**	**527 458**	**– 12 227**	**246 547**	**774 528**
Treasury shares					
– Sale of treasury shares [1]	0	1 796	4 792	0	6 588
Distribution from the reserves from capital contributions	0	– 11 509	0	0	– 11 509
Net income	0	0	0	34 403	34 403
Balance on 31.12.2017	**12 750**	**517 745**	**– 7 435**	**280 950**	**804 010**

[1] Profit from the sale of treasury shares and the associated tax payments were recognized as an increase in the capital reserves, without affecting net income.

Notes to the consolidated financial statements

Principles

The consolidated financial statements of Zug Estates Holding AG were prepared in accordance with the Swiss GAAP FER Accounting and Reporting Regulations in their entirety as in force on December 31, 2017, as well as the special provisions for real estate companies (article 17 of the Directive on Financial Reporting) of the SIX Swiss Exchange, Zurich, and present a true and fair view of the financial position, the results of operations and the cash flows. The business year covered by these consolidated financial statements is equivalent to the calendar year.

The consolidated financial statements are based on the audited individual financial statements of the Zug Estates Group companies, prepared in accordance with consistent accounting principles. The relevant accounting principles are outlined below.

The consolidated financial statements are denominated in Swiss francs (CHF). Unless otherwise indicated, all amounts are stated in thousands of Swiss francs (TCHF).

The board of directors approved the consolidated financial statements on March 1, 2018.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital and votes 31.12.2017	Share of capital and votes 31.12.2016
Hotelbusiness Zug AG	Zug, ZG	Hotel and catering operator	1 000 000	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%

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.

Changes to the scope of consolidation

The scope of consolidation is unchanged compared to the annual financial statements as at December 31, 2016.

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.

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 of sale. 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.

Promotional properties
Promotional properties are properties that are built for sale. Promotional properties are carried at acquisition or production cost or at fair value if lower. Promotional properties are recognized under current assets.

Investment properties, investment properties under construction and undeveloped plots
Investment 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 FER 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 FER, 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 depreciated. 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. Where the conditions for making a reliable calculation of the fair value are not met, investment properties under construction and undeveloped plots are carried at 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.

Other tangible assets
Other tangible assets, which are mainly utilized in the hotel & catering division, are valued at acquisition or production cost less any write-downs necessary for commercial reasons. The straight-line depreciation method is applied on the basis of a useful life of three to eight years, and up to 30 years in the case of infrastructure investments.

Financial assets
Financial assets comprise long-term securities used for long-term investment purposes. They are reported at fair value.

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 depreciation 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
Financial liabilities consist of outstanding bonds, mortgage-secured bank loans, as well as a loan from related parties. Financial liabilities are classified as long-term if the agreed residual term is greater than twelve months as at the balance sheet date. All other contracts are classified as current. Financial liabilities are recognized and carried at nominal value. Bonds are initially recognized at fair value, net of transaction costs. Subsequently, financial liabilities are carried at cost, with any difference between the redemption amount and the book value amortized on a straight-line basis over the term.

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

Employee benefits
The Group has several employee benefit plans 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 and bonds issued to fund construction projects are capitalized until completion. Other borrowing costs are charged to the income statement.

Revenue collection

The Zug Estates Group operates in two segments: real estate and hotel & catering.

The real estate segment operates primarily in the areas of product development and management. The project development department develops and oversees its own construction projects, mainly for the Group portfolio. The management department provides property management services for third parties and the Group portfolio. The main source of revenue is "Property income", which is made up of actual rental income and income from Miteigentümergemeinschaft Metalli. Actual rental income comprises net rent after deduction of vacancy losses and losses from receivables. Income from Miteigentümergemeinschaft Metalli is the gross profit earned by the Zug Estates Group on the income from Miteigentümergemeinschaft Metalli after recognition of the corresponding property expenses. Other income is generated by facility management and on the sale of self-produced energy. This income is recognized under "Additional income from ordinary business operations". Property income is derived from rental income. Rents are recognized over the period of rendering of services. Other services are taken to income at the time of rendering.

The hotel & catering segment comprises the subsidiary Hotelbusiness Zug AG. It operates two hotels, three restaurants, and serviced city apartments (including supplementary hotel and catering services) in Zug. The hotel & catering segment earns the large part of its income on catering and accommodation services, which are recognized under "Hotel & catering income". All hotel & catering services are taken to income at the time of rendering.

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.

The ranges of estimates are material in respect of investment properties and investment properties under construction. The fair values of these properties are calculated half-yearly by an independent real estate valuer. They are based in particular on assumptions with regard to rental income, discount rates, voids, maintenance costs, development risks and recognition by the percentage of completion method.

1 Trade receivables

in CHF thousands	31.12.2017	31.12.2016
Trade receivables from hotel and catering activities	681	452
Rent receivables	134	99
Other trade receivables	1 928	429
Provisions for doubtful receivables	–94	–56
Total trade receivables	**2 649**	**924**

2 Other receivables

in CHF thousands	31.12.2017	31.12.2016
Withholding tax credits	21	32
Accounts for heating and service charge settlement	5 016	4 050
Other receivables [1]	1 896	104
Total other receivables	**6 933**	**4 186**

As at December 31, 2017, other receivables comprise mainly input tax credits on the basis of construction activities for VAT-opted space.

3 Properties held for sale

in CHF thousands	2017	2016
Acquisition value at the beginning of reporting period	**1 946**	**2 426**
Additions	0	983
Disposals	–1 946	–1 463
Acquisition value at the end of reporting period	**0**	**1 946**

As at December 31, 2017, there are no properties held for sale. The properties held for sale at the end of 2016 were two apartments with appurtenant parking spaces at the Baar property, Rote Trotte 14–16.

4 Promotional properties

in CHF thousands	2017	2016
Acquisition value at the beginning of reporting period	**16 906**	**0**
Additions	22 308	16 906
Acquisition value at the end of reporting period	**39 214**	**16 906**

Promotional properties include the available-for-sale part of the Risch Rotkreuz property, Suurstoffi 37/39 (Aglaya residential tower block). They are carried at acquisition or production cost.

5 Investment properties, investment properties under construction and undeveloped plots

in CHF thousands	Zug City Center, Zug, Investment properties	Suurstoffi Site, Risch Rotkreuz Investment properties
Balance as at 01.01.2016	**665 797**	**334 573**
Investments	978	9 352
Acquisitions [3]	1 503	0
Reclassification of undeveloped plots to properties under construction [4]	0	0
Reclassification of properties under construction to investment properties [5]	0	0
Reclassification to properties for sale [6]	0	0
Reclassification to other tangible assets	0	0
Revaluation (net)	7 239	11 394
Balance as at 31.12.2016	**675 517**	**355 319**
Accumulated acquisition values as at 01.01.2016	339 290	269 139
Accumulated acquisition values as at 31.12.2016	341 771	278 491
Difference market values/acquisition values as at 01.01.2016	326 507	65 434
Difference market values/acquisition values as at 31.12.2016	333 746	76 828
Balance as at 01.01.2017	**675 517**	**355 319**
Investments	1 031	2 865
Reclassification of properties under construction to investment properties [7]	0	126 222
Reclassification to other tangible assets	0	0
Revaluation (net)	5 901	1 930
Balance as at 31.12.2017	**682 449**	**486 336**
Accumulated acquisition values as at 01.01.2017	341 771	278 491
Accumulated acquisition values as at 31.12.2017	342 814	394 145
Difference market values/acquisition values as at 01.01.2017	333 746	76 828
Difference market values/acquisition values as at 31.12.2017 [9]	339 635	92 191

1 Comprises the properties under construction at the Suurstoffi site in Risch Rotkreuz (excluding promotional properties)
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 Additions from investments include non-cash transactions from the accrual of building costs as well as from trade payables
4 Consolidation acquisitions in Zug and Risch Rotkreuz
5 Reclassification of the Risch Rotkreuz properties Suurstoffi 16–20 and site 1 plots to investment properties under construction
6 Reclassification of an apartment (including parking spaces) at the Baar property Rote Trotte 14–16
7 Land belonging to Risch Rotkreuz property Suurstoffi 37/39
8 Reclassification of the Risch Rotkreuz properties Suurstoffi 16–20 from investment properties under construction to investment properties
9 Factoring the development risk into the fair value valuation may lead to temporary differences between fair values and acquisition values during the development phase

Other investment properties	Total investment properties	Total investment properties under construction[1]	Undeveloped plots[2]	Total
13 146	**1 013 516**	**57 723**	**4 008**	**1 075 247**
6	10 336	64 261	0	74 597
0	1 503	101	0	1 604
0	0	1 484	–1 484	0
–983	–983	0	0	–983
0	0	–155	0	–155
0	0	–3 843	0	–3 843
484	19 117	8 948	0	28 065
12 653	**1 043 489**	**128 519**	**2 524**	**1 174 532**
7 909	616 338	57 607	4 008	677 953
7 338	627 600	119 455	2 524	749 579
5 237	397 178	116	0	397 294
5 315	415 889	9 064	0	424 953
12 653	**1 043 489**	**128 519**	**2 524**	**1 174 532**
46	3 942	104 807	0	108 749
0	126 222	–126 222	0	0
0	0	–1 426	0	–1 426
–59	7 772	940	0	8 712
12 640	**1 181 425**	**106 618**	**2 524**	**1 290 567**
7 338	627 600	119 455	2 524	749 579
7 384	744 343	110 047	2 524	856 914
5 315	415 889	9 064	0	424 953
5 256	437 082	–3 429	0	433 653

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 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 2.8% to 3.5% (previous year: 2.9% to 3.6%).

Additional information per property can be found on pages 16 to 17 of this report.

6 Operating Properties

in CHF thousands	2017	2016
Acquisition value at the beginning of reporting period	**62 773**	**62 769**
Additions	525	4
Acquisition value at the end of reporting period	**63 298**	**62 773**
Accumulated depreciation at the beginning of reporting period	**–26 312**	**–24 761**
Depreciation in the reporting period	–1 552	–1 551
Accumulated depreciation at the end of reporting period	**–27 864**	**–26 312**
Net book value at the beginning of reporting period	**36 461**	**38 008**
Net book value at the end of reporting period	**35 434**	**36 461**

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 was TCHF 117 296 (previous year: TCHF 115 976) and was determined by the independent real estate expert Wüest & Partner AG using the DCF method. For the valuation as at December 31, 2017, discount rates within a range of 3.3% to 4.5% (previous year: 3.6% to 4.6%) were applied.

7 Other tangible assets

in CHF thousands	2017	2016
Acquisition value at the beginning of reporting period	**21 346**	**16 888**
Additions	3 012	4 458
Reclassification	1 426	0
Disposals	–4 925	0
Acquisition value at the end of reporting period	**20 859**	**21 346**
Accumulated depreciation at the beginning of reporting period	**–13 861**	**–12 317**
Disposals	4 925	0
Depreciation in the reporting period	–1 770	–1 544
Accumulated depreciation at the end of reporting period	**–10 706**	**–13 861**
Net book value at the beginning of reporting period	**7 485**	**4 571**
Net book value at the end of reporting period	**10 153**	**7 485**

The additions reported in 2017 are mainly room renovations at the Parkhotel Zug. The reclassification reported in 2017 relates to the photovoltaic systems previously recognized in investment properties under construction. The additions reported in 2016 were mainly photovoltaic systems.

The disposals relate to write-offs of tangible assets no longer in use.

8 Prepayments for tangible assets

Prepayments amounted to TCHF 159 (previous year: TCHF 171).

9 Intangible assets

in CHF thousands	2017	2016
Acquisition value at the beginning of reporting period	**318**	**199**
Additions	326	119
Disposals	–78	0
Acquisition value at the end of reporting period	**566**	**318**
Accumulated depreciation at the beginning of reporting period	**–214**	**–176**
Disposals	78	0
Depreciation in the reporting period	–96	–38
Accumulated depreciation at the end of reporting period	**–232**	**–214**
Net book value at the beginning of reporting period	**104**	**23**
Net book value at the end of reporting period	**334**	**104**

Intangible assets comprise software utilized in the business units.

10 Financial liabilities

Financial liabilities comprise bonds, mortgage loans with financial institutions, as well as loan from related parties. They are structured as follows by maturity:

Residual term in CHF thousands	31.12.2017	31.12.2016
Under 1 year	60 200	0
1 to 3 years	50 000	100 200
3 to 5 years	99 739	0
5 to 10 years	115 000	115 000
Over 10 years	135 000	135 000
Total financial liabilities	**459 939**	**350 200**
Of which current	60 200	0
Of which long-term	399 739	350 200

The average residual term of the interest-bearing debt was 6.4 years (previous year: 8.2 years). The average capital-weighted interest rate on all interest-bearing financial liabilities was 2.0% (previous year: 2.5%). The long-term loans were taken out at fixed interest rates.

On February 17, 2017, a TCHF 100 000 bond with a term to February 17, 2022, was paid up. The transaction costs were deducted from the initial recognition of the issue proceeds. The difference between the book value and the redemption amount is amortized on a straight-line basis over the term and amounts to TCHF 261 as at December 31, 2017.

To secure the long-term financial liabilities, properties with a book value of TCHF 695 128 (previous year: TCHF 688 423) have been encumbered.

As at the balance sheet date, a short-term TCHF 10 000 loan borrowed at arm's length from Metall Zug AG with a term to February 26, 2018, is in place. There were no current financial liabilities to related parties in the previous year.

11 Trade payables

in CHF thousands	31.12.2017	31.12.2016
Advance payments from tenants	2 024	1 545
Liabilities to third parties	1 589	3 825
Total trade payables	**3 613**	**5 370**

12 Provisions

in CHF thousands	2017	2016
Provisions at the beginning of the reporting period	**967**	**38**
Increase	4	929
Provisions at the end of the reporting period	**971**	**967**
Of which current at the end of reporting period	14	0
Of which long-term at the end of reporting period	957	967

In the 2016 reporting year, long-term provisions for future levies in an amount of TCHF 925 were set aside in connection with the development projects in Risch Rotkreuz.

13 Deferred tax liabilities

in CHF thousands	2017	2016
Deferred tax liabilities at the beginning of reporting period	**100 003**	**92 758**
Net creation recognized in the income statement in reporting period	4 437	7 245
Deferred tax liabilities at the end of reporting period	**104 440**	**100 003**

The average tax rate for deferred income taxes amounts to 14.6% (unchanged).

14 Shareholders' equity

Shares issued	Security number	Par value CHF	Number of	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 sold 4 000 series B registered shares at an average price of CHF 1 685.50 (previous year: 8 000 registered shares at an average price of 1 640.00).

As at December 31, 2017, Zug Estates Holding AG holds 5 592 series B registered treasury shares stated at historical acquisition costs of TCHF 7 435 (previous year: 9 592 series B registered shares at historical acquisition costs of TCHF 12 227).

Non-distributable statutory reserves as at December 31, 2017, amounted to TCHF 7 625 (previous year: TCHF 7 625).

Shareholders' equity per share

in CHF	31.12.2017	31.12.2016
Shareholders' equity per outstanding series B registered share, before deferred taxes	1 801.02	1 747.64
Shareholders' equity per outstanding series B registered share, after deferred taxes	1 593.97	1 547.79

NAV at market value per share

in CHF	31.12.2017	31.12.2016
NAV at market value per outstanding series B registered share	1 732.57	1 683.49

NAV at market value per share includes properties used for operational purposes at market value.

Earnings per share

Information on series A registered shares		2017	2016
Series A registered shares issued	Number of	1 948 640	1 948 640
Series A registered treasury shares (weighted average)	Number of	0	0
Average outstanding series A registered shares		**1 948 640**	**1 948 640**
Share in net income attributable to series A registered shares	TCHF	13 313	19 109
Applicable number of series A registered shares	Number of	1 948 640	1 948 640
Earnings per series A registered share, undiluted	CHF	6.83	9.81

Information on series B registered shares		2017	2016
Series B registered shares issued	Number of	315 136	315 136
Series B registered treasury shares (weighted average)	Number of	6 425	16 925
Average outstanding series B registered shares		**308 711**	**298 211**
Share in net income attributable to series B registered shares	TCHF	21 090	29 244
Applicable number of series B registered shares	Number of	308 711	298 211
Earnings per series B registered share, undiluted	CHF	68.32	98.06

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

15 Significant shareholders

As at December 31, 2017, the following shareholders owned more than 3% of total voting rights:

Number of %	Series A registered shares	Series B registered shares	Votes	Votes previous year
Elisabeth Buhofer as well as Heinz M. Buhofer [1]	1 489 650	4 965	66.0%	66.0%
Stöckli Group [2]	340 800	17 486	15.8%	15.8%
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.
[2] The Group comprises Ursula Stöckli-Rubli, Walter Stöckli-Rubli, Elisabeth Stöckli Enzmann, Johannes Stöckli, Matthias Stöckli, Helen Jauch-Stöckli, Hubert Stöckli and Othmar Stöckli.

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 68.

16 Property income

The reported property income of TCHF 41 940 (previous year: TCHF 40 089) comprises actual rental income and income from Miteigentümergemeinschaft Metalli. This position contains rental revenue from all properties.

in CHF thousands	2017	2016
Actual rental income	28 956	27 365
Income from Miteigentümergemeinschaft Metalli [1]	12 984	12 724
Total property income	**41 940**	**40 089**

[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 on that date:

Term, share in %	31.12.2017	31.12.2016
Under 1 year, including unlimited rental contracts	40.5	47.4
Over 1 year	12.2	7.6
Over 2 years	1.9	7.9
Over 3 years	4.9	1.8
Over 4 years	4.5	4.7
Over 5 years	17.9	1.5
Over 6 years	6.6	13.9
Over 7 years	0.8	7.7
Over 8 years	0.0	0.0
Over 9 years	3.6	0.0
Over 10 years	7.1	7.5
Total	**100.0**	**100.0**

As at December 31, 2017, the five largest tenant Groups together generated 24.7% (previous year: 27.3%) of annualized projected rental revenue.

Tenants, share in %	31.12.2017	Tenants, share in %	31.12.2016
Novartis	7.2	Novartis	7.8
Migros [1]	6.7	Migros [1]	7.3
UBS	4.6	UBS	5.5
Nord Stream	3.3	Nord Stream	3.6
Lucerne University of Applied Sciences and Arts	2.9	Lucerne University of Applied Sciences and Arts	3.1

[1] Various companies of the Migros Group

17 Hotel & catering income

in CHF thousands	2017	2016
Accommodation	10 613	10 890
Catering	5 474	5 488
Ancillary services	60	68
Increase/release of provisions for doubtful receivables	–7	12
Total hotel & catering income	**16 140**	**16 458**

18 Additional income from ordinary business operations

in CHF thousands	2017	2016
Revenue from services	1 598	1 705
Revenue from own work	872	768
Revenue from leasing of personnel	1 140	1 381
Other revenue	686	640
Total additional income from ordinary business operations	**4 296**	**4 494**

19 Personnel expenses

in CHF thousands	2017	2016
Wages and salaries	–11 491	–10 834
Pension expenses	–1 609	–1 516
Other personnel expenses	–532	–730
Total personnel expenses	**–13 632**	**–13 080**

20 Other operating expenses

in CHF thousands	2017	2016
Marketing/sales promotion	–1 505	–1 245
Maintenance and repair	–503	–439
Administrative expenses	–737	–872
IT/software	–373	–433
Legal and consultancy costs	–498	–477
Hire, leasing	–1	–28
Other costs [1]	–1 737	–1 804
Total other operating expenses	**–5 354**	**–5 298**

[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	2017	2016
Depreciation of operating properties	–1 552	–1 551
Depreciation of other tangible assets	–1 770	–1 544
Amortization of intangible assets	–96	–38
Total depreciation	**–3 418**	**–3 133**

22 Financial result

in CHF thousands	2017	2016
Interest income from banks	0	2
Gain on securities	60	50
Fair value of financial assets	186	102
Total financial income	**246**	**154**
Interest expense mortgage loans	–5 763	–7 251
Other financial expenses	–29	–32
Total financial expenses	**–5 792**	**–7 283**
Financial result	**–5 546**	**–7 129**

In the reporting period, borrowing costs in the amount of TCHF 3 585 (previous year: TCHF 1 965) were capitalized.

23 Taxes

in CHF thousands	2017	2016
Income taxes	–1 291	–1 068
Deferred taxes	–4 435	–7 246
Total taxes	**–5 726**	**–8 314**

Average weighted tax rate

in CHF thousands or %	2017	2016
Income before taxes (EBT)	40 129	56 667
Average tax rate	14.27%	14.67%
Income taxes at average tax rate	–5 726	–8 314
Utilization of previously unrecognized tax losses	0	0
Change of tax rate	0	0
	–5 726	**–8 314**

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

24 Contingent liabilities and other off-balance sheet obligations

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

In relation to the construction and operation of City Garden Hotel, Zug Estates AG accepted a demolition obligation amounting to TCHF 490. This comes into effect in 2025 at the earliest, and then only if the land on which the hotel was built has to be vacated for construction of the access road to the Zug city tunnel. In a local referendum held on June 14, 2015, the population of Zug rejected the city tunnel scheme.

Zug Estates AG is owner and developer of the Suurstoffi development in Risch Rotkreuz. Under the terms of a rental contract for a property under construction, penalties amounting to a maximum of TCHF 2 100 in the event of delays were agreed with one tenant, compensation of TCHF 4 per day in the event of the late handover of the rented properties was agreed with another tenant.

Compensation for any extra costs incurred owing to delayed completion of the premises was agreed with two other tenants.

One tenant was also granted a right, but is not obliged, to withdraw from the rental contract if the commencement of the tenancy is delayed beyond the stipulated dates. Compensation will also be paid for any additional costs.

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	31.12.2017	31.12.2016
Up to 1 year	24	23
Up to 3 years	45	92
Total	**69**	**115**

26 Pension plan liabilities

The employee benefit plans of Zug Estates Holding AG and its subsidiary take 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, 2017, there were no employer's contribution reserves (unchanged to prior period).

in CHF thousands	Deficit/ surplus of joint pension plan 31.12.2017	Economic share of company 31.12.2017	Economic share of company 31.12.2016	Change of Impact on net income in financial period	Contributions for the period	Pension expenses in personnel expenses 2017	Pension expenses in personnel expenses 2016
Patronage funds/pension schemes	0	0	0	0	0	0	0
Pension plans without surplus/deficit	0	0	0	0	666	666	595
Pension plans with surplus	0	0	0	0	0	0	0
Pension plans with deficit	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**666**	**666**	**595**

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

Composition of pension expenses

in CHF thousands	2017	2016
Pension contributions at the company's expense	666	595
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	**666**	**595**
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	**666**	**595**
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	**666**	**595**

Total pension expenses in personnel expenses in the period under review amounted to TCHF 666 (previous year: TCHF 595). 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.

2017 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations[1]	Total
Operating revenue	51 443	16 842	–5 427	62 858
Operating expenses	–12 949	–15 348	4 821	–23 476
Revaluation of investment properties (net)	8 712	0	0	8 712
Result from sale of investment properties	999	0	0	999
Operating income before depreciation (EBITDA)	**48 205**	**1 494**	**–606**	**49 093**
Operating income (EBIT)	**45 748**	**550**	**–623**	**45 675**

[1] Holding company expenses and intersegment revenues are eliminated in the "Corporate & eliminations" column.

2016 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations[1]	Total
Operating revenue	50 096	17 115	–5 979	61 232
Operating expenses	–12 095	–15 921	5 228	–22 788
Revaluation of investment properties (net)	28 065	0	0	28 065
Result from sale of investment properties	420	0	0	420
Operating income before depreciation (EBITDA)	**66 486**	**1 194**	**–751**	**66 929**
Operating income (EBIT)	**64 273**	**277**	**–754**	**63 796**

All revenues in 2017 and the previous year were generated in the Canton of Zug.

Ownership of the entire portfolio – i.e. investment and operating properties – rests with the real estate business unit. Based on an integrated view of the hotel & 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 (EBIT) of CHF 3.9 million (previous year: CHF 4.4 million) and an annualized EBITDA return of 5.5% (previous year: 6.0%) on the fair values of these properties.

28 Transactions with related parties

In the year under review, revenue of TCHF 144 (previous year: TCHF 173) 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 100 (previous year: TCHF 129) for services and deliveries of equipment.

As at the balance sheet date, receivables due from Metall Zug Group companies amounted to TCHF 1 (previous year: TCHF 7) and liabilities to them TCHF 3 (previous year: TCHF 2).

As at the balance sheet date, a short-term TCHF 10 000 loan borrowed at arm's length from Metall Zug AG with a term to February 26, 2018, is in place. There were no current financial liabilities to related parties in the previous year.

A purchase agreement was concluded with a member of the board of directors for an apartment in the amount of TCHF 1 323. The purchase price is in line with the market and was also offered to third parties. The same sales and payment conditions as offered to third parties were agreed.

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 34 to 37. As at the balance sheet date, there were no liabilities towards members of the board of directors (unchanged).

29 Events after the balance sheet date

Between December 31, 2017, and the date of approval of the present consolidated financial statements no events occurred which would necessitate a restatement of the book values of the Group's assets and liabilities as at December 31, 2017, or would need to be disclosed here.

To the General Meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Zug Estates Holding AG, which comprise the consolidated balance sheet, the consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 40 to 61), for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER, article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange 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 2017 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 article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange as well as Swiss law.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Market valuation of investment properties and investment properties under construction

Risk	The market valuation of investment properties and investment properties under construction was a key audit matter, since this process featured significant areas of estimates and the assets valued in this way, at TCHF 1 181 425 and TCHF 106 618 respectively, were therefore a significant part of the group's balance sheet. As disclosed in the notes to the consolidated financial statements under "Investment properties, investment properties under construction and undeveloped plots" in the significant accounting and valuation policies (pages 45–46) as well as under "5 Investment properties, investment properties under construction and undeveloped plots" (pages 50–51), market values were determined by an external real estate expert on the basis of the discounted cash flow method. These market value estimates are based on assumptions, in particular in terms of rental income, discount rates, vacancy rates as well as maintenance costs and development risks.
Our audit response	In addition to other audit procedures, we assessed the objectivity, independence and competence of the external real estate expert as well as the valuation model that was applied. Moreover, we performed sample tests to examine the correctness of property-specific data (amongst others rental income, maintenance costs) that were considered in the valuation. We also assessed the underlying key assumptions of the key real estate expert by discussing them with both management and the external expert and comparing them with market data.

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 para. 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.

Zug, 1 March 2018

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Daniel Zaugg
Licensed audit expert

Balance sheet of Zug Estates Holding AG

Assets

Amounts in CHF thousands	Note	31.12.2017	31.12.2016
Cash and cash equivalents		408	2 936
Other receivables due from third parties		55	45
Other receivables due from Group companies	1	692	19
Expenses prepaid to third parties		11	21
Accrued income Group companies	2	5 100	11 700
Total current assets		**6 266**	**14 721**
Loans to Group companies	3	263 000	42 000
Financial assets with quoted price		1 831	1 645
Investments		13 892	13 892
Tangible assets		0	1
Intangible assets		111	0
Total fixed assets		**278 834**	**57 538**
Total assets		**285 100**	**72 259**

Liabilities and shareholders' equity

Current financial liabilities to related parties		10 000	0
Other current liabilities to third parties		14	54
Other current liabilities to Group companies		0	1
Accrued expenses due to third parties		1 458	810
Accrued expenses due to Group companies		0	1
Total current liabilities		**11 472**	**866**
Bonds	4	99 739	0
Total long-term liabilities		**99 739**	**0**
Total liabilities		**111 211**	**866**
Share capital		12 750	12 750
Statutory reserves			
– Reserves from capital contributions		10 445	21 955
– Other capital contributions		6 929	4 979
– Legal retained earnings		2 013	1 445
Voluntarily retained earnings			
– Earnings carried forward from the previous year		41 923	31 136
– Net income for the year		107 264	11 355
Treasury shares	7	–7 435	–12 227
Total shareholders' equity		**173 889**	**71 393**
Total liabilities and shareholders' equity		**285 100**	**72 259**

Income statement of Zug Estates Holding AG

Amounts in CHF thousands	Note	2017	2016
Dividend income	2	105 100	11 700
Other income		2 115	2 050
Total income		**107 215**	**13 750**
Personnel expenses		–1 915	–2 006
Other operating expenses		–805	–795
Total operating expenses		**–2 720**	**–2 801**
Operating income before depreciation (EBITDA)		**104 495**	**10 949**
Depreciation		–18	–3
Operating income (EBIT)		**104 477**	**10 946**
Financial expenses		–695	–29
Financial income	8	3 888	769
Income before taxes (EBT)		**107 670**	**11 686**
Direct taxes		–406	–331
Net income for the year		**107 264**	**11 355**

Notes to the financial statements of Zug Estates Holding AG

General

Zug Estates Holding AG is an incorporated company; the shares have been listed on SIX Swiss Exchange, Zurich, 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 legislation and principles applied in the preparation of the present financial statements

(where these are not specified by law)

The financial statements presented here were prepared in accordance with the provisions on commercial accounting contained in the Swiss Code of Obligations (article 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.

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.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital and votes 31.12.2017	Share of capital and votes 31.12.2016
Hotelbusiness Zug AG	Zug, ZG	Hotel & catering operator	1 000 000	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%

Securities/financial assets

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

Loans to Group companies

Intercompany 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.

Investments

Investments are recognized at cost and valued individually. If, based on calculations of the earnings value, the value in use of an investment falls below the previous book value over a lengthy period, a value adjustment is recorded. Earnings values are determined on the basis of estimates (income, expenses and discount rates).

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 loans have been overvalued, the book values must be reviewed and adjusted 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 depreciation over an economic life of three years. Self-developed intangible assets are not recognized in the balance sheet.

Bonds
Bonds are initially recognized at fair value, net of transaction costs. Subsequently, financial liabilities are carried at cost, with any difference between the redemption amount and the book value amortized on a straight-line basis over the term.

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 taken to equity.

1 Other receivables due from Group companies
Other receivables due from Group companies include the current portion of loans granted to subsidiaries in an amount of TCHF 92 (previous year: TCHF 19) and a loan of TCHF 600 (previous year: TCHF 0).

2 Accrued income Group companies
Dividends from subsidiaries totaling TCHF 5 100, which were distributed from the ordinary profits of the 2017 financial year, are recorded as dividend income (previous year: TCHF 11 700).

3 Loans to Group companies
This position comprises long-term loans to finance their operations in the amount of TCHF 263 000 (previous year: TCHF 42 000).

4 Bonds
On February 17, 2017, a TCHF 100 000 bond with a term to February 17, 2022, was issued. The coupon amounts to 0.7%.

5 Current financial liabilities to related parties

As at the balance sheet date, a short-term TCHF 10 000 loan borrowed at a customary market interest rate from Metall Zug AG with a term to February 26, 2018, is in place. There were no current financial liabilities to related parties in the previous year.

6 Significant shareholders

As at December 31, 2017, Zug Estates Holding AG was aware of the following significant shareholders within the meaning of article 663c of the Code of Obligations:

Number or %	Series A registered shares	Series B registered shares	Votes	Votes previous year
Elisabeth Buhofer as well as Heinz M. Buhofer [1]	1 489 650	4 965	66.0%	66.0%
Stöckli-Rubli Group [2]	340 800	17 486	15.8%	15.8%
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
2 The Group comprises Ursula Stöckli-Rubli, Walter Stöckli-Rubli, Elisabeth Stöckli Enzmann, Johannes Stöckli, Matthias Stöckli, Helen Jauch-Stöckli, Hubert Stöckli and Othmar Stöckli

7 Share ownership by current members of the corporate bodies

Number of	Series A registered shares as at 31.12.2017	Series B registered shares as at 31.12.2017	Series A registered shares as at 31.12.2016	Series B registered shares as at 31.12.2016
Dr. Beat Schwab, chairman [1]	0	10	0	10
Hannes Wüest, chairman [2]	n/a	n/a	0	500
Heinz M. Buhofer, member	563 040 [5]	1	563 040 [5]	1
Prof. Dr. Annelies Häcki Buhofer, member	161 206 [5]	10 762	161 206 [5]	10 762
Armin Meier, member	0	100	0	100
Martin Wipfli, member	0	266	0	266
Heinz Stübi, member [2]	n/a	n/a	0	110
Tobias Achermann, CEO	0	27	0	0
Mirko Käppeli, CFO [3]	0	50	n/a	n/a
Gabriela Theus, CFO [4]	n/a	n/a	0	20

1 In office since April 11, 2017
2 Stepped down effective April 11, 2017
3 Since May 1, 2017
4 Stepped down effective April 30, 2017
5 For the most part held through the Buhofer Trust II

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

8 Treasury shares

In the year under review, Zug Estates Holding AG sold 4 000 series B registered shares at an average price of CHF 1 685.50 (previous year: 8 000 registered shares at an average price of 1 640.00).

As at December 31, 2017, Zug Estates Holding AG held 5 592 series B registered treasury shares stated at historical acquisition costs of TCHF 7 435 (previous year: 9 592 series registered shares at historical acquisition costs of TCHF 12 227).

9 Financial income

Financial income comprises interest received on loans to Group companies and income from securities.

10 Number of full-time equivalents

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

11 Significant events after the balance sheet date

No significant events occurred after the balance sheet date which have an impact on the book values of the reported assets and liabilities or would need to be disclosed here.

Proposal for the appropriation of available earnings

in CHF	31.12.2017	31.12.2016
Retained earnings carried forward	41 922 947	31 135 744
Net income	107 264 171	11 355 203
Retained earnings	**149 187 118**	**42 490 947**
Dividend	−2 522 040	0
Allocation to statutory reserves	−537 000	−568 000
Retained earnings to be carried forward	**146 128 078**	**41 922 947**

Furthermore, the board of directors proposes that CHF 10 340 364 from the reserves from capital contributions be reclassified as voluntary free reserves and subsequently be distributed, exempt from withholding tax, to shareholders. Following this withdrawal, the remaining balance of reserves from capital contributions is CHF 105 127. Furthermore, the board of directors proposes distribution of a gross dividend (subject to withholding tax) of CHF 0.50 per series A registered share and CHF 5.00 per series B registered share. Total distribution per registered share amounts to:

in CHF	
For each series A registered share (reserves from capital contributions 2.05 | gross dividend 0.50)	2.55
For each series B registered share (reserves from capital contributions 20.50 | gross dividend 5.00)	25.50

Subject to approval by the general meeting of shareholders of the proposal put forward by the board of directors, distribution will be effected on Wednesday, April 18, 2018 (payment date).

To the General Meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zug Estates Holding AG, which comprise the balance sheet, income statement and notes (pages 64 to 69), for the year ended 31 December 2017.

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 2017 comply with Swiss law and the company's articles of incorporation.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of equity investments

Risk	The company's main purpose lies in the purchase, management and sale of equity investments. The valuation of equity investments was a key audit matter, since it is based on significant estimates (amongst others on future income, expenses and discount rates) and the equity investment position, at TCHF 13 892, was a significant part of the company's balance sheet. See the equity investment section in the notes to the financial statements.
Our audit approach	We chose a substantive audit approach to review this position. In our audit, we examined the company's process for evaluating equity investments and analyzed the data used to assess the impairment of equity investments.

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 para. 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.

Zug, 1 March 2018

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Daniel Zaugg
Licensed audit expert

Share information

Zug Estates Holding AG has two categories of share. Series A registered shares (security 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 (security number 14 805 212, ticker symbol ZUGN).

	Nominal value	Number of	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%

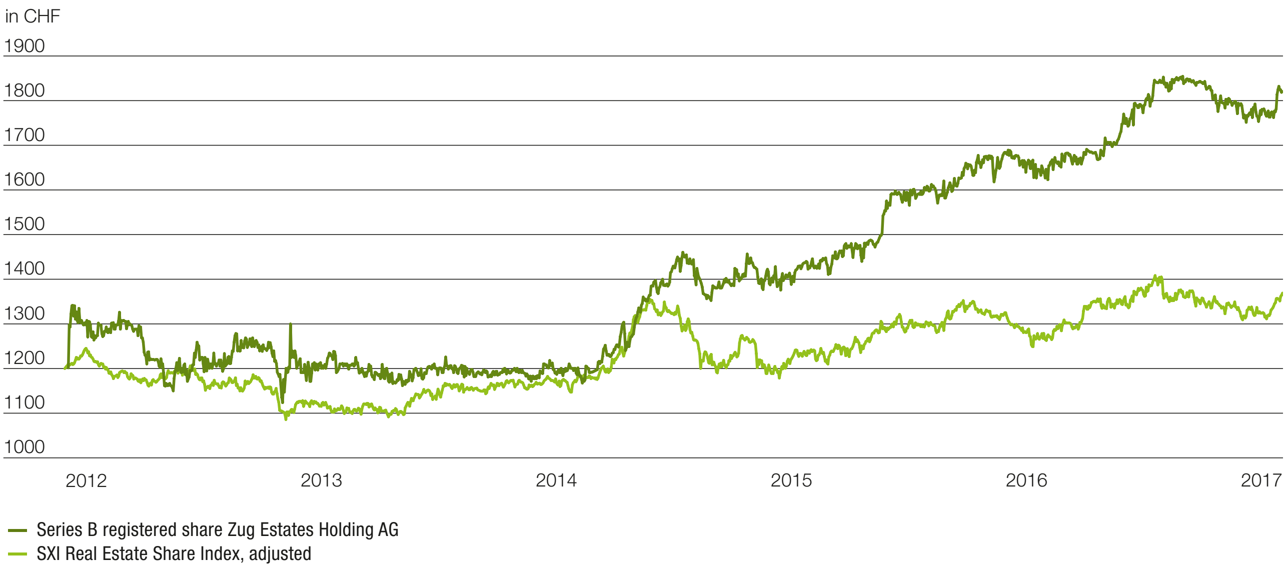
Breakdown of shareholder structure of series B registered shares as at December 31, 2017

Series B registered shares by number	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
> 1 000	56	3.9	220 138	76.0
501–1 000	31	2.2	20 462	7.1
101–500	119	8.3	25 070	8.6
51–100	103	7.2	7 972	2.7
11–50	518	36.1	12 979	4.5
1–10	607	42.3	3 079	1.1
Total	**1 434**	**100.0**	**289 700**	**100.0**
Shares pending registration of transfer			25 436	
Total series B registered shares issued			**315 136**	

Series B registered shares by category of holder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	1 203	83.9	92 264	31.8
Pension funds	70	4.9	45 534	15.7
Funds	38	2.7	29 243	10.1
Foundations	20	1.4	4 996	1.7
Insurers	19	1.3	10 609	3.7
Banks	16	1.1	3 692	1.3
Other legal entities	68	4.7	103 362	35.7
Total	**1 434**	**100.0**	**289 700**	**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	1 394	97.2	285 743	98.6
Outside Switzerland	40	2.8	3 957	1.4
Total	**1 434**	**100.0**	**289 700**	**100.0**

Performance series B registered share



Key figures per share

Figures per series A registered share in CHF		**2017**	**2016**	**2015**	**2014**
Net income [1]		6.83	9.81	13.67	9.18
Net income excluding income from revaluation of investment properties [1, 3]		5.19	4.87	4.90	4.87
NAV at market value [2, 4]		173.26	168.35	160.04	146.89
Cash distribution [5]		2.55	2.30	2.05	1.85

Figures per registered share of type B in CHF		**2017**	**2016**	**2015**	**2014**
Net income [1]		68.32	98.06	136.69	91.75
Net income excluding income from revaluation of investment properties [1, 3]		51.85	48.73	48.97	48.74
NAV at market value [2, 4]		1 732.57	1 683.49	1 600.45	1 468.89
Cash distribution [5]		25.50	23.00	20.50	18.50
Stock market price	High	1 862	1 692	1 458	1 244
	Low	1 660	1 436	1 231	1 150
	At year-end	1 827	1 653	1 445	1 244

Total capitalization in CHF million		**2017**	**2016**	**2015**	**2014**
Market capitalization [2, 6]	At year-end	921.6	827.2	711.5	610.3

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 NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes
5 Proposal of the board of directors
6 Conversion of series A registered shares on the basis of the year-end rate applicable to series B registered shares

Contact details and upcoming events

Contact Investor Relations

Mirko Käppeli, CFO
T +41 41 729 10 10
ir@zugestates.ch

Address

Zug Estates Holding AG
Industriestrasse 12
CH-6300 Zug

T +41 41 729 10 10
ir@zugestates.ch
www.zugestates.ch

Upcoming events

April 10, 2018
General meeting of shareholders 2018

April 18, 2018
Distribution to shareholders (payment date)

August 31, 2018
Publication of half-year results 2018

Exchange trading

Series B registered share Zug Estates Holding AG
Security number: 14 805 212
ISIN: CH 014 805 212 6
Ticker symbol SIX Swiss Exchange: ZUGN
Bloomberg: ZUGN:SW

Online, download, print

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

The electronic and PDF versions of the report can be downloaded from www.zugestates.ch. A copy of the printed report can be ordered by mail from ir@zugestates.ch.

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

Publishing information
Editor Zug Estates Holding AG **Project management** Philipp Hodel, Head of Corporate Communications
Photos Christian Ammann, Photographer, Zurich (pages 27 and 28), fotozug.ch Christian Herbert Hildebrand, Allenwinden (page 31) **Concept/Design/Realization** Linkgroup AG, Zurich, www.linkgroup.ch **Print** Climate-neutral printing on FSC-certified paper

climate neutral
powered by ClimatePartner®
Print | ID 11665-1707-1001

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C007447

Zug Estates Holding AG
Industriestrasse 12
CH-6300 Zug
www.zugestates.ch