

ZugEstates

Zug Estates Holding AG

Zug, Switzerland

CHF 100,000,000 0.100 percent Bonds 2019–2025 (the Bonds)

Issuer:	Zug Estates Holding AG, Industriestrasse 12, 6300 Zug, Switzerland (a corporation organised and existing under the laws of Switzerland, founded on 24 February 2012)
Issue Price:	The Managers (as defined below) have purchased the Bonds at the price of 100.030 percent of the aggregate nominal amount of the Bonds (before commissions)
Placement Price:	According to demand
Interest Rate:	0.100 percent per annum, payable annually in arrear on 2 October, first interest payment on 2 October 2020
Payment Date:	2 October 2019
Maturity Date:	2 October 2025, redemption at par
Duration:	6 years
Reopening:	The Issuer reserves the right to reopen this issue at any time before maturity of the Bonds (for details see Condition 1 of the Terms of the Bonds)
Assurances:	Change of control clause, pari passu clause, negative pledge clause and cross default clause (for details see Conditions 3(c), 7(a), 7(b) and 8(c) of the Terms of the Bonds, respectively)
Form of Bonds:	The Bonds are issued as uncertificated securities (<i>Wertrechte</i>) in accordance with article 973c of the Swiss Code of Obligations. No physical delivery of individually certificated Bonds shall be made (for details see Condition 1 of the Terms of the Bonds).
Status:	The Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer (for details see Condition 7(a) of the Terms of the Bonds).
Denomination:	CHF 5,000 and multiples thereof
Law and Jurisdiction:	The Bonds shall be exclusively governed by and construed in accordance with the substantive laws of Switzerland. The exclusive place of jurisdiction for any dispute, claim or controversy arising under, out of or in connection with or related to the Bonds shall be the city of Zurich (for details see Condition 12 of the Terms of the Bonds).
Selling Restrictions:	United States of America and United States Persons, European Economic Area and general selling restrictions (for details see pages 2 and 3 herein)
Listing and Trading:	Listing has been applied for in accordance with the Standard for Bonds of the SIX Swiss Exchange. The Bonds are provisionally admitted for trading on the SIX Swiss Exchange on 30 September 2019. The last trading date will be the second exchange business day prior to the Maturity Date.

Bank Vontobel AG

Credit Suisse

Swiss Security Number: 49 473 442

ISIN: CH0494734426

Common Code: 205138510

Prospectus dated 30 September 2019

Selling Restrictions

United States of America and United States Persons (Reg S, Category 1)

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Each Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, none of the Managers and its affiliates or any persons acting on their behalf have engaged or will not engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

B) Each Manager has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Manager has represented and agreed that (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **FSMA**) with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom and (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area (each, a **Member State**), each Manager has represented and agreed it has not made and will not make an offer of Bonds to the public in that Member State except that it may make an offer of such Bonds to the public in that Member State at any time:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation; or
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Bonds to the public** in relation to any Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, and the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

Republic of Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically (*sistematicamente*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

General

Neither the Issuer nor the Managers have represented that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Forward-looking Statements

This Prospectus contains certain forward-looking statements and information relating to the Group that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of the Group and information currently available to the Issuer and the Managers.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of the Group to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as “will”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “predict”, “estimate”, “project”, “target”, “assume”, “may” and “could”, and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Neither the Issuer and Managers undertake an obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading.

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Notice to Prospective Holders

For the purpose of this Prospectus, **Issuer, Company** or **Parent** means Zug Estates Holding AG, and **Zug Estates, Zug Estates Group** or **Group** means the Issuer together with its direct and indirect subsidiaries and entities under its significant influence. Other words and expressions used herein shall have the same meaning as given to them in the section *"Terms of the Bonds"* set forth on page 9 herein, except as otherwise defined herein.

No person is authorised to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

This Prospectus does not constitute an offer or invitation by or on behalf of the Issuer or the Managers to subscribe for or to purchase any of the Bonds.

This Prospectus has been prepared in connection with the offering and listing of the Bonds in Switzerland only. The Bonds will not be admitted to trading on a regulated market in the European Economic Area or elsewhere and will be listed solely on SIX Swiss Exchange.

This Prospectus has not been reviewed or approved by any competent authority in any Member State of the European Economic Area and does not constitute a prospectus within the meaning of the Prospectus Regulation.

This Prospectus has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area will only be made to Qualified Investors in that Member State within the meaning of the Prospectus Regulation or otherwise in circumstances that do not require the Issuer or the Managers to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Member State of Bonds which are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Managers have authorised, nor do they authorise, the making of any offer of the Bonds in circumstances in which an obligation arises for the Issuer or the Manager to publish a prospectus for such offer.

The financial institutions involved in the issuance and offering of the Bonds are banks, which, directly or indirectly, have participated, or may participate, in financing transactions and/or other banking business with the Issuer, which are not disclosed herein.

None of the Managers or any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

General Information

This Prospectus shall be read and construed on the basis that the annexes to this Prospectus shall be deemed to be incorporated in, and to form part of, this Prospectus.

Copies of this Prospectus are available free of charge from Credit Suisse AG, Uetlibergstrasse 231, 8070 Zurich, Switzerland, or may be obtained by telephone (+41 44 333 31 60), by fax (+41 44 333 57 79) or by e-mail to newissues.fixedincome@credit-suisse.com.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer dated 27 August 2019 and a bond purchase agreement dated 30 September 2019 among the Issuer, on the first part, and Credit Suisse AG and Bank Vontobel AG as joint lead manager (together, the **Managers**), on the second part, the Issuer has authorised the issue of the Bonds in the nominal amount of CHF 100,000,000.

Use of Proceeds

The net proceeds from the issue of the Bonds, amounting to CHF 99,623,000, will exclusively finance or refinance, in full or in part, Green buildings/Residential and Working sites (Eligible Green Asset Category) at “Baufeld 1” of the “Suurstoffi Areal, Rotkreuz”. None of the Managers shall have any responsibility for, nor be obliged to concern itself with, the use of such net proceeds.

According to the imug Vigeo Eiris Opinion (as defined below), the use of proceeds shall ensure that the funds raised are used to finance and/or refinance eligible assets namely green buildings and residential/working sites, contributing to defined environmental objectives of climate change mitigation and protection of biodiversity and natural resources (**Eligible Assets**).

The Issuer will track investments of the proceeds allocated to Eligible Assets. This tracking will be integrated into the sustainability and/or annual reporting process.

Reporting and Monitoring

The Issuer has identified relevant reporting indicators for which calculation methodologies will be defined and made publicly available. These indicators are (i) projects description and (ii) total allocated amount vs. total amount of proceeds.

The Issuer commits to report to bond investors on the use of proceeds until the complete fund allocation.

Imug, partner of Vigeo Eiris Network, Second Party Opinion

Imug is a partner of Vigeo Eiris Network. Vigeo Eiris is an independent international provider of environmental, social and governance (**ESG**) research and services for investors and public & private organizations. The agency evaluates the level of integration of sustainability factors into organizations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making. imug Vigeo Eiris has issued a second-party opinion regarding the suitability of the Bond as an investment in connection with certain environmental and sustainability criteria (the **imug Vigeo Eiris Opinion**). The imug Vigeo Eiris Opinion is not incorporated into and does not form part of this Prospectus. Neither the Issuer nor the Managers make any representation as to the suitability of the imug Vigeo Eiris Opinion or the Bond to fulfill such environmental and sustainability criteria by prospective investors. The imug Vigeo Eiris Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Bond. The imug Vigeo Eiris Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date that the imug Vigeo Eiris Opinion was initially issued. In addition, although the Issuer has agreed to certain reporting and

use of proceeds from certain divestments in connection with the imug Vigeo Eiris Opinion as described under “Use of Proceeds”, it will not be an event of default under the Terms of the Bonds if the Issuer fails to comply with such obligations. A withdrawal of the imug Vigeo Eiris Opinion may affect the value of the Bond and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Representative

In accordance with Article 58a of the listing rules of the SIX Swiss Exchange the Issuer has appointed Credit Suisse AG as its representative to lodge the listing application with SIX Exchange Regulation Ltd.

Notices

All notices in relation to the Bonds will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed “Official Notices”. Currently one can find notices published by the SIX Swiss Exchange at: http://www.six-swiss-exchange.com/news/official_notices/search_en.html.

Court, arbitral and administrative proceedings

Except as disclosed in this Prospectus, there are no pending or threatened court, arbitral or administrative proceedings that are of material importance to the assets and liabilities or profits and losses of the Issuer.

Material changes since the most recent annual financial statements

Except as disclosed in this Prospectus, there have been no material changes in the assets and liabilities, financial position and profits and losses of the Issuer since 30 June 2019.

SIX Swiss Exchange Fee, Swiss Federal Withholding Tax

The Issuer will bear the SIX Swiss Exchange Fee. The Issuer will deduct Swiss Federal Withholding Tax (*Verrechnungssteuer*) of currently 35 percent on interest payments and remit the tax to the Swiss Federal Tax Administration.

Terms of the Bonds

The terms and conditions of the Bonds (each a **Condition**, and together the **Terms of the Bonds**) are as follows:

1 Amount, Form, Denomination, Custodianship and Transfer of the Bonds

- (a) The initial aggregate principal amount of the Bonds of Swiss francs (**CHF**) 100,000,000 (the **Aggregate Principal Amount**) is issued in denominations of CHF 5,000 and integral multiples thereof.

The Issuer reserves the right to reopen and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. other than the Issue Date identical in respect of the Terms of the Bonds).

- (b) The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations. Such uncertificated securities (*Wertrechte*) will be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS as recognized intermediary for such purposes by SIX Swiss Exchange for the entire duration of the Bonds and until their complete redemption.

So long as the Bonds are intermediated securities (*Bucheffekten*), in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

- (c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of intermediated securities (*Bucheffekten*), the holders of such Bonds (the **Holders** and, individually, a **Holder**) will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.
- (d) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated securities (*Wertpapiere*).

2 Interest

The Bonds bear interest from (but excluding) 2 October 2019 (the **Issue Date**) until (and including) the Maturity Date (as defined below) at the rate of 0.100 percent of their Aggregate Principal Amount per annum, payable annually in arrears on 2 October of each year (the **Interest Payment Date**), for the first time on 2 October 2020. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

3 Redemption, Purchase and Cancellation

- (a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 2 October 2025 (the **Maturity Date**).

- (b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par plus accrued interest, if any, on the date determined by the

Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Redemption at the Option of the Holders upon **Change of Control**

A A Change of Control occurs when:

- (a) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (i) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (ii) such offer having become or been declared unconditional in all respects, the Issuer becomes aware that the right to cast more than 50 percent of all the voting rights (whether exercisable or not) of the Issuer has become unconditionally vested in the offeror and any persons acting in concert with the offeror; or
- (b) the Issuer consolidates with or merges into any other company; or
- (c) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, either directly or indirectly, are acquired by one or more other persons.

B Upon a Change of Control the Issuer shall forthwith, or, if it is not clear at that point in time whether the Holders are entitled to exercise their redemption rights pursuant to Condition 3(c)C, immediately following the receipt of the rating decision of the relevant rating agency or after two months, whatever is earlier, give notice of that fact to the Holders (the **Change of Control Notice**) in accordance with Condition 10. The Change of Control Notice shall:

- (a) inform the Holders that a Change of Control has occurred and that each Holder has the right to require redemption of the Bonds pursuant to Condition 3(c)C;
- (b) specify the date (the **Change of Control Redemption Date**), being not more than sixty (60) and not less than thirty (30) days after giving such notice, on which the Bonds may be redeemed pursuant to Condition 3(c)C; and
- (c) provide details concerning the Change of Control.

C Early Redemption at the Option of Holders upon Change of Control

Upon the occurrence of a Change of Control, the Issuer will at the option of a Holder, redeem such Bond at par, together with interest accrued up to, on the Change of Control Redemption Date unless,

- (a) in the event of a merger or consolidation of the Issuer, the surviving entity has or receives a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt on a consolidated basis and assumes or keeps, as the case may be, the Issuer's obligations under the Bonds pari passu with its own senior obligations, or
- (b) in the event of an offer to acquire Shares, or in the event of a transfer of the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, the acquirer has a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt or receives such a rating on a consolidated basis after giving effect to the acquisition and assumes or guarantees the Issuer's obligations under the Bonds pari passu with its own senior obligations.

It is understood that where no rating exists for the senior unsecured long term debt of the surviving entity, the acquiring entity or the Issuer, as the case may be, or a rating is not received within a period of two months since the occurrence of a Change of Control, respectively, then the Holders shall have a redemption right as described in the first sentence of this Condition 3(c)C.

To exercise such option, a Holder must present a duly completed redemption notice to the Principal Paying Agent (a **Change of Control Redemption Notice**), together with clearing instructions in a form and with a content satisfactory to the Principal Paying Agent allowing for the transfer of the relevant Bonds to the Principal Paying Agent by not later than fourteen (14) days prior to the Change of Control Redemption Date. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

(d) Purchases

The Issuer or any Subsidiary may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(e) Cancellation

All Bonds which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Bonds so cancelled cannot be reissued or resold.

(f) Notice

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 10. Such notices shall be irrevocable.

4 Payments

The amounts required for payments under these Terms of the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and no interest shall accrue or additional sum be owed by the Issuer from and after such due date not falling on a Business Day until such next Business Day. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds shall be made at any office of the Issuer or any office or counter of the Principal Paying Agent outside Switzerland.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as provided above shall release the Issuer from its payment obligations under the Bonds to the extent of such payments. Upon receipt of funds as provided above, the Principal Paying Agent shall arrange for payment to the Holders through SIX SIS in accordance with standard Swiss market practice.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or branch of a major foreign bank in Switzerland chosen by the Issuer. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition 10.

5 Statute of Limitations

In accordance with Swiss law, claims for interest under the Bonds shall become time-barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

6 Taxation

All payments in respect of the Bonds are subject to all applicable taxes and deductions, including the deduction of the Swiss Federal Withholding Tax (*Verrechnungssteuer*) on interest payments, currently levied at a rate of thirty-five (35) percent.

7 Status of the Bonds and Negative Pledge

(a) Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(b) Negative Pledge

So long as any of the Bonds remain outstanding, the Issuer will not create any guarantee, mortgage, lien, pledge, charge or other form of encumbrance or security interest, other than a Permitted Security upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds

- (i) are secured equally and ratably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or
- (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holders' Representative.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

- (a) there is a failure by the Issuer to pay principal or interest on any of the Bonds, if and when due and such failure continues for a period of ten (10) calendar days; or
- (b) a failure is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Bonds and (except where the Holders' Representative certifies in writing that, in its opinion, such failure is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such failure continues for a period of twenty (20) calendar days following the service by the Holders' Representative on the Issuer of a notice requiring such failure to be remedied; or
- (c) any other present or future indebtedness of the Issuer or a Material Subsidiary for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer or a Material Subsidiary is not honored when due and called or, as the case may be, within any applicable grace period, provided

that no such event shall be taken into account for the purposes of this para. (c) unless such indebtedness, either alone or when aggregated with other indebtedness shall at any time equal or exceed the amount of at least CHF 25,000,000 or its equivalent in any other currency or currencies; or

- (d) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order (*Zahlungsbefehl*) provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds CHF 25,000,000 or its equivalent in any other currency or currencies, and any such steps taken are not abandoned or discontinued within twenty (20) calendar days of being taken; or
- (e) the Issuer or a Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments (*Stillhaltevereinbarung*) is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a Material Subsidiary or a liquidator is appointed with respect to the Issuer or a Material Subsidiary; or
- (f) the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of a substantial part of its assets, change in the objects of the legal entity and/or commercial activities or merger, in so far as the relevant action, in the Holders' Representative's opinion, has or will have a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, unless the Holders' Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or
- (g) a dissolution, winding-up, liquidation or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities of the Bonds; or
- (h) The LTV of the Issuer and its Subsidiaries exceeds sixty (60) percent.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (h) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with art. 1157 seq. of the Swiss Code of Obligations to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Substitution of the Issuer

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

- (a) in the opinion of the Holders' Representative, (i) the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Bonds and (ii) the interest of the Holders are adequately protected;

- (b) the Issuer and the New Issuer have entered into such documents as are necessary to give effect to such substitution and provided copies of these documents to the Holders' Representative;
- (c) the Issuer has issued an irrevocable and unconditional guarantee as per art.111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 10.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

10 Notices

All notices regarding the Bonds shall be given through the Principal Paying Agent on behalf and at the expense of the Issuer (i) for so long as the Bonds are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) in case the Bonds were no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

11 Listing

Application will be made for the admission to trading and listing of the Bonds on SIX Swiss Exchange.

The Issuer will use reasonable endeavours to have the Bonds listed on SIX Swiss Exchange and to maintain such listing as long as any Bonds are outstanding.

12 Governing Law and Jurisdiction

The Bonds shall be exclusively governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

The exclusive place of jurisdiction for any dispute, claim or controversy arising under, out of or in connection with or related to the Bonds shall be the city of Zurich.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds.

13 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 10.

14 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

15 Definitions

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland.

Issuer means Zug Estates Holding AG, Industriestrasse 12, 6300 Zug, Switzerland.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with SIX Swiss Exchange.

LTV means the sum of interest bearing liabilities divided by the Portfolio Value.

Material Subsidiary means, so long as any of the Bonds are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, any operating Subsidiary whose assets, net revenues, operating profit or profit after tax at any time, represent five (5) percent or more of the consolidated assets, the consolidated net revenues, the consolidated operating profit or profit after tax, as the case may be, of the Issuer, and for this purpose:

- (a) the assets, net revenues, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:
 - (i) the financial statements of such Subsidiary as of the date in respect of which the last audited consolidated financial statements of the Issuer have been prepared;
 - (ii) if such body corporate becomes a Subsidiary after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;
- (b) the consolidated assets, consolidated net revenues, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer; and
- (c) once an entity has become a Material Subsidiary, it shall be considered one until it has been demonstrated to the satisfaction of the Holders' Representative that it has ceased to be a Material Subsidiary, a written report from the Issuer's auditors to this effect being sufficient for this purpose.

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets, provided, however, that the consolidated amount of the Relevant Debt secured by such Permitted Security may not exceed fifty-five (55) percent of the Portfolio Value.

Portfolio Value means the market value of the real estate portfolio as set out in the most recently published financial report (annual or semi-annual) of the Issuer.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

Relevant Debt means any present or future indebtedness of the Issuer or a Material Subsidiary represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

Shares means the issued and fully paid registered shares of the Issuer (and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of such shares).

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organization, Baslerstrasse 100, 4600 Olten, or any successor organization accepted by SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Pfingstweidstrasse 110, P.O. Box, 8021 Zurich, or any successor exchange.

Subsidiary means a legal entity of the Issuer the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

Information on the Issuer

GENERAL INFORMATION

Name, Registered Office, Location

The registered office and headquarters of Zug Estates Holding AG (the **Issuer** or **Company**) are located at Industriestrasse 12, 6300 Zug, Switzerland.

Incorporation, Duration, System of Law, Legal Form

The Issuer was incorporated on 24 February 2012 as a joint stock company (*Aktiengesellschaft*) under the laws of Switzerland for an unlimited duration.

Purpose

Article 2 of the Articles of Association provides as follows (unofficial translation of the original German text):

“The purpose of the Company is the incorporation, acquisition, holding and sale of domestic and foreign participations, in particular in real estate and related businesses.

The Company may carry out any business which seems suitable to further the fulfilment of the Company's purpose or are related thereto, whether directly or indirectly.

Furthermore, the Company may acquire, manage, realize or sell properties and intellectual property rights both nationally and internationally and may finance other companies.”

Register

The Issuer is registered with the commercial register of the Canton of Zug, Switzerland, under the number CHE-302.337.802 since 1 March 2012.

Group

The Issuer is the holding company of the Zug Estates Group. Detailed Information on the group structure and the shareholders of the Issuer is provided under “*Corporate governance report*” on page 22 of Annex A and “*Financial report—Notes to the consolidated financial statements—Scope of consolidation*” on page 44 of Annex A.

CORPORATE INFORMATION

Staff Composition

The Issuer's **Board of Directors** is composed of the following members:

Dr. Beat Schwab	Chairman	Member of the board of directors of Varia US Properties AG, Zug; member of the board of directors of Swiss Federal Railways SBB, Bern; member of the board of directors of Raiffeisen Schweiz Genossenschaft, St. Gallen; Vice Chairman of the board of directors of pom+Consulting AG, Zurich; and other unlisted companies
Prof. Dr. Annelies Häcki Buhofer	Member	Chair 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, Zug, the Cham Group AG, Cham, and other unlisted companies; role in management bodies of national and international professional associations
Armin Meier	Member	Member of the board of directors of KIBAG HOLDING AG, Zurich, the Ameos Group AG, Zurich, IHAG Holding AG, Zurich, and directorships at other unlisted companies
Johannes Stöckli	Member	Chairman of the board of directors of Zebrabox SA, Lausanne; vice chairman of the board of directors of Schilthornbahn AG, Lauterbrunnen, as well as mandates with other unlisted companies and not-for-profit organizations
Martin Wipfli	Member	Chairman of the board of directors of ELMA Electronic AG, Wetzikon, and nebag ag, Zurich; member of the board of directors of Metall Zug AG, Zug, Frutiger AG, Thun, and directorships at other unlisted companies

The Issuer's **Group Management** is composed of the following members:

Tobias Achermann	CEO	Chief Executive Officer (until general assembly in April 2020)
Mirko Käppeli	CFO	Chief Financial Officer

The business address of the members of the Board of Directors and the Group Management is at the Company (Zug Estates Holding AG, Industriestrasse 12, 6300 Zug, Switzerland).

Further Information on the Board of Directors and the Group Management is provided under "*Corporate governance report*" on pages 25 to 31 of Annex A.

The Company was founded by Metall Zug AG, Industriestrasse 66, 6301 Zug.

Auditors

The auditors appointed by the Issuer for the financial years which ended 31 December 2017, 31 December 2018 and for the current financial year are Ernst & Young Ltd, (CHE-152.377.547), Gotthardstrasse 26, 6300 Zug, Switzerland.

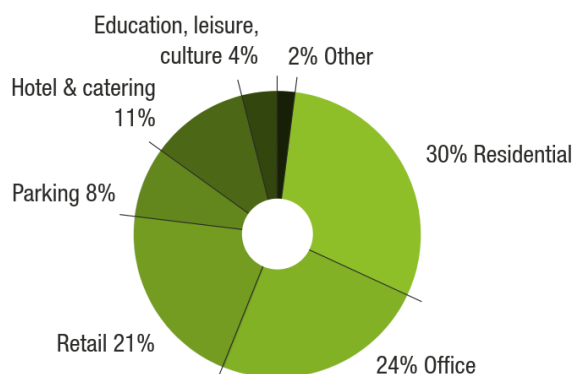
BUSINESS ACTIVITIES

Principal Activities

The Zug Estates Group conceives, develops, markets and manages real estate in the Zug region. It focuses on centrally located sites suitable for a wide range of uses and with potential for sustainable development. Nearly the whole real estate portfolio is located at two sites in Zug and Risch Rotkreuz and is broadly diversified by type of use. The Group also runs a city resort in Zug incorporating the two leading business hotels Parkhotel Zug and City Garden, augmented by a range of restaurant outlets. As of 30 June 2019, the total portfolio value was CHF 1.6bn.

Zug Estates portfolio split by type of use
(as per 30 June 2019)

(Based on projected rental revenues)

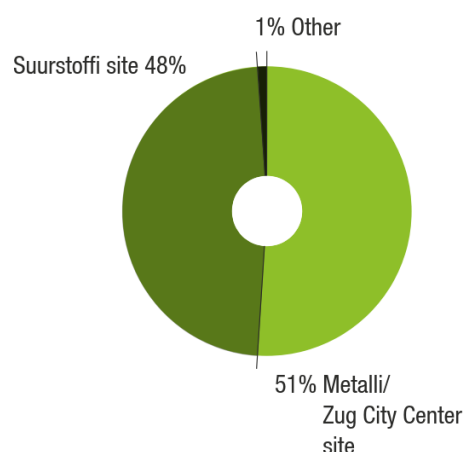


¹ From point of view of real estate business unit

Source: Company filings.

Zug Estates portfolio split by region
(as per 30 June 2019)

(Based on fair value)

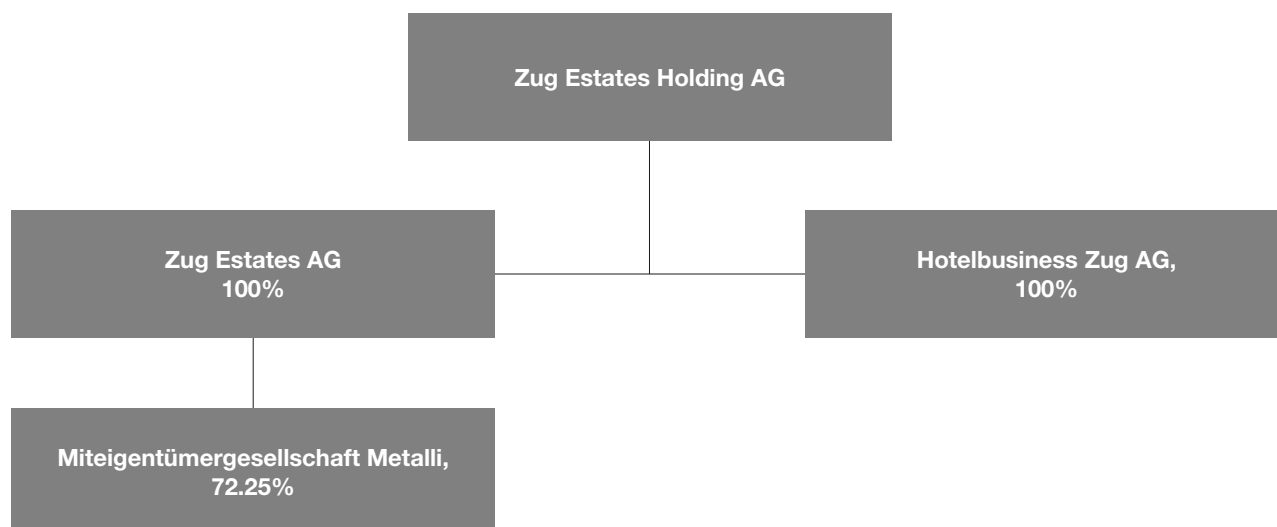


Source: Company filings.

In 2018, the Company generated CHF 70.8m revenues of which the real estate business contributed revenues of CHF 59.9m and the hotel and catering business CHF 17.3m revenues (before corporate and eliminations of CHF 6.4 m).

Zug Estates Group

The Issuer is a holding company and does not conduct any direct business operations. The Group structure, as at the date of this Prospectus, presents itself as follows:



The real estate assets of the Group are held in Zug Estates AG. Hotelbusiness Zug AG is the operator of the Group's hotel properties and serviced apartments in Zug and does not own any real estate assets.

CAPITAL

Capital Structure

The Company's issued share capital is CHF 12,750,000, divided into (i) 496,600 series A registered shares with a par value of CHF 2.50 each (voting shares) and (ii) 460,340 series B registered shares with a par value of CHF 25.00 each.

The Company does not have any conditional or authorised share capital.

Further Information on the capital structure of the Issuer is provided under "*Corporate governance report*" on page 23 of Annex A.

Outstanding Conversion and Option Rights and Bonds

As of the date of this Prospectus, the Issuer does not have any outstanding conversion and option rights and bonds.

Own Equity Securities

As of the date of this Prospectus, the Issuer does not hold any of its own treasury shares.

Dividends

The Issuer has distributed the following cash-dividends in the last five years (series A / series B shares):

Year	Per share
2015 (relating to the business year 2014)	CHF 1.85 / 18.50
2016 (relating to the business year 2015)	CHF 2.05 / 20.50
2017 (relating to the business year 2016)	CHF 2.30 / 23.00
2018 (relating to the business year 2017)	CHF 2.55 / 25.50
2019 (relating to the business year 2018)	CHF 2.80 / 28.00

ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements, Audit of the annual financial statements, balance sheet date

The Issuer's most recent Annual Financial Statements, the Auditor's Report and the information on the balance sheet date are included herein as Annex A.

RECENT DEVELOPMENTS

Information on the Issuer's most recent business performance

Information on recent developments regarding the Issuer is provided in the Half-Year Report 2019 included herein as Annex B.

Taxation

The following discussion is a summary of certain material Swiss tax considerations. The discussion bases on legislation as of the date of this Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Bonds. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Bonds in light of their particular circumstances.

Swiss Federal Withholding Tax

Each payment of interest on the Bonds as well as payments which qualify as interest for Swiss withholding tax purposes (such as a potential issue discount or repayment premium, but not the repayment of principal) will be subject to deduction of 35 percent Swiss federal withholding tax (*Verrechnungssteuer*) by the Issuer.

A holder of a Bond who resides in Switzerland and who at the time a taxable payment on the Bond is due is the beneficial owner of the taxable payment and, in the case of a holder who is an individual holding the Bond privately, duly reports the gross taxable payment in his or her tax return, and, in the case of a holder who is a legal entity, or who is an individual, holding the Bond as part of a business situated in Switzerland, for which he or she is required to keep accounting books, includes such payment as earnings in the income statement, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax, provided that certain other conditions are met.

A holder of a Bond who is resident outside Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment or fixed place of business in Switzerland and at the time a taxable payment on the Bond is due is the beneficial owner of the taxable payment may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of the provisions of a double taxation treaty, if any, between Switzerland and the country of residence of the holder.

Swiss Federal Stamp Taxes

The issue and redemption of Bonds by the Issuer are not subject to Swiss federal stamp duty on the issue of securities.

Purchases or sales of Bonds where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.15 percent of the purchase price of the Bonds.

Income Taxation on Principal or Interest

(i) Bonds held by non-Swiss holders

Payments by the Issuer of interest and repayment of principal to, and gain realised on the sale or redemption of Bonds by, a holder of Bonds who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Bonds are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

(ii) Bonds held by Swiss holders as private assets

An individual who resides in Switzerland and privately holds a Bond is required to include all payments of interest received on such Bond as well as an original issue discount or a repayment premium in his or her personal income tax return for the relevant tax period and is taxable on the net taxable income (including the payment of interest on the Bond) for such tax period at the then prevailing tax rates.

Swiss resident individuals who sell or otherwise dispose of privately held Bonds realise either a tax-free private capital gain or a non-tax-deductible capital loss.

(iii) Bonds held as Swiss business assets

Individuals who hold Bonds as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Bonds as part of a permanent establishment or fixed place of business in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Bonds in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Automatic Exchange of Information on Tax Matters

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the **MCAA**). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the **AEOI**). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the **AEOI Act**) entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the European Union (the **EU**) (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets, including, as the case may be, Notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and has begun or will begin to exchange it from 2018 or 2019.

During its meeting on 7 December 2018, the Federal Council initiated the consultation on the introduction of the AEOI with 18 further states and territories. The implementation of the AEOI is planned for 1 January 2020, and the first exchange of data should take place in 2021.

Responsibility for the Prospectus

The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure itself that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion.

Zug, 30 September 2019

For: **Zug Estates Holding AG**

By: Tobias Achermann
Chief Executive Officer

By: Mirko Käppeli
Chief Financial Officer

Annual Report 2018

2018

Annual Report

“The Zug Estates Group successfully continues its growth strategy and sees another significant increase in net income.”

Company profile

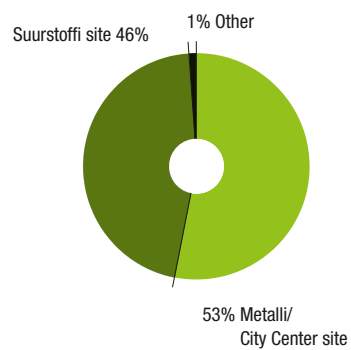
The Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites which are suitable for a wide range of uses and allow sustainable development. The real estate portfolio comprises the two sites in Zug and Risch Rotkreuz. As at December 31, 2018, the total portfolio value was CHF 1.54 billion.

28.6 million

Net income excluding income from revaluation
as at December 31, 2018

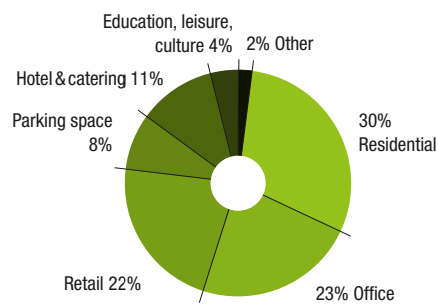
Portfolio by site

Based on fair value as at December 31, 2018



Portfolio by use

Based on projected rental revenue¹ as at December 31, 2018



¹ From point of view of real estate business unit

Value of portfolio

in CHF million



Selected key figures

		2018	Restated 2017	%
Zug Estates Group				
Operating revenue (excluding income from revaluation of investment properties)	TCHF	70 828	65 390	8.3%
Operating expenses	TCHF	28 630	25 820	10.9%
Operating income before depreciation and revaluation	TCHF	42 198	39 570	6.6%
Revaluation of investment properties (net)	TCHF	11 082	8 712	27.2%
Income from sale of investment properties	TCHF	0	999	-100.0%
EBIT	TCHF	49 797	45 863	8.6%
Net income	TCHF	38 811	34 576	12.2%
Net income excluding income from revaluation ¹	TCHF	28 616	26 283	8.9%
Total assets	TCHF	1 552 511	1 422 134	9.2%
Interest-bearing debt	TCHF	554 546	459 939	20.6%
– Interest-bearing debt in % of total assets		35.7%	32.3%	
– Average rate of interest of the interest-bearing debt		1.8%	2.0%	
– Average maturity of the interest-bearing debt	YEARS	5.4	6.4	
Shareholders' equity	TCHF	843 871	808 401	4.4%
– Equity ratio		54.4%	56.8%	
– Return on equity ²		4.7%	4.4%	
Headcount	FTE	135.4	134.9	0.4%
Share				
Closing price	CHF	1 675	1 827	-8.3%
Market capitalization ³	TCHF	854 250	921 553	-7.3%
Earnings per series B registered share ⁴	CHF	76.35	68.66	11.2%
Earnings per series B registered share excluding revaluation ⁴	CHF	56.29	52.19	7.9%
Distribution per series B registered share ⁵	CHF	28.00	25.50	9.8%
NAV at market value per series B registered share ³	CHF	1 796.71	1 741.27	3.2%
Portfolio				
Investment properties	TCHF	1 273 724	1 181 425	7.8%
Investment properties under construction	TCHF	140 739	106 618	32.0%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	TCHF	1 416 987	1 290 567	9.8%
Operating properties (market value)	TCHF	118 705	117 296	1.2%
Total portfolio	TCHF	1 535 692	1 407 863	9.1%
Property income	TCHF	50 794	45 425	11.8%
Vacancy rate investment properties ⁶		2.9%	1.5%	
Gross return investment properties ⁷		4.2%	4.1%	

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

⁷ Projected rental income (annualized) as a percentage of the market value on the balance sheet date

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Letter to shareholders

“Focus on qualitative growth.”

Dear shareholders

Consistent with our far-sighted strategic vision, in the year under review we again pursued various projects that entailed systematically investing in the qualitative growth, diversification and resilience of Zug Estates.

Sustainability in practice

We live sustainability. Thus, we decided in the summer that starting 2020 the Metalli development is to be heated and cooled using water from Lake Zug within the framework of the Circulago project.

Zug Estates numbers among the first companies to opt for an ecological district heating and cooling supply system. What is more, Switzerland's first wooden high-rise building on the Suurstoffi site in Rotkreuz won silver at the 2018 Prix Lignum timber construction competition in Bern. The prize is awarded for the innovative, high-value, pioneering use of wood.

“Innovation and sustainability at Zug Estates as drivers of qualitative growth.”

Economic solidity

Besides innovativeness, economic solidity counts among the trademarks of Zug Estates. Our two major sites are located in one of the economically strongest cantons in Switzerland. Compared to other real estate companies, we have a very low vacancy rate of 2.9%, as well as a significantly below-average debt ratio versus the market, at 35.7%. This means we are well prepared in the event that the real estate cycle should weaken in the near future.

Two more milestones in 2019

We look forward in 2019 to the first occupants moving into their new condominiums in the Aglaya building – Switzerland's first vertical garden high-rise – and the inauguration of the campus of Lucerne University of Applied Sciences and Arts. Visual testaments to the immense importance that Zug Estates attaches to innovation and sustainability, the two buildings are drivers of qualitative growth.

Furthermore, we aim to step up our dialog with the city authorities on plans for the renewal and continuing development of the Metalli site as an encounter hub for the city of Zug. In anticipation of a further successful year, I thank you warmly for your support.

More transparency

Zug Estates is now disclosing its participation in Miteigentümergeinschaft Metalli on the basis of quota consolidation. This increases both the transparency and comparability of our economic performance.

Dividend strategy

The steady and solid growth in our operating result enables us to implement a further increase in the distribution, with a rise of 9.8% for 2019, and to propose to the upcoming general meeting of shareholders a dividend of CHF 2.80 per series A registered share and CHF 28.00 per series B registered share.

The anticipated special effects of sales proceeds from the Aglaya promotional project over the coming two years were cause to revise the current dividend strategy of Zug Estates Holding AG. At each general meeting of shareholders as of 2020, the board of directors intends to propose a dividend calculated at an annual growth rate of 10% until such time as the payout ratio reaches a level of two thirds of earnings from operations and as long as no major investments are needed. An additional special dividend will also be proposed at the 2020 and 2021 general meetings of shareholders.

Zug, March 2019



Dr. Beat Schwab
Chairman of the board of directors

Financial year report

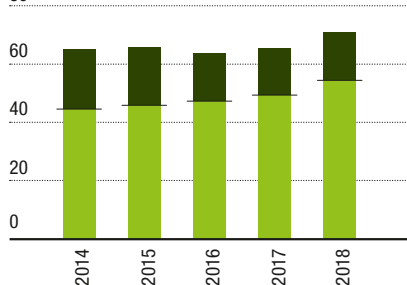
“The Zug Estates Group successfully continues its growth strategy and sees another significant increase in net income.”

Dear shareholders Ladies and gentlemen

The Zug Estates Group remains on a successful growth trajectory. The year under review witnessed an increase in property income (+11.8%), operating revenue (+8.3%), net income (+12.2%) and net income excluding revaluation (+8.9%). Moreover, the value of the portfolio increased by 9.1%, totaling CHF 1.54 billion at the end of 2018. The low vacancy rate continues to be one of the factors behind this success. It was maintained at a low 2.9% (previous year: 1.5%) despite an additional 152 apartments and over 13 000 m² of completed commercial space. Attractive demand-driven rental products and a clear-sighted marketing approach ensure the rapid absorption of new commercial space in a fiercely competitive market.

Operating revenue¹

in CHF million

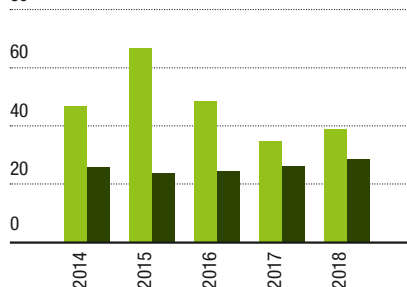


■ Hotel & catering income
■ Property income and other revenue

¹ 2014–2017 Restated

Net income and net income excluding revaluation¹

in CHF million



■ Net income
■ Net income excluding revaluation

¹ 2014–2017 Restated

Higher revenues and net income

Completion of construction site A and wooden high-rise S22 led to a substantial 11.8% rise in property income to CHF 50.8 million.

In a persistently competitive market environment, hotel & catering income was increased from CHF 16.1 million to CHF 16.7 million (+3.4%). Gross operating profit (GOP) remains high at 40.6% thanks in part to the newly refurbished rooms at the Parkhotel Zug and higher-than-average demand for our 49 serviced city apartments in the center of Zug. Operating revenue rose by an impressive CHF 5.4 million (+8.3%) to CHF 70.8 million.

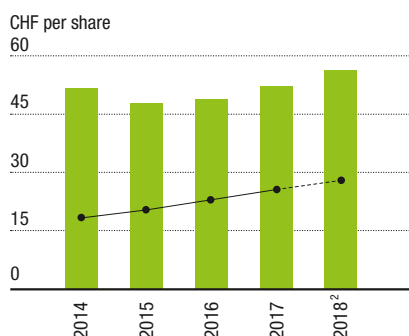
Sizeable value-preserving investments in the Metalli complex led, as expected, to higher operating expenses, up by CHF 2.8 million to CHF 28.6 million (+10.9%). Operating income before depreciation and revaluation rose 6.6% year-on-year to CHF 42.2 million.

Continued high demand for real estate combined with the excellent locational qualities of our sites translated into an encouraging increase in income from revaluation in the year under review as well, 27.2% higher year-on-year at CHF 11.1 million.

Owing to additional financing at very attractive conditions, the financial result improved only slightly by 2.7% to a negative CHF 5.7 million in spite of substantial investments in our portfolio. The average interest rate on borrowed capital was reduced from 2.0% to 1.8%, while the average residual term decreased from 6.4 to 5.4 years.

These strong results from both business segments produced a 12.2% increase in net income to CHF 38.8 million as well as a renewed rise in net income excluding income from revaluation, up 8.9% to CHF 28.6 million.

Net income excluding revaluation and distribution per series B registered share¹

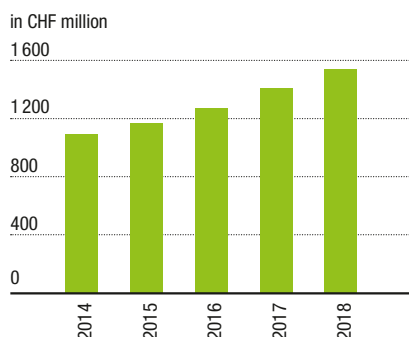


■ Net income excluding income from revaluation – per series B registered share
 ● Distribution per series B registered share²

¹ 2014–2017 Restated

² Payable in the following year; 2018: proposal of the board of directors

Fair value of portfolio



■ Fair value of the portfolio

Further rise in distribution

Zug Estates is looking to achieve a balance between reinvestment and distribution to shareholders in the current year too. The solid result allows the board of directors to propose to the 2019 general meeting of shareholders that the distribution be increased by 9.8% to CHF 28.00 per series B registered share. This is equivalent to a payout ratio of 49.9%. The distribution has thus increased by CHF 13.00 (+86.6%) since the stock exchange listing in 2012.

Value of portfolio above CHF 1.5 billion for the first time

In the year under review, Zug Estates invested another sizable sum of CHF 117.5 million in expanding its portfolio further. An additional CHF 18.1 million were channeled into the Aglaya promotional project, which has meanwhile seen 90% of apartments sold or reserved. The fair value of the entire portfolio thus increased significantly, up 9.1% to CHF 1.54 billion (previous year: CHF 1.41 billion). The equity ratio decreased from 56.8% to a still solid 54.4% as a result of investment activity.

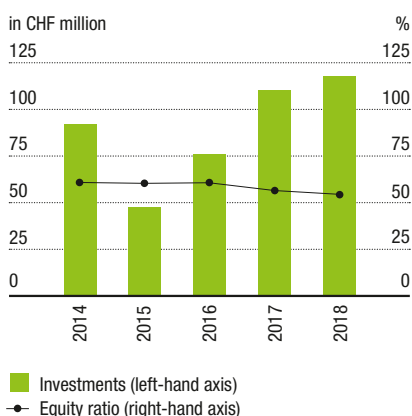
Development and marketing in sync

Completion of construction site A and office building S22 added 152 apartments and around 13 000 m² of commercial space to the inventory of voids. Thanks to the portfolio's above-average locational and property features coupled with a very effective marketing thrust, the vacancy rate was held at a low 2.9% as at 31.12.2018 (previous year: 1.5%) in spite of this substantial increase in space. In addition, further commercial rental agreements comprising a total of 3000 m² that have not yet been factored in to the vacancy rate were signed in the period under review.

More transparency and comparability

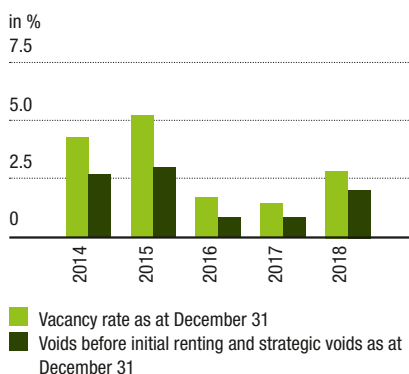
With a view to increasing the transparency and comparability of its reporting, Zug Estates has opted to disclose its participation in Miteigentümergeinschaft Metal-li on the basis of quota consolidation. To date, the entire profit contribution from this participation has been reported in property income. Under the new method, the individual items will now be recognized in the respective income statement positions on a proportional basis. These changes will necessitate an adjustment of the previous year's figures both in the present report and the coming Half-Year Report for 2019.

Equity and investments¹

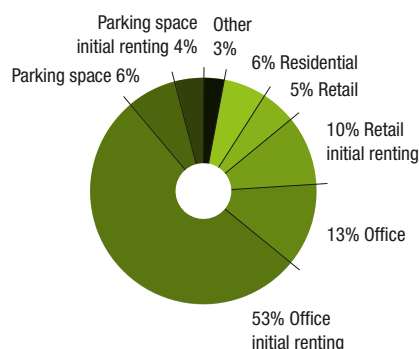


¹ 2014–2017 Restated

Vacancy rate (on reference date)



Breakdown of vacancies as at December 31, 2018 by use



Other development and marketing successes

Both sites saw further development and marketing successes.

Zug City Center site

- The continuing development and renewal of the Metalli site as an encounter hub for the city of Zug follows carefully defined principles. Elements which inspire a sense of identity are preserved, while more open spaces and places to meet are created. Novel amenities are also to be introduced to offer genuine added value to the population of Zug. Zug Estates is currently working with the city of Zug on a joint planning agreement, which should be ready in summer/fall 2019. The project will subsequently be fleshed out in dialog with other stakeholder groups and the public.
- Demand for office space in the Metalli complex remains good. An arm's-length contract extension until 2027 was signed with Kolmar, our largest office tenant. Regus has also rented an additional 380 m² of office space. In the Metalli complex alone, rental contracts for a total of more than 3 000 m² were extended and renewed in the year under review.
- Refurbishment work on the property at Baarerstrasse 14a is progressing according to plan. CHF 3.3 million were invested in the first phase, with a further CHF 1.1 million to follow in the next phase in 2019. Completed on schedule, work on store expansions for Metalli tenants Esprit and Confiserie-Café Speck will generate additional rental income of TCHF 95 a year.
- Extensive refurbishment work on the hotel rooms, guest toilets, roof and external area of our subsidiary Hotelbusiness Zug AG was completed. The new room design is attracting consistently positive feedback from guests, as also reflected in higher revenues.
- Läderach Chocolatier Suisse will be joining the ranks of popular brands in the Metalli shopping area on August 30, 2019.
- In July 2018, Zug Estates and utility services provider WWZ Energie signed a declaration of intent to connect the Metalli development to the Circulago district heating system. Effective 2020, the Metalli complex will cover 85% of its heating requirements and 100% of its cooling needs with water from Lake Zug. This is set to produce annual CO₂ savings of 780 tonnes, marking a major milestone in our sustainability strategy.

Suurstoffi Rotkreuz

- The handover of construction site A (Suurstoffi 16, 18, 20) to tenants was completed at the end of February 2018. Zug Estates invested a total of approximately CHF 115.3 million in this third construction phase. In addition to existing tenant companies Mobility and GfK, a group medical practice, an MRI center and a hairdressing salon will be moving into construction site A. Occupancy is at 100% for the apartments and 86% for the commercial premises.
- Construction work on the wooden high-rise, S22, was completed according to plan in July. Rental space was handed over on schedule to anchor tenant Amgen as well as to other tenants including Arval and Mobilezone. Two further attractive long-term tenants were also found: the world's largest beer brewer, AB InBev, and catering company Hello Suurstoffi AG. The site's occupancy level is 75%. Negotiations (some at an advanced stage) with further prospective tenants are underway for the remaining area of around 3 000 m².

- The vertical garden high-rise Aglaya reached a height of 70 meters in October 2018. Completion and move-in will be in phases in Q4 2019. The investment volume runs to approximately CHF 100 million, 92% of which is for promotional purposes. 87% of apartments were either reserved or sold by end-2018. A long-term rental contract has also been signed with international coworking provider Spaces for the approximately 1 800 m² of commercial space on the 1st to 3rd floors, as well as the catering space on the ground floor.
- Construction work on the campus of Lucerne University of Applied Sciences and Arts is going to plan, with the handover set of the first stage expected to take place on schedule in Q3 2019. The second phase is timetabled for completion by the end of Q2 2020. Long-term rental contracts have already been signed for some 70% of the overall 26 000 m² of rental space. Demand is high for the remaining lettable office space. Initial contracts have already been or will shortly be signed.

“We again anticipate a year-on-year increase in net income excluding income from revaluation in 2019.”

Outlook for 2019

For the 2019 financial year we are looking to see a marked increase in operating income before depreciation and revaluation driven largely by the first wave of projected sales proceeds from the Aglaya apartments. We again anticipate a year-on-year increase in net income excluding income from revaluation.

In the real estate business unit we expect a rise in rental revenue thanks to full-year rental revenue from S22 and construction site A, and also as tenants move in following the first phase of construction site 1, as well as from rentable space in the Aglaya building. At the same time, further maintenance work at the Metalli complex and at the Suurstoffi site point to higher property expenses.

In the hotel & catering segment, we expect to maintain sales and gross operating profit at prior-year levels.

The anticipated special effects of sales proceeds from the Aglaya promotional project over the coming two years were cause to revise the current dividend strategy of Zug Estates Holding AG. At each general meeting of shareholders as of 2020, the board of directors intends to propose a dividend calculated at an annual growth rate of 10% until such time as the payout ratio reaches a level of two thirds of earnings from operations and as long as no major investments are needed. An additional special dividend of CHF 5.00 per series B registered share and CHF 0.50 per series A registered share will also be proposed at the 2020 and 2021 general meetings of shareholders.

Zug, March 2019



Tobias Achermann
CEO



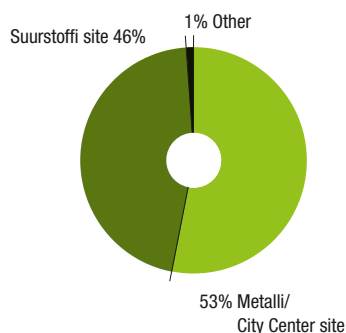
Mirko Käppeli
CFO

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, 2018



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 good conditions for the long-term sustainable development of the portfolio: centrality and the easy reachability that comes with it, 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.

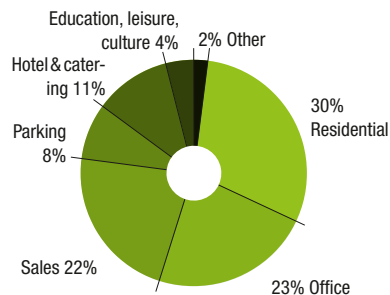
By concentrating on the Zug area, the Group is able to capitalize on its regional market intelligence and familiarity with the local business community.

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 30% residential property and significant development reserves, which are to be successively exploited over the next few years.

Portfolio by use

Based on projected rental revenue¹ as at December 31, 2018



¹ From point of view of real estate business unit

Growing real estate portfolio with plenty in the development pipeline

As at December 31, 2018, the portfolio had a fair value of CHF 1.54 billion, having more than doubled since the Zug Estates Group's stock exchange listing in 2012 (fair value as at June 30, 2012: CHF 764.5 million). The Zug Estates real estate portfolio has therefore grown by over 11% p.a.

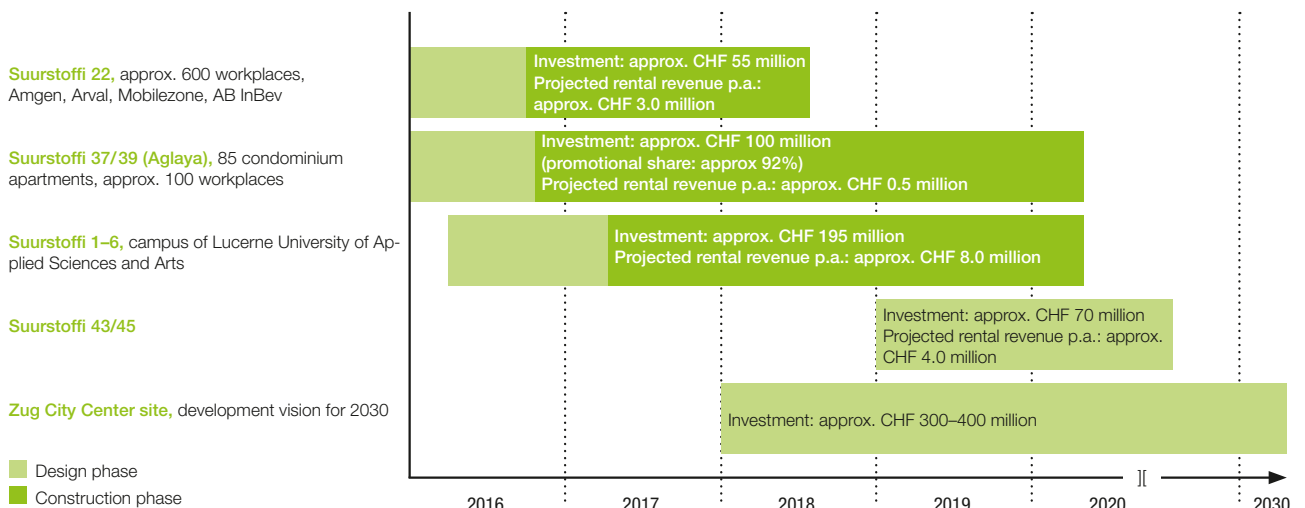
Zug Estates pursues a policy of active growth. The focus up to the end of 2019 will be on continuing the development of the Suurstoffi site in Risch Rotkreuz. Building projects with a projected rental revenue of CHF 8.5 million are currently under construction at the Suurstoffi site. Planning credit to prepare the pre-project phase (including construction permit) for the last two buildings S43 and S45 has been approved. Moreover, some CHF 92 million (promotional share) are being invested in the construction of 85 condominium apartments in the Aglaya vertical garden high-rise. Insofar as projects can be carried out as planned, the value of the portfolio will grow to up to CHF 1.6 billion by 2020.

There are plans to invest a further estimated CHF 300 to 400 million in the phased development of the Zug City Center site. Zug Estates aims to coordinate with the authorities and the local population to ensure a sustainable benefit for all stakeholders.

Over and above this, Zug Estates intends to acquire a further site in the medium to long term.

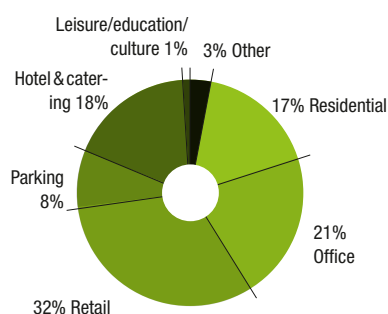
On-site business hotels

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

Mix of use

Based on projected rental revenue^{1, 3} as at December 31, 2018

**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.

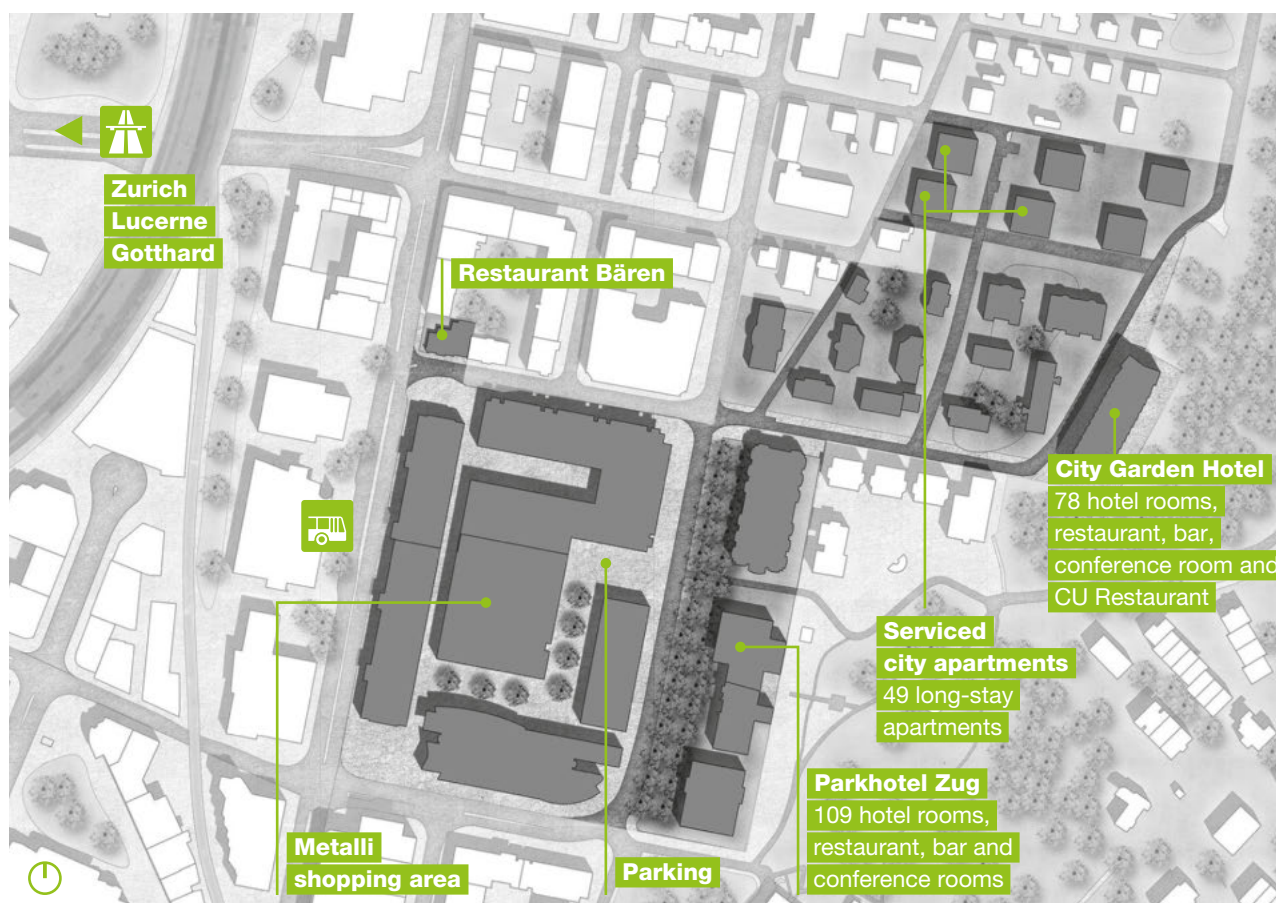
Key data as at December 31, 2018

Site area	58 737 m ²
Market value ^{1, 2}	CHF 809.1 million
Projected rental revenue investment properties ¹	CHF 28.7 million
Gross yield investment properties	4.2%
Residents	about 700
Workplaces	about 2 000
Local amenities	Metalli shopping area with approx. 16 000 m ² of accessible sales area and an annual turnover of over CHF 160 million, city resort with 250 accommodation options, a wide variety of catering, healthcare, 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

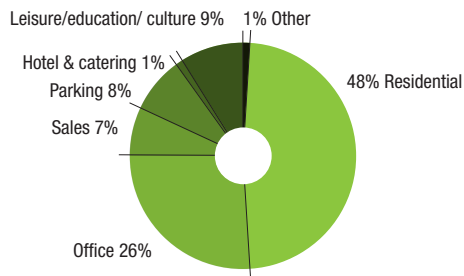
² Includes fair value of operating properties

³ From point of view of real estate business unit



Mix of use

Based on projected rental revenue as at December 31, 2018

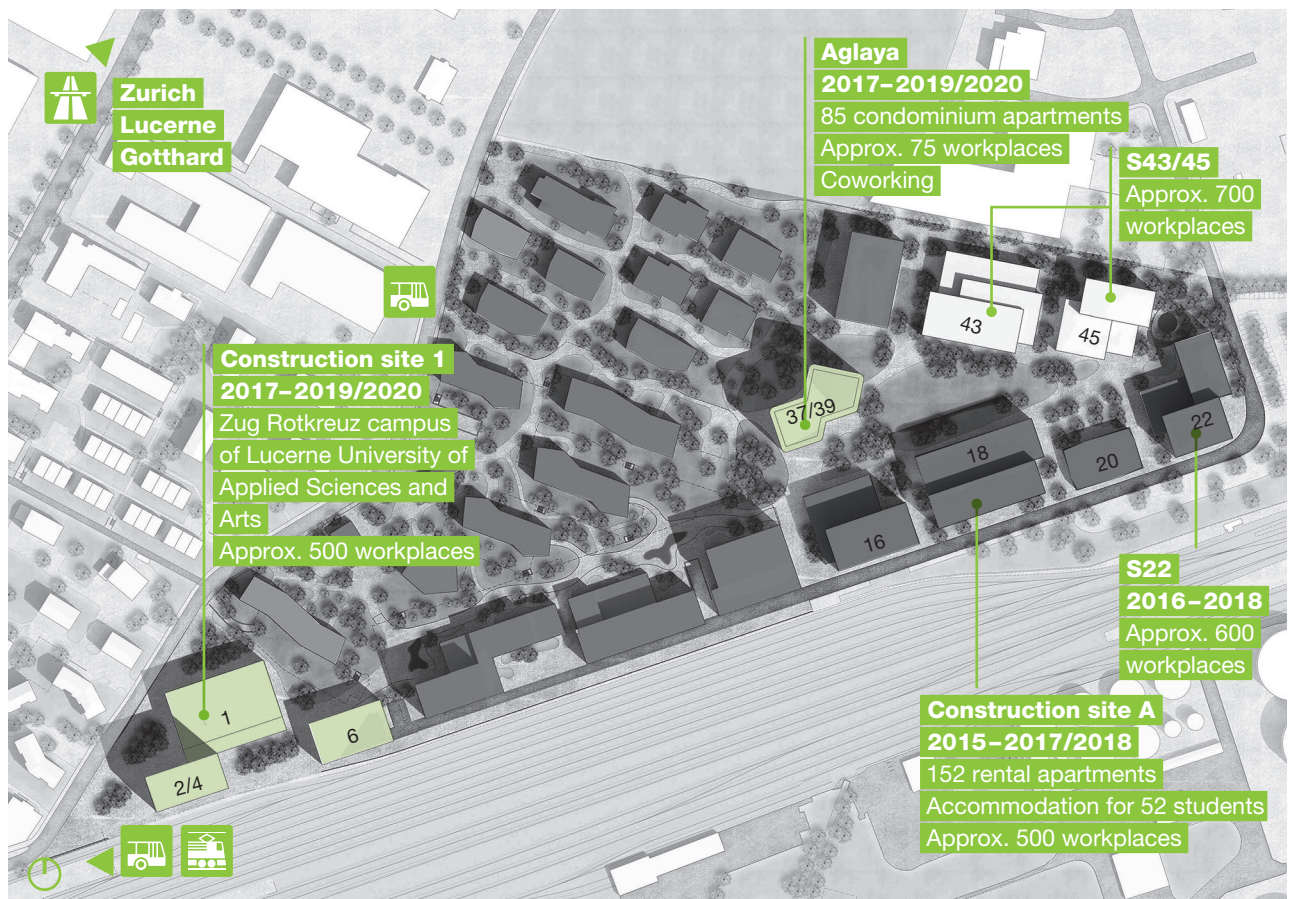
**Suurstoffi site, Risch Rotkreuz**

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.

Key data as at December 31, 2018

Site area	105 439 m ²
Market value	CHF 716.2 million
Projected rental revenue investment properties	CHF 24.6 million
Gross yield investment properties	4.3%
Residents	about 1 100
Workplaces	about 1 450
Local amenities	Education (private bilingual school), university, childcare, fitness center, hairdressing salon, group medical practice, car sharing, catering, coworking, shops and other local facilities in town

Existing buildings ■ Under development □ Under construction ■



List of properties

	Place	Form of ownership ¹	Ownership share in %	Year of construction	Year of refurbishment
Investment properties					
Zug City Center site					
Baarerstrasse 20–22 (Metalli I/II, Zug Estates share)	Zug	M	72.25	1987/1991	–
Baarerstrasse 14a (Metalli III)	Zug	A	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	A	100	1995	–
Industriestrasse 16 (leasehold) ²	Zug	BR-P	100	–	–
Industriestrasse 18	Zug	A	100	1992	–
Haldenstrasse 12–16 (Haldenhof)	Zug	A	100	2009	–
Residential development Haldenstrasse/Metallstrasse/Bleichmattweg	Zug	A	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 5, 9, 13–17	Risch Rotkreuz	A	100	2011/2012	–
Suurstoffi 19–35	Risch Rotkreuz	A	100	2015	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Risch Rotkreuz	A	100	ca. 1926	2012
Suurstoffi 8–12	Risch Rotkreuz	A	100	2013	–
Suurstoffi 14	Risch Rotkreuz	A	100	2013	–
Suurstoffi 16–20	Risch Rotkreuz	A	100	2017/2018	–
Suurstoffi 22	Risch Rotkreuz	A	100	2018	–
Suurstoffi 41	Risch Rotkreuz	A	100	2014	–
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	A	100	1971	–
Total other					
Total investment properties (excl. investment properties under construction)					
Investment properties under construction					
Suurstoffi 37/39 (Aglaya)	Risch Rotkreuz	A	100	2019	–
Suurstoffi 1–6 (Campus Hochschule Luzern)	Risch Rotkreuz	A	100	2019/2020	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Risch Rotkreuz	A	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
Operating properties ^{3,4}	Zug	A/S	100	–	–
Total portfolio					

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

² Zug Estates AG is the ground lessor

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

⁴ The following properties located in Zug serve completely or partly as operating properties: Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence), Metallstrasse 20 (City Garden Hotel), Haldenstrasse 9, 10, 11 (serviced city apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices)

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 space m ²	Total no. of parking spaces
16 419	8 130	10 141	17 917	923	2 261	5 172	44 544	521
4 843	270	5 491	3 056	149	—	3 046	12 012	124
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	8 323	—	—	—	100	49	8 472	72
45 866	21 836	18 715	21 354	1 533	2 625	9 441	75 504	894
15 503	11 336	—	—	—	—	19	11 355	234
12 417	10 278	—	—	—	—	35	10 313	409
2 680	—	—	—	—	520	—	520	—
15 237	10 095	86	—	337	3 405	326	14 249	306
8 359	—	8 527	—	—	—	621	9 148	52
14 098	11 861	6 233	754	—	2 758	1 035	22 641	227
6 863	—	10 414	60	547	—	466	11 487	231
3 496	—	620	—	—	5 861	—	6 481	4
78 653	43 570	25 880	814	884	12 544	2 502	86 194	1 463
2 806	503	698	—	—	—	33	1 234	29
2 806	503	698	—	—	—	33	1 234	29
127 325	65 909	45 293	22 168	2 417	15 169	11 976	162 932	2 386
7 858	—	1 821	—	256	—	37	2 114	—
8 591	—	9 436	—	—	14 726	1 740	25 902	137
16 449	—	11 257	—	256	14 726	1 777	28 016	137
10 337	—	—	—	—	—	—	—	—
10 337	—	—	—	—	—	—	—	—
154 111	65 909	45 293	22 168	2 417	15 169	11 976	162 932	2 386
12 871	1 879	873	—	13 002	—	277	16 031	199
166 982	67 788	46 166	22 168	15 419	15 169	12 253	178 963	2 585

in CHF thousands or %	Book value 31.12.2018	Book value 31.12.2017	Projected rental revenue 31.12.2018	Projected rental revenue 31.12.2017	Vacancy rate 31.12.2018	Vacancy rate 31.12.2017
Zug City Center site, Zug ¹	689 926	682 449	28 681	28 680	1.3	1.1
Suurstoffi site, Risch Rotkreuz	573 328	486 336	24 589	19 838	4.8	2.0
Other	10 470	12 640	445	509	0.0	0.4
Investment properties	1 273 724	1 181 425	53 716	49 028	2.9	1.5
Investment properties under construction	140 739	106 618	—	—	—	—
Undeveloped plots	2 524	2 524	—	—	—	—
Total real estate portfolio	1 416 987	1 290 567	53 716	49 028	2.9	1.5
Operating properties ²	33 967	35 434	—	—	—	—
Total portfolio	1 450 954	1 326 001	—	—	—	—

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

² Properties used for operational purposes are stated at cost less write-downs in accordance with accounting standards. Wüest Partner AG estimated the fair value as at December 31, 2018 at TCHF 118 705 (December 31, 2017: TCHF 117 296)

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 m² Suurstoffi site near Rotkreuz train station. The development will, essentially, become part of the Group portfolio.

Project status

In the past financial year, 152 apartments and 13 000 m² of commercial space were brought onto the market. Thanks to a very strong marketing effort, this additional space could be readily absorbed by the market without any significant increase in the Suurstoffi vacancy rates.

The last of the new occupants moved into construction site A in spring 2018. All 152 rental apartments and all 52 student rooms have been rented out. Occupancy is at 86% for the commercial premises. Rental contracts were also signed for a group medical practice, an attorney's office and a hairdressing salon, expanding the range of services available at the Suurstoffi site.

Occupants moved into the office building at Suurstoffi 22 on schedule in summer 2018. After Amgen, Arval and Mobilezone announced in 2016 and 2017 their decision to move into Switzerland's first wooden high-rise, Belgian brewing conglomerate AB InBev was confirmed in fall 2018 as a further anchor tenant. "Hello Suurstoffi AG" will also be opening a restaurant on the ground floor of the building. Negotiations (some at an advanced stage) with further prospective tenants are underway for the remaining space.

The Aglaya vertical garden high-rise (Suurstoffi 37/39) at the center of the Suurstoffi site is moving skyward. In addition to 2 100 m² 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). Occupants are scheduled to move into the office and residential units in the 70-meter-high tower in phases from the 4th quarter of 2019 on. As at December 31, 2018, 87% of the apartments were sold or reserved. Starting November 2019, coworking provider Spaces will be offering flexible workspaces for 250 people over an area of 1 800 m². Saporì's Infra AG plans to open a premier Italian à la carte restaurant on the ground floor in fall 2019.

The groundbreaking ceremony for construction site 1, the location of the future

Lucerne UASA campus, took place on February 22. The construction phase comprises three buildings with an investment volume of CHF 195 million. Following a brief phase of superstructure work, a topping-out ceremony was already held at the end of October for Switzerland's new tallest wooden high-rise. The 70-meter high building was given the name ARBO. Lucerne UASA is slated to move into its rented space (approx. 26 000 m² in two buildings) in fall 2019. The final building under this construction phase is scheduled for completion in 2020.

Occupancy level by floor area (commercial units) or number (residential units)		31.12.2018	31.12.2017
Suurstoffi 16–20	Residential	100%	100%
	Student accommodation	100%	100%
	Commercial	86%	84%
Suurstoffi 22	Commercial	75%	70%
Suurstoffi 37/39	Commercial	84%	0%
Suurstoffi 1–6	Commercial	69%	69%
Stand for promotional properties based on number (residential use)		31.12.2018	31.12.2017
Suurstoffi 37/39	Residential	87%	84%
Completion			
Suurstoffi 37/39			Q4 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, 2018

Commission

Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2018, Wüest Partner AG (Wüest Partner) valued the properties and sections of properties held by the Zug Estates Group. 15 investment properties, three properties under construction and six operating properties were valued.

Zürich,
January 31, 2019

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 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 and rent rolls/breakdowns of apartments, was available as a basis for such estimates. Fourteen properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2018.

Results

As of December 31, 2018, Wüest Partner determined the market value of the total of 24 properties. These break down into 15 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

15 Investment properties	1 211 694 050
3 Properties under construction	197 706 000
6 Operating properties	118 705 000
Total	1 528 105 050

Changes during reporting period

Within the review period from January 1, 2018, to December 31, 2018, the following changes took place:

- Property «Rote Trotte 14, 16», Baar: Reclassification to properties held for sale.

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, 2019, on which the valuation was based, were received by Wüest Partner in October 2018.
- **Calculation model:** A two-phase DCF model was adopted. From the valuation date, the infinite valuation period starts with an implicit residual value in the 11th 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 4.40% (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 accounts were assumed, with all tenancy-related ancillary costs passed on to tenants.
- **Maintenance costs:** Maintenance (repair and upkeep) costs were calculated using the building analysis tool. Based on an analysis of the condition and remaining lifespan of the various building elements and components, the software models periodic refurbishments and calculates the associated annual reserves for maintenance costs. The results were plausibility-tested using comparables and benchmarks derived from Wüest Partner surveys. The calculation factors in 100% of repair costs in the first 10 years and 60% to 80% (individual recoverable share) from year 11 onwards, in line with the assumed value-preserving investments.

Properties under construction

Wüest Partner also determined the current value (market value) of the properties under construction. These valuations are based on the following assumptions:

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

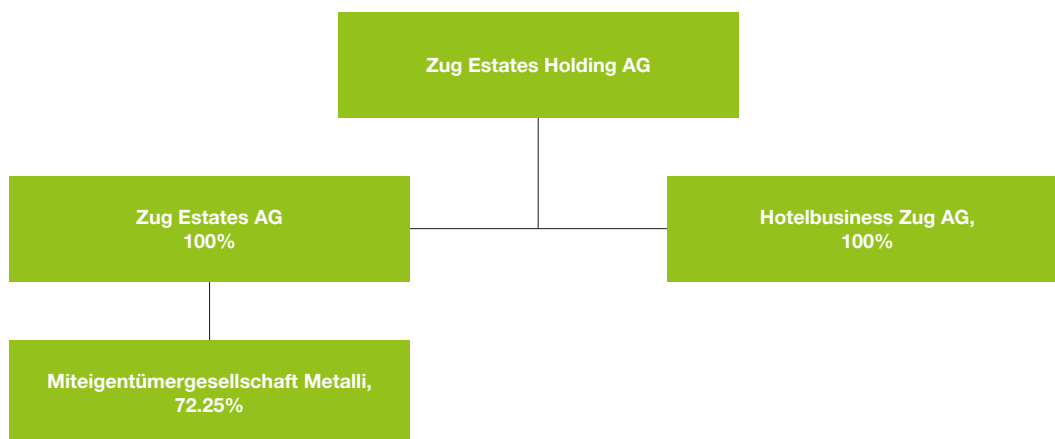
Corporate governance report

“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, 2018, or to the year under review (2018) respectively, unless stated otherwise. No essential changes occurred between December 31, 2018, 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 58 (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.

As at December 31, 2017, Elisabeth Buhofer and Heinz M. Buhofer owned 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 was 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 latter coordinated the exercising of their voting rights. The agreement also contained provisions on the limitation of transferability. The pool owned a total of 15.8% of the voting rights.

The conversion of series A registered shares into series B registered shares in accordance with the resolution adopted by the annual general meeting of April 10, 2018, was used by the two aforementioned groups as an opportunity to restructure said groups. Both the Buhofer Trust II and the shareholder pooling agreement between the members of the Stöckli group were dissolved. As at December 31, 2018, the Buhofer Group newly comprises members Elisabeth Buhofer, Annelies Häcki Buhofer, Martin Buhofer and Julia Häcki. Some of the shares are held indirectly via Holmia Holding AG, Zug. In accordance with a shareholder pooling agreement between the members of the Group, the latter coordinate the exercising of their voting rights. As at December 31, 2018, the Group owns a total of 49.3% of the voting rights.

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

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 56 (see “Shares issued”). Series A registered shares (privileged voting shares, par value CHF 2.50) are not listed. Series B registered shares B (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 with voting rights in the share register, provided that such persons have signed an agreement with the board of directors concerning their status and are subject to a recognized bank or financial market supervision.

With regard to the provision of proof of Swiss control pursuant to the Federal Act on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents, the board of directors may refuse entry in the share register with voting rights or refuse the transfer of shares as soon as and insofar as such entry or transfer causes the percentage of shares with voting rights held by foreign shareholders to exceed 25% of all shares entered in the share register with voting rights or 25% of the total capital or if the percentage of shares with voting rights held by the foreign shareholder in question (including other shareholders acting in mutual agreement with this shareholder) exceeds 10% of all shares entered in the share register with voting rights. Any shareholder shall be deemed a foreign shareholder if the company has not been given sufficient information for it to be able to provide proof pursuant to the above-named Federal Act that the respective shareholder is not a foreign non-resident within the meaning of said Federal Act.

The board of directors is entitled to subsequently remove shares from the share register or to reclassify them as shares without voting rights if a shareholder's situation changes such that, after this change, approval of a transfer or entry with voting rights would not or only partially be permissible in respect of said shares. Removal or reclassification will be effected insofar as this is required to reach the percentages specified above. The shareholder will be heard.

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 direct or indirect 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 unless they qualify as foreign non-residents within the meaning of the Federal Act on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents;
- to acquire or to hold shares on behalf of third parties or in the interests of third parties.

Approval can also 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. If the shares were acquired through inheritance, division of an estate, a matrimonial regime or compulsory enforcement, the company can only deny approval of the application if it offers to buy the shares from the acquirer (for the account of the company, specific shareholders or third parties) at their actual value at the time when the request was submitted and such transfer results in one of the limits stipulated in paragraph 4 ("Lex Koller restrictions") being exceeded.

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	2019
Prof. Dr. Annelies Häcki Buhofer , CH, 1954 – Member of the board of directors (non-executive) – Member of the Audit Committee	2012	2019
Armin Meier , CH, 1958 – Member of the board of directors (non-executive) – Chairman of the Nomination and Compensation Committee	2013	2019
Johannes Stöckli , CH, 1959 – Member of the board of directors (non-executive) – Member of the Audit Committee	2018	2019
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	2019



Board of directors,
from left to right:
Martin Wipfli,
Johannes Stöckli,
Beat Schwab,
Annelies Häcki
Buhofer and Armin
Meier

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; Member of the Board of Directors of Raiffeisen Schweiz Genossenschaft, St. Gallen; Vice Chairman of the Board of Directors of pom+Consulting AG, Zurich; and other unlisted companies

Official functions and political offices

None

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

Chair 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, and the Cham Group AG, Cham, and other unlisted companies; role in management bodies of national and international professional associations

Official functions and political offices

None

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, IHAG Holding AG, Zurich, and directorships at other unlisted companies

Official functions and political offices

None

Johannes Stöckli

Education

CAS Justice of the Peace, Lucerne University of Applied Sciences and Arts; SME Management (intensive course of study), University of St. Gallen

Professional background

Independent investor and director since 2015; managing director and member of the board of directors of Pyros Holding AG and subsidiaries, Cham, 1992–2015

Previous activities for the Zug Estates Group

None

Activities on governing and supervisory bodies

Chairman of the board of directors of Zebrabox SA, Lausanne; vice chairman of the board of directors of Schilthornbahn AG, Lauterbrunnen, as well as mandates with other unlisted companies and not-for-profit organizations

Official functions and political offices

Justice of the Peace with the Office of the Justice of Peace of the city of Zug

Martin Wipfli

Education

Attorney, Master of Law (lic. iur.), University of Bern

Professional background

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

Previous activities for the Zug Estates Group

Member of the board of directors of MZ Immobilien AG, 2011–2012

Activities on governing and supervisory bodies

Chairman of the board of directors of ELMA Electronic AG, Wetzikon, and nebag ag, Zurich, member of the board of directors of Metall Zug AG, Zug, Frutiger AG, Thun, and directorships at other unlisted companies

Official functions and political offices

Head of the Municipal Council of Feusisberg, Chairman of the Association of Municipalities and Districts of the Canton of Schwyz

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 2018 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 seven 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 2018, 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, the boards of the subsidiaries, and the management bodies, and proposes suitable candidates for the various boards/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 bodies, 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 bodies 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. In 2018, one committee member excused himself from one meeting for unavoidable reasons. Armin Meier (chair) 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. It 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 2018, one committee member excused himself from one meeting for unavoidable reasons. Martin Wipfli (chair), Annelies Häcki Buhofer and (since July 1, 2018) Johannes Stöckli 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 the board of directors and Group Management. These can be found at <http://www.zugestates.ch/de/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

Member of the board of directors of Parkleitsystem Zug AG

Official functions and political offices

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

Official functions and political offices

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 2018 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 Entries in 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 with voting rights 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 ff. of the Swiss Financial Market Infrastructure Act (FMIA) is waived pursuant to article 125 para. 3 FMIA (opting-out).

7.2 Clauses on change 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 165 (previous year: TCHF 132) for services in connection with the auditing of the annual financial statements of Zug Estates Holding AG and the subsidiaries Zug Estates AG and Hotelbusiness Zug AG and the consolidated financial statements of the Zug Estates Group. Miteigentümergeinschaft Metalli is audited by BDO AG. In the reporting period, BDO AG invoiced TCHF 11 (previous year: TCHF 11).

8.3 Additional fees

In the reporting period, Ernst & Young AG did not receive any additional fees for audit-related services (previous year: TCHF 18 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 invitation to the general meeting of shareholders is sent by letter to shareholders. Media releases are issued if an important event occurs. The Zug Estates Group publishes its figures twice a year in the half-year 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 74 to 76 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 2018 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 2018 general meeting of shareholders

The general meeting of shareholders took a first vote 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 general meeting of shareholders on April 10, 2018.

Of this total, the sum of CHF 793 217 was effectively paid out (see detailed breakdown on the following page).

Compensation for the compensation period from

	12.04.2017–10.04.2018
Fixed compensation (net)	766 840
Variable compensation (net)	0
Pension contributions	26 377
Total compensation paid	793 217
Total amount approved	900 000
Difference	–106 783

Compensation period up to the 2019 general meeting of shareholders

The general meeting voted on compensation on April 10, 2018, 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 2019. In the 2018 financial year, the compensation paid out to the board of directors amounted to a total of CHF 797 883. Of this sum, the amount of CHF 535 523 was paid out in the period from the 2018 general meeting of shareholders to December 31, 2018. Compared to the corresponding year-earlier period (CHF 528 770), this represents a decrease of 1.3%.

Proposal for the compensation period up to the 2020 general meeting of shareholders

At the 2019 general meeting of shareholders, the board of directors will propose that a total amount of CHF 800 000 (CHF 100 000 lower than for 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 – as well as 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.

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 Group Management for the 2018 financial year. Of this total, the sum of CHF 1 018 487 was effectively paid out.

Compensation payments to Group Management

in CHF	Financial year 2018
Fixed compensation (net)	549 846
Variable compensation (net)	176 819
Pension contributions	291 822
Total compensation paid	1 018 487
Total amount approved	1 200 000
Difference	–181 513

2019 compensation period (financial year)

On April 10, 2018, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to Group Management for the 2019 financial year.

Proposal for the 2020 compensation period (financial year)

At the 2019 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 Group Management for the 2020 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

In the year under review, Zug Estates AG paid the former chairman of the board of directors, Hannes Wüest, a planning fee of CHF 50 000 (exclusive of VAT) for grounds maintenance work at the Risch-Rotkreuz site. In the previous reporting period, no compensation was paid to former members of the board of directors, Group Management or associated persons.

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 2018 financial year

in CHF	Fixed compensation (net)	Var. compensation (net) ¹	Pension contributions ²	Total 2018
Dr. Beat Schwab	393 606	0	0	393 606
Heinz M. Buhofer ³	26 431	0	0	26 431
Prof. Dr. Annelies Häcki Buhofer	80 000	0	10 044	90 044
Armin Meier	95 000	0	14 374	109 374
Johannes Stöckli ³	51 667	0	7 821	59 488
Martin Wipfli	118 940	0	0	118 940
Total board of directors	765 644	0	32 239	797 883
Tobias Achermann, CEO	332 641	108 083	175 609	616 333
Total Group Management	549 846	176 819	291 822	1 018 487

Compensation for the 2017 financial year

	Fixed compensation (net)	Var. compensation (net) ¹	Pension contributions ²	Total 2017
Dr. Beat Schwab ⁴	296 609	0	0	296 609
Hannes Wüest ⁴	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 ⁴	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 ⁴	525 224	177 215	280 430	982 869

¹ In line with the accrual principle, the variable compensation payable to the Group Management for the 2018 financial year is posted in the applicable year (same method as previous year), but not paid out until April 2019

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 Heinz M. Buhofer stepped down from the board of directors at the 2018 general meeting of shareholders. Johannes Stöckli was elected to succeed him on the board. Payments to members of the board of directors who were appointed or stepped down in 2018 are considered on a pro rata basis (Heinz M. Buhofer for 4 months to April 10, 2018 and for Johannes Stöckli for 8 months from May 1, 2018)

⁴ 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 are considered on a pro rata basis (Hannes Wüest and Heinz Stübi for four months to April 11, 2017, Gabriela Theus [former CFO] 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 2018. 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 2018 of Zug Estates Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zug, 6 March 2019

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

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Consolidated balance sheet

Assets

in CHF thousands	Note	31.12.2018	Restated 31.12.2017	Restated 01.01.2017
Cash and cash equivalents		20 464	30 549	24 349
Trade receivables	1	1 109	2 655	1 157
Other receivables	2	9 131	9 330	5 089
Inventories		177	186	187
Properties held for sale	3	2 193	0	1 946
Promotional properties	4	57 365	39 214	16 906
Prepaid expenses		2 435	1 051	2 459
Total current assets		92 874	82 985	52 093
Investment properties	5	1 273 724	1 181 425	1 043 489
Investment properties under construction	5	140 739	106 618	128 519
Undeveloped plots	5	2 524	2 524	2 524
Operating properties	6	33 967	35 434	36 461
Other tangible assets	7	7 858	10 153	7 485
Prepayments for tangible assets	8	0	159	171
Financial assets		596	2 502	2 051
Intangible assets	9	229	334	104
Total fixed assets		1 459 637	1 339 149	1 220 804
Total assets		1 552 511	1 422 134	1 272 897

Liabilities and shareholders' equity

in CHF thousands	Note	31.12.2018	Restated 31.12.2017	Restated 01.01.2017
Current financial liabilities	10	117 256	60 200	0
Trade payables	11	4 018	4 533	6 638
Other current liabilities	12	22 568	15 796	7 847
Accrued expenses		17 336	27 303	27 775
Current provisions	13	17	14	0
Total current liabilities		161 195	107 846	42 260
Long-term financial liabilities	10	437 290	399 739	350 200
Long-term provisions	13	0	957	967
Deferred tax liabilities	14	110 155	105 191	100 724
Total long-term liabilities		547 445	505 887	451 891
Total liabilities		708 640	613 733	494 151
Share capital	15	12 750	12 750	12 750
Capital reserves		509 491	517 745	527 458
Treasury shares		0	-7 435	-12 227
Retained earnings		321 630	285 341	250 765
Total shareholders' equity		843 871	808 401	778 746
Total liabilities and shareholders' equity		1 552 511	1 422 134	1 272 897

Consolidated income statement

in CHF thousands	Note	2018	Restated 2017
Property income	17	50 794	45 425
Hotel & catering income	18	16 683	16 140
Additional income from ordinary business operations	19	2 699	3 303
Net proceeds of trade payables and receivables		70 176	64 868
Other operating revenue		652	522
Total operating revenue		70 828	65 390
Property expenses		-7 250	-5 224
Cost of goods purchased for hotel & catering		-1 549	-1 501
Personnel expenses	20	-13 712	-13 632
Other operating expenses	21	-6 119	-5 463
Total operating expenses		-28 630	-25 820
Operating income before depreciation and revaluation		42 198	39 570
Revaluation of investment properties (net)		11 082	8 712
Result from sale of investment properties		0	999
Operating income before depreciation (EBITDA)		53 280	49 281
Depreciation	22	-3 483	-3 418
Operating income (EBIT)		49 797	45 863
Financial result	23	-5 683	-5 532
Income before taxes (EBT)		44 114	40 331
Tax expenditure	24	-5 303	-5 755
Net income		38 811	34 576
Earnings per share			
Earnings per series A registered, undiluted *		7.63	6.87
Earnings per series B registered share, undiluted *		76.35	68.66

* 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	2018	Restated 2017
Net income for the period		38 811	34 576
Depreciation	6,7,9	3 483	3 418
Revaluation of investment properties (net)	5	-11 082	-8 712
Changes in provisions/deferred tax liabilities	13,14	4 010	4 471
Other non-cash items		-3 802	-4 590
Cash flow before changes in working capital		31 420	29 163
Change in trade receivables		1 546	-1 498
Change in other receivables		199	-4 241
Change in accrued income and prepaid expenses		-1 261	1 407
Change in inventories/properties for sale		-2 184	1 947
Change in promotional properties		-18 151	-20 480
Change in trade payables		-513	-668
Change in other current liabilities		6 772	7 950
Change in accrued expenses and deferred income		-882	1 118
Cash flow from operating activities		16 946	14 698
Investments in investment properties	5	-120 074	-109 127
Investments in operating properties	6	-99	-525
Investments in other tangible assets	7	-108	-3 012
Non-recurring compensation received, other tangible assets		365	0
Investments in financial assets		0	-277
Disinvestments of financial assets		1 745	0
Investments in intangible assets	9	-63	-320
Cash flow from investing activities		-118 234	-113 261
Increase in current financial liabilities	10	66 000	10 000
Repayment of current financial liabilities	10	-60 200	0
Increase in long-term financial liabilities	10	90 000	0
Repayment of long-term financial liabilities	10	-1 256	0
Increase from bond issues	10	0	99 684
Sale of treasury shares	15	9 521	6 588
Distribution to shareholders		-12 862	-11 509
Cash flow from financing activities		91 203	104 763
Change in cash and cash equivalents		-10 085	6 200
Composition of net cash and cash equivalents			
Net cash and cash equivalents at the beginning of reporting period		30 549	24 349
Net cash and cash equivalents at the end of reporting period		20 464	30 549
Change in cash and cash equivalents		-10 085	6 200

The difference in the recognition of investments in investment properties between the consolidated statement of cash flows and note 5 is essentially due to the change in accruals and in revenue from own work.

Statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total share-holders' equity
Balance on 01.01.2017	12 750	527 458	-12 227	246 547	774 528
Effect of first-time application of proportional consolidation	0	0	0	4 218	4 218
Balance on 01.01.2017 (Restated)	12 750	527 458	-12 227	250 765	778 746
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	34 576	34 576
Balance on 31.12.2017	12 750	517 745	-7 435	285 341	808 401
Balance on 01.01.2018	12 750	517 745	-7 435	285 341	808 401
Treasury shares					
– Sale of treasury shares ¹	0	2 086	7 435	0	9 521
Distribution from the reserves from capital contributions	0	-10 340	0	0	-10 340
Distribution from retained earnings carried forward (dividends)	0	0	0	-2 522	-2 522
Net income	0	0	0	38 811	38 811
Balance on 31.12.2018	12 750	509 491	0	321 630	843 871

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, 2018, 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 6, 2019.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital 31.12.2018	Share of capital 31.12.2017	Share of votes 31.12.2018	Share of votes 31.12.2017
Hotelbusiness Zug AG	Zug, ZG	Hotel and catering operator	1 000 000	100%	100%	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%	100%	100%
Miteigentümer-gemeinschaft Metalli Zug	Zug, ZG	Real estate company	0	72.25%	72.25%	7.69%	8.33%

Scope of consolidation

In the case of participations in which the share of votes held is above 50% (Zug Estates AG and Hotelbusiness Zug AG) the full consolidation method is 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. In the case of joint ventures (Miteigentümerschaft Metalli) the proportional consolidation method is applied, which consists of reporting all positions pro rata in the balance sheet and income statement. 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 principles of consolidation

Under the option granted in respect of the reporting of joint ventures (Swiss GAAP FER 30.3), Zug Estates has chosen to report its share in Miteigentümergeinschaft Metalli in accordance with the rules of proportional consolidation for the first time. The proportional gross profit from Miteigentümergeinschaft

Metalli was previously reported net as proportional gross profit under property income according to the equity accounting method. The corresponding financial statement positions are now allocated proportionally to the individual balance sheet and income statement positions.

While the Zug Estates Group holds a majority share of capital (72.25%), with its 7.69% share of votes of it does not exercise control of Miteigentümergeinschaft Metalli. The new form of presentation results in more transparent disclosure in the reports as well as a greater degree of comparability with competitors.

In accordance with Swiss GAAP FER Framework paragraph 30, this adjustment to the scope of consolidation is classified as a reappraisal of an existing option offered by the recommendation. This change to the principles of accounting necessitates the restatement of the previous year's figures in the present report. Accordingly, the relevant financial figures for the 2017 financial year are stated in such a way as if the new principles of accounting had always been applied (restatement). This led to a TCHF 173 increase in net income for 2017. Changes in positions in the balance sheet and the income statement are shown in the following table.

Changes in the balance sheet owing to restatement

Assets

in CHF thousands	31.12.2017	01.01.2017
Cash and cash equivalents	5 888	5 909
Trade receivables	6	233
Other receivables	2 397	903
Prepaid expenses	40	108
Total current assets	8 331	7 153
Financial assets	618	341
Total fixed assets	618	341
Total assets	8 949	7 494

Liabilities and shareholders' equity

in CHF thousands	31.12.2017	01.01.2017
Trade payables	920	1 268
Other current liabilities	2 808	1 096
Accrued expenses	79	191
Total current liabilities	3 807	2 555
Deferred tax liabilities	751	721
Total long-term liabilities	751	721
Total liabilities	4 558	3 276
Retained earnings	4 391	4 218
Total shareholders' equity	4 391	4 218
Total liabilities and shareholders' equity	8 949	7 494

Changes in the income statement owing to restatement

in CHF thousands	2017
Property income	3 485
Additional income from ordinary business operations	–993
Net proceeds of trade payables and receivables	2 492
Other operating revenue	40
Total operating revenue	2 532
Property expenses	–2 235
Other operating expenses	–109
Total operating expenses	–2 344
Operating income before depreciation (EBITDA)	188
Operating income (EBIT)	188
Financial result	14
Income before taxes (EBT)	202
Tax expenditure	–29
Net income	173

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 participations and receivables due from subsidiaries are reversed. The individual subsidiaries' intercompany profits on inventories and tangible assets are assessed and also eliminated. In the case of proportionally consolidated companies, eliminations are on a pro rata basis.

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 other loans. 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.

Pension plan liabilities

The Group has several pension 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 capitalized provided such use is likely. They are offset against deferred tax liabilities for the same taxable entity.

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 net rental income after deduction of vacancy losses and losses from receivables. 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 & 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	31.12.2018	Restated 31.12.2017
Trade receivables from hotel & catering activities	639	681
Rent receivables	79	140
Other trade receivables	447	1 928
Provisions for doubtful receivables	–56	–94
Total trade receivables	1 109	2 655

2 Other receivables

in CHF thousands	31.12.2018	Restated 31.12.2017
Withholding tax credits	29	21
Accounts for heating and service charge settlement	5 914	7 295
Other receivables	3 188	2 014
Total other receivables	9 131	9 330

As at December 31, 2018, other receivables comprise mainly input tax credits on the basis of construction activities for VAT-optimized space.

3 Properties for sale

in CHF thousands	2018	2017
Acquisition value at the beginning of reporting period	0	1 946
Additions	2 193	0
Disposals	0	–1 946
Acquisition value at the end of reporting period	2 193	0

The properties held for sale as at December 31, 2018, were two apartments with appurtenant parking spaces at the Baar property, Rote Trotte 14–16. As at December 31, 2017, there were no properties held for sale.

4 Promotional properties

in CHF thousands	2018	2017
Acquisition value at the beginning of reporting period	39 214	16 906
Additions	18 151	22 308
Acquisition value at the end of reporting period	57 365	39 214

Promotional properties include the available-for-sale part of the Risch Rotkreuz property, Suurstoffi 37/39 (Aglaya residential tower block). Promotional properties 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 01.01.2017	675 517	355 319
Investments ³	1 031	2 865
Reclassification of properties under construction to investment properties ⁴	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	339 635	92 191
Balance as at 01.01.2018	682 449	486 336
Investments ³	2 869	10 213
Reclassification of properties under construction to investment properties ⁵	0	60 070
Reclassification to properties for sale ⁶	0	0
Revaluation (net)	4 608	16 709
Balance as at 31.12.2018	689 926	573 328
Accumulated acquisition values as at 01.01.2018	342 814	394 145
Accumulated acquisition values as at 31.12.2018	345 683	456 507
Difference market values / acquisition values as at 01.01.2018	339 635	92 191
Difference market values / acquisition values as at 31.12.2018	344 243	116 821

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 Reclassification of the Risch Rotkreuz property Suurstoffi 16–20 to investment properties

⁵ Reclassification of the Risch Rotkreuz property Suurstoffi 22 to investment properties

⁶ Reclassification of the Baar property Rote Trotte 14–16 to properties held for sale

Other investment properties	Total investment properties	Total investment properties under construction ¹	Undeveloped plots ²	Total
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
12 640	1 181 425	106 618	2 524	1 290 567
0	13 082	104 449	0	117 531
0	60 070	-60 070	0	0
-2 193	-2 193	0	0	-2 193
23	21 340	-10 258	0	11 082
10 470	1 273 724	140 739	2 524	1 416 987
7 384	744 343	110 047	2 524	856 914
6 485	808 675	163 128	2 524	974 327
5 256	437 082	-3 429	0	433 653
3 985	465 049	-22 389	0	442 660

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: 2.8% to 3.5%).

Additional information per property can be found on pages 14 to 15 of this report.

6 Operating Properties

in CHF thousands	2018	2017
Acquisition value at the beginning of reporting period	63 298	62 773
Additions	99	525
Acquisition value at the end of reporting period	63 397	63 298
Accumulated depreciation at the beginning of reporting period	–27 864	–26 312
Depreciation in the reporting period	–1 566	–1 552
Accumulated depreciation at the end of reporting period	–29 430	–27 864
Net book value at the beginning of reporting period	35 434	36 461
Net book value at the end of reporting period	33 967	35 434

Operating properties include the following properties located in Zug used completely or partly by the Group: 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 118 705 (previous year: TCHF 117 296) and was determined by the independent real estate expert Wüest Partner AG using the DCF method. For the valuation as at December 31, 2018, discount rates within a range of 3.2% to 4.4% (previous year: 3.3% to 4.5%) were applied.

7 Other tangible assets

in CHF thousands	2018	2017
Acquisition value at the beginning of reporting period	20 859	21 346
Additions	108	3 012
Reclassification	0	1 426
Disposals	–741	–4 925
Acquisition value at the end of reporting period	20 226	20 859
Accumulated depreciation at the beginning of reporting period	–10 706	–13 861
Disposals	87	4 925
Depreciation in the reporting period	–1 749	–1 770
Accumulated depreciation at the end of reporting period	–12 368	–10 706
Net book value at the beginning of reporting period	10 153	7 485
Net book value at the end of reporting period	7 858	10 153

The additions reported in 2017 were mainly room refurbishments at the Parkhotel Zug. The reclassification reported in 2017 related to the photovoltaic systems previously recognized in investment properties under construction.

The disposals relate to write-offs of tangible assets no longer in use as well as non-recurring compensation and refunds received.

8 Prepayments for tangible assets

Prepayments were used and amount to TCHF 0 (previous year: TCHF 159) as at December 31, 2018.

9 Intangible assets

in CHF thousands	2018	2017
Acquisition value at the beginning of reporting period	566	318
Additions	63	326
Disposals	–4	–78
Acquisition value at the end of reporting period	625	566
Accumulated depreciation at the beginning of reporting period	–232	–214
Disposals	4	78
Depreciation in the reporting period	–168	–96
Accumulated depreciation at the end of reporting period	–396	–232
Net book value at the beginning of reporting period	334	104
Net book value at the end of reporting period	229	334

Intangible assets comprise software utilized in the business units.

10 Financial liabilities

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

Residual term in CHF thousands	31.12.2018	31.12.2017
Under 1 year	117 256	60 200
1 to 3 years	2 512	50 000
3 to 5 years	142 314	99 739
5 to 10 years	217 464	115 000
Over 10 years	75 000	135 000
Total financial liabilities	554 546	459 939
Of which current	117 256	60 200
Of which long-term	437 290	399 739

The average residual term of the interest-bearing debt was 5.4 years (previous year: 6.4 years). The average capital-weighted interest rate on all interest-bearing financial liabilities was 1.8% (previous year: 2.0%). 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 as at December 31, 2018, amounts to TCHF 198 (previous year: TCHF 261).

To secure the long-term financial liabilities, properties with a book value of TCHF 1 072 626 (previous year: TCHF 695 128) have been encumbered.

Reported as at December 31, 2017, the short-term TCHF 10 000 loan borrowed at arm's length from Metall Zug AG with a term to February 26, 2018, was repaid on schedule. As at the balance sheet date, there were no current financial liabilities to related parties.

11 Trade payables

in CHF thousands	31.12.2018	Restated 31.12.2017
Advance payments from tenants	3 077	2 843
Liabilities to third parties	941	1 690
Total trade payables	4 018	4 533

12 Other current liabilities

in CHF thousands	31.12.2018	Restated 31.12.2017
Advance payments for rents and flat-rate heating and service charges	9 416	7 942
Prepayments for promotional properties	9 229	6 080
Liabilities to social security institutions and public authorities	2 558	313
Liabilities to pension schemes	85	74
Remaining other current liabilities	1 280	1 387
Total other current liabilities	22 568	15 796

13 Provisions

in CHF thousands	2018	2017
Provisions at the beginning of the reporting period	971	967
Increase	4	4
Reclassification	-958	0
Provisions at the end of the reporting period	17	971
Of which current at the end of reporting period	17	14
Of which long-term at the end of reporting period	0	957

The provisions were reclassified to accrued expenses and deferred income. They are largely in connection with levies for the development projects in Risch Rotkreuz which fall due in 2019.

14 Deferred tax liabilities

in CHF thousands	2018	2017
Deferred tax liabilities at the beginning of reporting period	105 191	100 724
Net creation recognized in the income statement in reporting period	4 964	4 467
Deferred tax liabilities at the end of reporting period	110 155	105 191

In the reporting period, net creation recognized in the income statement includes capitalized deferred tax assets of TCHF 710 (previous year: TCHF 0) from tax loss carryforwards not yet used.

The average tax rate for deferred income taxes amounted to 14.5% (previous year: 14.6%).

Shares issued	Security number	Par value CHF	Number	Votes	Capital CHF	Votes Previous year	Capital CHF Previous year
Series A registered shares	14 805 211	2.50	496 600	496 600	1 241 500	1 948 640	4 871 600
Series B registered shares	14 805 212	25.00	460 340	460 340	11 508 500	315 136	7 878 400
Total				956 940	12 750 000	2 263 776	12 750 000

In accordance with the resolution of the annual general meeting of April 11, 2018, 1 452 040 series A registered shares were converted into 145 204 series B registered shares.

In the year under review, Zug Estates Holding AG sold 5 592 series B registered shares at an average price of CHF 1 734.50 (previous year: 4 000 registered shares at an average price of CHF 1 685.50).

As at December 31, 2018, Zug Estates Holding AG does not hold any series B registered treasury shares (previous year: 5 592 stated at historical acquisition costs of TCHF 7 435).

Non-distributable statutory reserves as at December 31, 2018, amounted to TCHF 7 625 (previous year: TCHF 7 625).

Shareholders' equity per share

in CHF	31.12.2018	Restated 31.12.2017
Shareholders' equity per outstanding series B registered share, before deferred taxes	1 870.64	1 811.22
Shareholders' equity per outstanding series B registered share, after deferred taxes	1 654.65	1 602.67

NAV at market value per share

in CHF	31.12.2018	Restated 31.12.2017
NAV at market value per outstanding series B registered share	1 796.71	1 741.27

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

Earnings per share

Information on series A registered shares		2018	Restated 2017
Series A registered shares issued on 01.01.	Number	1 948 640	1 948 640
Series A registered shares issued on 31.12.	Number	496 600	1 948 640
Series A registered shares issued (weighted average)	Number	903 978	1 948 640
Series A registered treasury shares (weighted average)	Number	0	0
Average outstanding series A registered shares		903 978	1 948 640
Share in net income attributable to series A registered shares	TCHF	6 902	13 380
Applicable number of series A registered shares	Number	903 978	1 948 640
Earnings per series A registered share, undiluted	CHF	7.63	6.87

Information on series B registered shares		2018	Restated 2017
Series B registered shares issued on 01.01.2018	Number	315 136	315 136
Series B registered shares issued on 31.12.2018	Number	460 340	315 136
Series B registered shares issued (weighted average)	Number	419 602	315 136
Series B registered treasury shares (weighted average)	Number	1 662	6 425
Average outstanding series B registered shares		417 940	308 711
Share in net income attributable to series B registered shares	TCHF	31 909	21 196
Applicable number of series B registered shares	Number	417 940	308 711
Earnings per series B registered share, undiluted	CHF	76.35	68.66

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

16 Significant shareholders

As at December 31, 2018, 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
Buhofer Group ¹	409 470	61 872	49.3%	n/a
Heinz M. Buhofer	25 640	53 741	8.3%	n/a
Werner O. Weber, indirectly held through Wemaco Invest AG	0	60 392	6.3%	5.7%
Johannes Stöckli	56 800	2 914	6.2%	n/a
Elisabeth Buhofer and Heinz M. Buhofer ²	n/a	n/a	n/a	66.0%
Stöckli-Rubli Group ³	n/a	n/a	n/a	15.8%

¹ The Group comprises Elisabeth Buhofer, Annelies Häcki Buhofer, Martin Buhofer und Julia Häcki, if acting in mutual agreement. Some shares are indirectly held through Holmia Holding AG.

² The Group also comprised Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki, if acting in mutual agreement. It was dissolved 2018.

³ The Group comprised Ursula Stöckli-Rubli, Walter Stöckli-Rubli, Elisabeth Stöckli Enzmann, Johannes Stöckli, Matthias Stöckli, Helen Jauch-Stöckli, Hubert Stöckli and Othmar Stöckli. It was dissolved 2018.

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 70.

17 Property income

The reported property income of TCHF 50 794 (previous year: TCHF 45 425) comprises actual rental income. This position contains rental revenue from all properties.

in CHF thousands	2018	Restated 2017
Rental income Suurstoffi	21 128	15 916
Rental income Zug City Center site	29 161	29 002
Income from other properties	505	507
Total property income	50 794	45 425

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

Term, share in %	31.12.2018	31.12.2017
Under 1 year, including unlimited rental contracts	45.4	40.5
Over 1 year	5.8	12.2
Over 2 years	4.7	1.9
Over 3 years	3.7	4.9
Over 4 years	17.1	4.5
Over 5 years	6.2	17.9
Over 6 years	0.1	6.6
Over 7 years	1.1	0.8
Over 8 years	3.0	0.0
Over 9 years	7.0	3.6
Over 10 years	5.9	7.1
Total	100.0	100.0

As at December 31, 2018, the five largest tenant groups together generated 22.5% (previous year: 24.7%) of annualized projected rental revenue.

Tenants, share in %	31.12.2018	Tenants, share in %	31.12.2017
Novartis	6.6	Novartis	7.2
Migros ¹	6.3	Migros ¹	6.7
UBS	4.2	UBS	4.6
Nord Stream	2.8	Nord Stream	3.3
Lucerne University of Applied Sciences and Arts	2.6	Lucerne University of Applied Sciences and Arts	2.9

¹ Various companies of the Migros Group

18 Hotel & catering income

in CHF thousands	2018	2017
Accommodation	11 221	10 613
Catering	5 397	5 474
Ancillary services	56	60
Increase/release of provisions for doubtful receivables	9	-7
Total hotel & catering income	16 683	16 140

19 Additional income from ordinary business operations

in CHF thousands	2018	Restated 2017
Revenue from services	899	967
Revenue from own work	740	872
Revenue from leasing of personnel	454	778
Other revenue	606	686
Total additional income from ordinary business operations	2 699	3 303

20 Personnel expenses

in CHF thousands	2018	2017
Wages and salaries	-11 456	-11 491
Pension expenses	-1 683	-1 609
Other personnel expenses	-573	-532
Total personnel expenses	-13 712	-13 632

21 Other operating expenses

in CHF thousands	2018	Restated 2017
Marketing/sales promotion	-1 552	-1 555
Maintenance and repair	-480	-503
Administrative expenses	-799	-759
IT/software	-393	-373
Legal and consultancy costs	-1 506	-535
Other costs	-1 389	-1 738
Total other operating expenses	-6 119	-5 463

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

22 Depreciation

in CHF thousands	2018	2017
Depreciation of operating properties	-1 566	-1 552
Depreciation of other tangible assets	-1 749	-1 770
Amortization of intangible assets	-168	-96
Total depreciation	-3 483	-3 418

23 Financial result

in CHF thousands	2018	Restated 2017
Other financial incomes	1	0
Securities income	100	75
Fair value of financial assets	0	186
Total financial income	101	261
Interest expense mortgage loans and bonds	-5 720	-5 763
Other financial expenses	-29	-30
Loss on securities	-35	0
Total financial expenses	-5 784	-5 793
Financial result	-5 683	-5 532

In the reporting period, borrowing costs in the amount of TCHF 3 480 (previous year: TCHF 3 585) were capitalized.

24 Taxes

in CHF thousands	2018	Restated 2017
Income taxes	-339	-1 291
Deferred taxes	-4 964	-4 464
Total taxes	-5 303	-5 755

Average weighted tax rate

in CHF thousands or %	2018	Restated 2017
Income before taxes (EBT)	44 114	40 331
Average tax rate	13.65%	14.27%
Income taxes at average tax rate	-6 023	-5 755
Utilization of previously unrecognized tax losses	0	0
Change of tax rate	720	0
Total income taxes	-5 303	-5 755

25 Contingent liabilities and other off-balance sheet obligations

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

In relation to the construction and operation of City Garden Hotel, Zug Estates AG accepted a demolition obligation amounting to TCHF 490. This comes into effect in 2025 at the earliest, and then only if the land on which the hotel was built has to be vacated for construction of the access road to the Zug city tunnel. 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, Zug Estates AG agreed to share the fit-out costs with one tenant. If Zug Estates AG fails to meet this obligation as contractually agreed, it will be liable for a penalty up to a maximum of TCHF 1 800.

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

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 date. Compensation will also be paid for any additional costs.

With one tenant an exclusive lease clause was agreed preventing Zug Estates from renting space to a further provider of the same services. If Zug Estates should violate this clause, the tenant may demand reinstatement of the contract conditions. Furthermore, a per diem penalty will be imposed until the competing situation has been remedied. The tenant is also entitled to compensation.

26 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	31.12.2018	31.12.2017
Up to 1 year	23	24
Up to 3 years	64	45
Over 3 years	3	0
Total	90	69

27 Pension plan liabilities

The employee benefit plans of Zug Estates Holding AG and its subsidiaries 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, 2018, there were no employer's contribution reserves (unchanged to prior period).

in CHF thousands	Deficit/ surplus of pension plans 31.12.2018	Economic share of company 31.12.2018	Economic share of company 31.12.2017	Change or impact on net income in financial period	Contributions for the period	Pension expenses in personnel expenses 2018	Pension expenses in personnel expenses 2017
Patronage funds / pension schemes	0	0	0	0	0	0	0
Pension plans without surplus/deficit	0	0	0	0	708	708	666
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	708	708	666

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	2018	2017
Pension contributions at the company's expense	708	666
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	708	666
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	708	666
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	708	666

Total pension expenses in personnel expenses in the period under review amounted to TCHF 708 (previous year: TCHF 666). No extraordinary contributions for financial reconstructions were agreed or paid in the reporting period.

28 Segment report

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

2018 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
Operating revenue	59 890	17 315	-6 377	70 828
Operating expenses	-18 805	-15 622	5 797	-28 630
Revaluation of investment properties (net)	11 082	0	0	11 082
Result from sale of investment properties	0	0	0	0
Operating income before depreciation (EBITDA)	52 167	1 693	-580	53 280
Operating income (EBIT)	49 522	901	-626	49 797

¹ Holding company expenses and intersegment revenues are eliminated in the «Corporate & eliminations» column

Restated 2017 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
Operating revenue	54 968	16 842	–6 420	65 390
Operating expenses	–16 286	–15 348	5 814	–25 820
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)	48 393	1 494	–606	49 281
Operating income (EBIT)	45 936	550	–623	45 863

All revenues in 2018 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 4.4 million (previous year: CHF 3.9 million) and an annualized EBITDA return of 6.0% (previous year: 5.5%) on the fair values of these properties.

29 Transactions with related parties

In the year under review, revenue of TCHF 147 (previous year: TCHF 144) from hotel, catering and property management services were received from companies of the Metall Zug Group. This was offset by expenses of TCHF 223 (previous year: TCHF 157) for services, interest and deliveries of equipment.

As at the balance sheet date, receivables due from Metall Zug Group companies amounted to TCHF 8 (previous year: TCHF 1) and liabilities to them TCHF 17 (previous year: TCHF 3).

In addition, as at December 31, 2017, a short-term TCHF 10 000 loan borrowed at arm's length from Metall Zug AG with a term to February 26, 2018, was in place. The loan was repaid on schedule.

A purchase agreement with a member of the board of directors for an apartment in the amount of TCHF 1 323 is in place. 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).

30 Events after the balance sheet date

Between December 31, 2018, 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, 2018, 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 63), for the year ended 31 December 2018.



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 2018 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 1 273 724 and TCHF 140 739 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 47–48) as well as under "5 Investment properties, investment properties under construction and undeveloped plots" (pages 52–53), 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.

Our audit procedures did not lead to any reservations concerning the market valuation of investment properties and investment properties under construction.



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, 6 March 2019

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

Balance sheet of Zug Estates Holding AG

Assets

Amounts in CHF thousands	Note	31.12.2018	31.12.2017
Cash and cash equivalents		638	408
Other receivables due from third parties		42	55
Other receivables due from Group companies	1	11	692
Expenses prepaid to third parties		15	11
Accrued income Group companies	2	770	5 100
Total current assets		1 476	6 266
Loans to Group companies	3	260 300	263 000
Financial assets with quoted price		50	1 831
Investments		13 892	13 892
Intangible assets		75	111
Total fixed assets		274 317	278 834
Total assets		275 793	285 100

Liabilities and shareholders' equity

Current financial liabilities to related parties	5	0	10 000
Trade Payables to third parties		34	0
Trade Payables to Group companies		1	0
Other current liabilities to third parties		20	14
Accrued expenses due to third parties		1 534	1 458
Total current liabilities		1 589	11 472
Bonds	4	99 802	99 739
Total long-term liabilities		99 802	99 739
Total liabilities		101 391	111 211
Share capital		12 750	12 750
Statutory reserves			
– Reserves from capital contributions		105	10 445
– Other capital contributions		9 193	6 929
– Legal retained earnings		2 550	2 013
Voluntarily retained earnings			
– Earnings carried forward from the previous year		146 128	41 923
– Net income for the year		3 676	107 264
Treasury shares	8	0	–7 435
Total shareholders' equity		174 402	173 889
Total liabilities and shareholders' equity		275 793	285 100

Income statement of Zug Estates Holding AG

Amounts in CHF thousands	Note	2018	2017
Dividend income	2	770	105 100
Other income		2 115	2 115
Total income		2 885	107 215
Personnel expenses		–1 834	–1 915
Other operating expenses		–862	–805
Total operating expenses		–2 696	–2 720
Operating income before depreciation (EBITDA)		189	104 495
Depreciation		–46	–18
Operating income (EBIT)		143	104 477
Financial expenses		–820	–695
Financial income	9	4 730	3 888
Income before taxes (EBT)		4 053	107 670
Direct taxes		–377	–406
Net income for the year		3 676	107 264

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 31.12.2018	Share of capital and votes 31.12.2017
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 over-valued, 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).

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 current receivables due from Group companies

Other current receivables due from Group companies include outstanding interest receivables of TCHF 11 (previous year: TCHF 92 charged on). The loan of TCHF 600 in place in the previous year was repaid.

2 Accrued income Group companies

Dividends from subsidiaries totaling TCHF 770, which were distributed from the ordinary profits of the 2018 financial year, are recorded as dividend income (previous year: TCHF 5 100).

Loans to Group companies

This position comprises long-term loans to subsidiaries to finance their operations in the amount of TCHF 260 300 (previous year: TCHF 263 000).

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 December 31, 2017, a short-term TCHF 10 000 loan borrowed at arm's length from Metall Zug AG with a term to February 26, 2018, was in place. The loan was repaid. As at December 31, 2018, there were no current financial liabilities to related parties.

6 Significant shareholders

As at December 31, 2018, Zug Estates Holding AG was aware of the following significant shareholders within the meaning of article 663c of the Code of Obligations (shareholders with holdings greater than 5% of all voting rights):

Number or %	Series A registered shares	Series B registered shares	Votes	Votes previous year
Buhofer Group ¹	409 470	61 872	49.3%	n/a
Heinz M. Buhofer	25 640	53 741	8.3%	n/a
Werner O. Weber, indirectly held through Wemaco Invest AG	0	60 392	6.3%	5.7%
Johannes Stöckli	56 800	2 914	6.2%	n/a
Elisabeth Buhofer as well as Heinz M. Buhofer ²	n/a	n/a	n/a	66.0%
Stöckli-Rubli Group ³	n/a	n/a	n/a	15.8%

¹ The Group comprises Elisabeth Buhofer, Annelies Häcki Buhofer, Martin Buhofer und Julia Häcki, if acting in mutual agreement. Some shares are indirectly held through Holdmia Holding AG.

² The Group also comprised Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki, if acting in mutual agreement. The Group was dissolved 2018.

³ The Group comprised Ursula Stöckli-Rubli, Walter Stöckli-Rubli, Elisabeth Stöckli Enzmann, Johannes Stöckli, Matthias Stöckli, Helen Jauch-Stöckli, Hubert Stöckli and Othmar Stöckli. The Group was dissolved 2018.

7 Share ownership by current members of the corporate bodies

Number of	Series A registered shares as at 31.12.2018	Series B registered shares as at 31.12.2018	Series A registered shares as at 31.12.2017	Series B registered shares as at 31.12.2017
Dr. Beat Schwab, chairman	0	10	0	10
Prof. Dr. Annelies Häcki Buhofer, member	161 206	11 001	161 206	10 762
Armin Meier, member	0	100	0	100
Johannes Stöckli, member ¹	56 800	2 914	n/a	n/a
Martin Wipfli, member	0	266	0	266
Heinz M. Buhofer, member ²	n/a	n/a	563 040	1
Tobias Achermann, CEO	0	27	0	27
Mirko Käppeli, CFO	0	50	0	50

¹ In office since April 10, 2018

² Stepped down effective April 10, 2018

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 5 592 series B registered shares at an average price of CHF 1 734.50 (previous year: 4 000 registered shares at an average price of CHF 1 685.50).

As at December 31, 2018, Zug Estates Holding AG held no treasury shares (previous year: 5 592 series B registered treasury shares stated at historical acquisition costs of TCHF 7 435).

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	31.12.2018	31.12.2017
Retained earnings carried forward	146 128 078	41 922 947
Net income for the year	3 675 571	107 264 171
Retained earnings	149 803 649	149 187 118
Dividend	–14 280 000	–2 522 040
Allocation to statutory reserves	–1 409 623	–537 000
Retained earnings to be carried forward	134 114 026	146 128 078

The board of directors proposes distribution of a gross dividend (subject to withholding tax) of CHF 2.80 per series A registered share and CHF 28.00 per series B registered share.

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 15, 2019 (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 66 to 71), for the year ended 31 December 2018.



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 2018 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. We have determined that there are no key audit matters to communicate in our report.

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.



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, 6 March 2019

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

Share information

Zug Estates Holding AG has two categories of shares. 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	Share of votes	Share of capital
Series A registered shares	2.50	496 600	51.9%	9.7%
Series B registered shares	25.00	460 340	48.1%	90.3%

Breakdown of shareholder structure of series B registered shares as at December 31, 2018

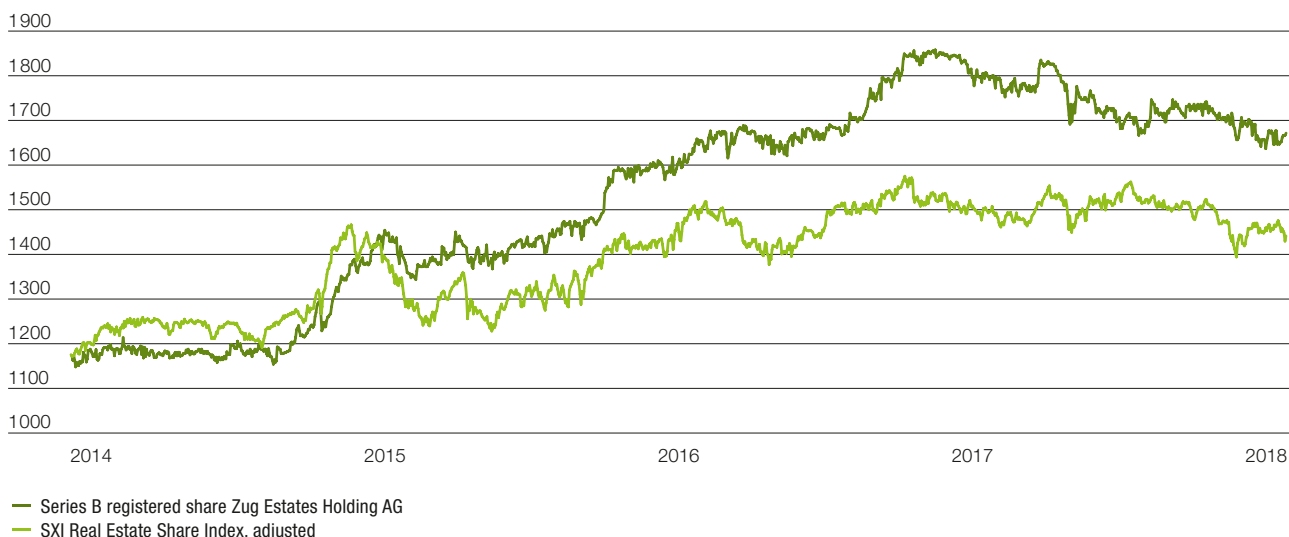
Applicable number of series B registered shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
> 1 000	55	3.8	357 720	83.2
501–1 000	30	2.0	20 921	4.9
101–500	121	8.2	27 616	6.4
51–100	103	7.0	7 869	1.8
11–50	521	35.4	12 877	3.0
1–10	640	43.6	3 119	0.7
Total	1 470	100.0	430 122	100.0
Shares pending registration of transfer			30 218	
Total series B registered shares issued			460 340	

Series B registered shares by category of holder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	1 232	83.8	217 549	50.6
Pension funds	70	4.8	49 612	11.5
Funds	38	2.6	31 793	7.4
Foundations	21	1.4	4 562	1.1
Insurers	16	1.1	10 287	2.4
Banks	12	0.8	4 741	1.1
Other legal entities	81	5.5	111 578	25.9
Total	1 470	100.0	430 122	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	1 412	96.0	416 074	96.7
Outside Switzerland	58	4.0	14 048	3.3
Total	1 470	100.0	430 122	100.0

Performance series B registered share

in CHF



Key figures per share

Figures per series A registered share in CHF		2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
Net income ¹		7.63	6.87	9.86	13.56	9.46
Net income excluding income from revaluation of investments ^{1,3}		5.63	5.22	4.90	4.79	5.16
NAV at market value ^{2,4}		179.67	174.13	171.86	161.44	147.55
Distribution ⁵		2.80	2.55	2.30	2.05	1.85

Figures per series B registered share in CHF		2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014
Net income ¹		76.35	68.66	98.63	135.64	94.61
Net income excluding income from revaluation of investments ^{1,3}		56.29	52.19	49.04	47.92	51.60
NAV at market value ^{2,4}		1 796.71	1 741.27	1 718.55	1 614.39	1 475.45
Distribution ⁵		28.00	25.50	23.00	20.50	18.50
Stock market price	High	1 830	2 862	1 692	1 458	1 244
	Low	1 640	1 660	1 436	1 231	1 150
	At year-end	1 675	1 827	1 653	1 445	1 244

Total capitalization in CHF million		2018	2017	2016	2015	2014
Market capitalization ^{2,6}	At year-end	854.3	921.6	827.2	711.5	610.3

¹ In relation to number of shares on average outstanding² In relation to number of shares outstanding³ Corresponds to net income excluding income from the revaluation of investment properties (net) and the resulting deferred taxes⁴ NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes⁵ Proposal of the board of directors⁶ Conversion of series A registered share on the basis of the year-end rate applicable to series B registered shares

Contact details and upcoming events

Contact Investor Relations

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Upcoming events

April 9, 2019

General meeting of shareholders 2019

April 15, 2019

**Distribution to shareholders
(payment date)**

August 30, 2019

Publication of half-year results 2019

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 the 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 **Copyrights** © Zug Estates Holding AG, March 2019

Photos Remo Inderbitzin, Schwyz (page 25); fotozug.ch; Christian Herbert Hildebrand, Allenwinden (page 30) **Concept/Design/Realization** Linkgroup AG, Zurich, www.linkgroup.ch

Half-Year Report 2018

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2019

Half-Year Report

“The qualitative growth of the Zug Estates Group continues. Property income, operating income and net income show a significant year-on-year increase.”

Company profile

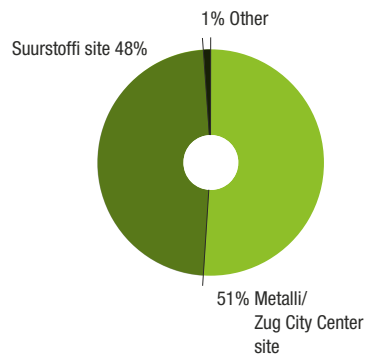
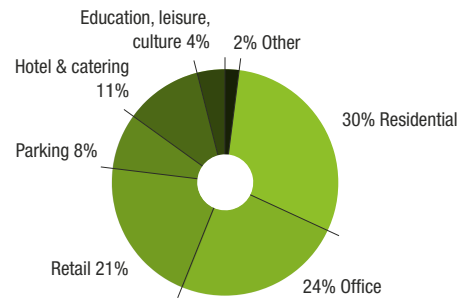
The Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites which are suitable for a wide range of uses and allow sustainable development. A large part of the real estate portfolio is located at two sites in Zug and Risch Rotkreuz and is broadly diversified by type of use. The total portfolio value as at June 30, 2019 was CHF 1.61 bn.

26.1 m

Net income as at June 30, 2019

Portfolio by site

Based on fair value as at June 30, 2019

**Portfolio by use**Based on projected rental revenue¹ as at June 30, 2019¹ From point of view of real estate business unit**Fair value of portfolio**

in CHF million



Selected key figures

		H1 2019/ 30.06.2019	Restated ⁶ H1 2018/ 31.12.2018	%
Zug Estates Group				
Operating revenue (excluding income from revaluation of investment properties)	TCHF	36 721	35 311	4.0%
Operating expenses	TCHF	14 715	13 148	11.9%
Operating income before depreciation and revaluation	TCHF	22 006	22 163	–0.7%
Revaluation of investment properties (net)	TCHF	11 513	3 487	230.2%
Income from sale of investment properties	TCHF	982	0	n/a
Operating income (EBIT)	TCHF	32 848	23 883	37.5%
Net income	TCHF	26 084	18 176	43.5%
Net income excluding income from revaluation ¹	TCHF	15 401	15 195	1.4%
Total assets	TCHF	1 656 922	1 552 511	6.7%
Interest-bearing debt	TCHF	631 178	554 546	13.8%
– Interest-bearing debt in % of total assets		38.1%	35.7%	
– Average rate of interest of the interest-bearing debt (period)		1.7%	1.8%	
– Average maturity of the interest-bearing debt	YEARS	4.6	5.4	
Shareholders' equity	TCHF	855 675	843 871	1.4%
– Equity ratio		51.6%	54.4%	
Headcount	FTE	135.1	131.3	2.9%
Share				
Closing price	CHF	1 820	1 675	8.7%
Market capitalization ²	TCHF	928 200	854 250	8.7%
Earnings per series B registered share ³	CHF	51.1	35.9	42.6%
Earnings per series B registered share excl. revaluation ³	CHF	30.2	30.0	0.7%
NAV at market value per series B registered share ²	CHF	1 821.2	1 796.7	1.4%
Portfolio				
Investment properties	TCHF	1 290 764	1 273 724	1.3%
Investment properties under construction	TCHF	195 605	140 739	39.0%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	TCHF	1 488 893	1 416 987	5.1%
Operating properties (market value)	TCHF	118 705	118 705	0.0%
Total portfolio	TCHF	1 607 598	1 535 692	4.7%
Property income	TCHF	26 744	25 170	6.3%
Vacancy rate investment properties ⁴		3.2%	2.9%	
Gross return investment properties ⁵		4.2%	4.2%	

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 number of shares outstanding (series A registered shares converted)

³ In relation to number of shares on average outstanding (series A registered shares converted)

⁴ As at the balance sheet date, as a percentage of projected rental income

⁵ Projected rental income (annualized) as a percentage of the market value on the balance sheet date (see page 24)

⁶ First-time application of proportional consolidation for Miteigentümergeinschaft Metalli

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Report to the shareholders

The qualitative growth of the Zug Estates Group continues. Property income, operating income and net income show a significant year-on-year increase.

+4.7%

Portfolio grew to
CHF 1.61 bn as at June 30, 2019.

Dear shareholders, Ladies and gentlemen

Zug Estates achieved a gratifying first-half result. Considerable successes were reported on both the marketing and the construction fronts.

Qualitative growth continues

Adjusted for the effects of the first-time application of proportional consolidation for Miteigentümergeinschaft Metalli (restatement), property income rose by 6.3% in the first half of 2019 compared with the same period of 2018 to CHF 26.7 million (previous year: CHF 25.2 million). This is due to projects completed in 2018 being recognizable in full in the first half of 2019.

Owing to decreased demand, the hotel & catering business unit reported a 3.8% drop in revenue to CHF 8.2 million. However, cost savings meant that the gross operating profit was held at 39.3%, a respectable level compared with the sector as a whole.

Operating income increased overall from CHF 35.3 million to CHF 36.7 million (+4.0%).

Income from revaluation of CHF 11.5 million (first half 2018: CHF 3.5 million) led to EBIT of CHF 32.8 million (first half 2018: CHF 23.9 million) and a 43.5% rise in net income to CHF 26.1 million (first half 2018: CHF 18.2 million). The year-on-year improvement in both figures is also thanks not least to the sale of the last two condominiums on Rote Trotte in Baar at a profit of CHF 1.0 million. In spite of higher value-preserving property expenses, net income excluding income from revaluation rose slightly by 1.4% to CHF 15.4 million.

In the first half of the year, the Zug Estates Group invested CHF 84.8 million (first half 2018: CHF 62.5 million) in the further development of its sites. CHF 24.5 million of this sum was channeled into the Aglaya promotional project (first half 2018: CHF 7.1 million), while the bulk of investments again went into the Suurstoffi site in Rotkreuz.

Steady growth in value and voids slightly higher

The fair value of the portfolio saw an increase in the first half of 2019, up 4.7% to CHF 1.61 billion. The completion of additional commercial space caused a moderate rise in the vacancy rate: on the reference date, June 30, 2019, it stood at 3.2% (June 30, 2018: 1.9%, December 31, 2018: 2.9%). Contractually assured rental space of around 3 000 m² has not been factored into the vacancy rate and will not be included in the calculation until the second half of the year.

Marketing in step with high level of construction activity

Both the Suurstoffi site and the Zug City Center site witnessed further development and marketing successes.

City Center site/Metalli, Zug

- Demand for retail and office space in the Metalli complex remains high. Rental contracts for a total of more than 850 m² were renewed or extended in the first half.
- Slated for completion at the end of 2019, the second phase of widescale refurbishment work totaling CHF 1.1 million on the property at Baarerstrasse 14a is proceeding according to plan. Preparations have also begun for the connection to the Circulago lake water district heating system. Zug Estates has set itself the goal of meeting the heating and cooling needs of the entire Metalli complex CO₂-free with water from Lake Zug as of April 2020.
- The adjustments to the Metalli and Bergli development plans necessary to develop the City Center will be handled jointly with the city of Zug. In this connection, a planning agreement was concluded with the city of Zug defining the general parameters for the joint project. Urban design studies with three planning teams begin in August. A structure project is to be in place at the beginning of 2020 as a basis for the adjustments to both development plans. The modified development plans are expected to come into force in 2022/23.

Suurstoffi, Rotkreuz

- Local amenities are set to be further expanded and enhanced with à la carte restaurant Saporì's and the Globegarden childcare center.
- A long-term rental contract has been concluded with Burger Söhne AG (Dannemann) for the top storey of the wooden high-rise Arbo (construction site 1).
- Global medical device company Align Technology has signed a long-term rental contract for the final two floors of wooden high-rise S22 with a total area of 2 950 m².
- In the first half of 2019, longer-term rental contracts were concluded for almost 5 900 m² of commercial space at the Suurstoffi site, representing an annual value of more than CHF 1.4 million.
- With completion work on the vertical garden high-rise Aglaya progressing to plan, staggered occupation of the condominiums is expected to commence in November 2019. As at June 30, 2019, 92% of the apartments had been reserved or sold.
- Building work on construction site 1 is also proceeding as planned. The first stage can be handed over to Lucerne University of Applied Sciences and Arts on schedule in Q3 2019. Implementation of the second stage will be completed on schedule in Q2 2020. Long-term rental contracts have already been concluded for 70% of the total 26 000 m² of rental space.

26.7_m

Property income in the first half of 2019, representing a year-on-year increase of 6.3%.

Outlook for the second half of 2019

For the 2019 financial year, we are looking to see a marked increase in operating income before depreciation and revaluation thanks in particular to the initial tranche of the projected sales proceeds from the Aglaya apartments. We expect net income excluding income from revaluation to again be higher than the previous year.

As for the real estate business unit, we are predicting growth in rental income on the back of full-year rental revenue from S22 and construction site A as well as from occupancy of phase one plots at construction site 1 and rental space in the Aglaya building. At the same time, property expenses will be higher as a result of further refurbishment work at the Metalli center and initial maintenance carried out at the Suurstoffi site.

We expect revenue and gross operating profit in the hotel & catering segment to be down slightly against 2018.

Zug, August 2019



Dr. Beat Schwab
Chairman of the board of directors



Tobias Achermann
CEO

Consolidated balance sheet

Assets

in CHF thousands	Note	30.06.2019	31.12.2018	Restated 01.01.2018
Cash and cash equivalents		30 971	20 464	30 549
Trade receivables		1 761	1 109	2 655
Other receivables		9 185	9 131	9 330
Inventories		165	177	186
Properties held for sale		0	2 193	0
Promotional properties		81 817	57 365	39 214
Prepaid expenses		2 541	2 435	1 051
Total current assets		126 440	92 874	82 985
Investment properties	1	1 290 764	1 273 724	1 181 425
Investment properties under construction	1	195 605	140 739	106 618
Undeveloped plots	1	2 524	2 524	2 524
Operating properties		33 183	33 967	35 434
Other tangible assets		7 478	7 858	10 153
Prepayments for tangible assets		0	0	159
Financial assets		773	596	2 502
Intangible assets		155	229	334
Total fixed assets		1 530 482	1 459 637	1 339 149
Total assets		1 656 922	1 552 511	1 422 134

Liabilities and shareholders' equity

in CHF thousands	Note	30.06.2019	31.12.2018	Restated 01.01.2018
Current financial liabilities	2	193 800	117 256	60 200
Trade payables		5 411	4 018	4 533
Other current liabilities		21 853	22 568	15 796
Accrued expenses		28 487	17 336	27 303
Current provisions		20	17	14
Total current liabilities		249 571	161 195	107 846
Long-term financial liabilities	2	437 378	437 290	399 739
Long-term provisions		0	0	957
Deferred tax liabilities		114 298	110 155	105 191
Total long-term liabilities		551 676	547 445	505 887
Total liabilities		801 247	708 640	613 733
Share capital	3	12 750	12 750	12 750
Capital reserves		509 491	509 491	517 745
Treasury shares		0	0	-7 435
Retained earnings		333 434	321 630	285 341
Total shareholders' equity		855 675	843 871	808 401
Total liabilities and shareholders' equity		1 656 922	1 552 511	1 422 134

Consolidated income statement

in CHF thousands	Note	01.01.2019 – 30.06.2019	Restated 01.01.2018 – 30.06.2018
Property income	4	26 744	25 170
Hotel & catering income		8 166	8 490
Additional income from ordinary business operations		1 526	1 515
Net proceeds of trade payables and receivables		36 436	35 175
Other operating revenue		285	136
Total operating revenue		36 721	35 311
Property expenses		–3 826	–2 544
Cost of goods purchased for hotel & catering		–760	–802
Personnel expenses		–7 222	–6 987
Other operating expenses		–2 907	–2 815
Total operating expenses		–14 715	–13 148
Operating income before depreciation and revaluation		22 006	22 163
Revaluation of investment properties (net)	1	11 513	3 487
Result from sale of investment properties		982	0
Operating income before depreciation (EBITDA)		34 501	25 650
Depreciation		–1 653	–1 767
Operating income (EBIT)		32 848	23 883
Financial result		–2 466	–2 955
Income before taxes (EBT)		30 382	20 928
Tax expenditure		–4 298	–2 752
Net income		26 084	18 176
Earnings per share			
in CHF			
Earnings per series A registered share, undiluted ¹	3	5.11	3.59
Earnings per series B registered share, undiluted ¹	3	51.15	35.87

¹ 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 (condensed)

in CHF thousands	01.01.2019 – 30.06.2019	Restated 01.01.2018 – 30.06.2018
– Cash flow before change in working capital	16 992	15 542
– Change in working capital	–22 347	–2 680
Cash flow from operating activities	–5 355	12 862
Cash flow from investing activities	–46 458	–53 409
Cash flow from financing activities	62 320	42 846
Change in cash and cash equivalents	10 507	2 299
Composition of net cash and cash equivalents		
Net cash and cash equivalents at the beginning of reporting period	20 464	30 549
Net cash and cash equivalents at the end of reporting period	30 971	32 848
Change in cash and cash equivalents	10 507	2 299

In the first half of 2019, non-cash investments of TCHF 14 162 (first half 2018: TCHF 3 045) were made.

Statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total shareholders' equity
Balance on 01.01.2018	12 750	517 745	–7 435	280 950	804 010
Effect of first-time application of proportional consolidation				4 391	
Balance on 01.01.2018 Restated	12 750	517 745	–7 435	285 341	808 401
Sale of treasury shares ¹	0	2 086	7 435	0	9 521
Distribution from the reserves from capital contributions	0	–10 340	0	0	–10 340
Distribution from retained earnings carried forward (dividends)	0	0	0	–2 522	–2 522
Net income	0	0	0	18 176	18 176
Balance on 30.06.2018 Restated	12 750	509 491	0	300 995	823 236
Balance on 01.01.2019	12 750	509 491	0	321 630	843 871
Distribution to shareholders	0	0	0	–14 280	–14 280
Net income	0	0	0	26 084	26 084
Balance on 30.06.2019	12 750	509 491	0	333 434	855 675

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

Annex

General information

Domiciled in Zug, Switzerland, Zug Estates Holding AG is a Swiss joint stock company. Its shares are listed on SIX Swiss Exchange.

Principles

The present, unaudited consolidated financial statements were prepared in accordance with Accounting and Reporting Recommendation Swiss GAAP FER 31 and the special provisions for real estate companies of Art. 17 of the SIX Swiss Exchange Directive on Financial Reporting and present a true and fair view of the financial position, the results of operations and the cash flows.

The principles of consolidation and valuation applied in the present consolidated financial statements are unchanged compared with those published in the consolidated financial statements as at December 31, 2018.

Real estate valuation method and technique

The properties held for investment purposes were valued on the basis of the fair value assessments (update valuations) performed by a recognized independent real estate expert (Wüest Partner AG) as at June 30, 2019 using the DCF (discounted cash flow) method. The valuation method and technique applied for the half-year financial statements for 2019 are unchanged from the previous year.

Scope of consolidation

The scope of consolidation is unchanged compared to the annual financial statements as at December 31, 2018.

Change in principles of consolidation compared to the Half-Year Report 2018

Under the option in place for the recognition of joint ventures (Swiss GAAP FER 30.3), Zug Estates has decided to report its stake in Miteigentümergeinschaft Metalli for the first time according to the rules of proportional consolidation, namely in the consolidated financial statements as at December 31, 2018. Until then, the proportional gross profit from Miteigentümergeinschaft Metalli was reported net as proportional gross profit under property income in accordance with the equity method. The corresponding positions are now allocated proportionally to the individual balance sheet and income statement positions.

Although the Zug Estates Group's 72.25% holding represents the predominant share of capital, its 7.69% share of votes does not confer majority control over Miteigentümergeinschaft Metalli. The new form of presentation allows for more transparent reporting as well as increased comparability with competitors.

In accordance with Swiss GAAP FER framework 30, this adjustment of the scope of consolidation is classified as a reappraisal of an existing option within the recommendation. This change in the accounting principles requires a correction of the year-back figures in the current Half-Year Report. Accordingly, the relevant financial figures for the first half of 2018 are presented as if the new principles of accounting had always been applied (restatement). As a result, net income as at June 30, 2018 increased by TCHF 420. The changes to positions in the balance sheet and income statement are shown in the table below.

Changes to the balance sheet due to restatement

Assets

in CHF thousands	01.01.2018
Cash and cash equivalents	5 888
Trade receivables	6
Other receivables	2 397
Prepaid expenses	40
Total current assets	8 331
Financial assets	618
Total fixed assets	618
Total assets	8 949

Liabilities and shareholders' equity

in CHF thousands	01.01.2018
Trade payables	920
Other current liabilities	2 808
Accrued expenses	79
Total current liabilities	3 807
Deferred tax liabilities	751
Total long-term liabilities	751
Total liabilities	4 558
Retained earnings	4 391
Total shareholders' equity	4 391
Total liabilities and shareholders' equity	8 949

Changes to the income statement due to restatement

in CHF thousands	01.01.2018 – 30.06.2018
Property income	1 756
Additional income from ordinary business operations	–433
Net proceeds of trade payables and receivables	1 323
Other operating revenue	16
Total operating revenue	1 339
Property expenses	–816
Other operating expenses	–48
Total operating expenses	–864
Operating income (EBIT)	475
Financial result	9
Income before taxes (EBT)	484
Tax expenditure	–64
Net income	420

1 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 on 01.01.2018	682 449	486 336
Investments ³	1 542	4 973
Revaluation (net)	2 159	3 049
Balance on 30.06.2018	686 150	494 358
Accumulated acquisition values as at 01.01.2018	342 814	394 145
Accumulated acquisition values as at 30.06.2018	344 356	399 118
Difference market values/acquisition values as at 01.01.2018	339 635	92 191
Difference market values/acquisition values as at 30.06.2018	341 794	95 240
Balance on 01.01.2019	689 926	573 328
Investments ³	592	4 379
Acquisitions	0	25
Revaluation (net)	7 087	5 247
Balance on 30.06.2019	697 605	582 979
Accumulated acquisition values as at 01.01.2019	345 683	456 507
Accumulated acquisition values as at 30.06.2019	346 275	460 911
Difference market values/acquisition values as at 01.01.2019	344 243	116 821
Difference market values/acquisition values as at 30.06.2019	351 330	122 068

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 principles of valuation

³ Additions from investments include non-cash transactions from the accrual of building costs as well as from trade payables

Other investment properties	Total inv. properties	Total inv. properties under construction ¹	Undeveloped plots ²	Total
12 640	1 181 425	106 618	2 524	1 290 567
0	6 515	49 024	0	55 539
123	5 331	-1 844	0	3 487
12 763	1 193 271	153 798	2 524	1 349 593
7 384	744 343	110 047	2 524	856 914
7 384	750 858	159 071	2 524	912 453
5 256	437 082	-3 429	0	433 653
5 379	442 413	-5 273	0	437 140
10 470	1 273 724	140 739	2 524	1 416 987
0	4 971	55 397	0	60 368
0	25	0	0	25
-290	12 044	-531	0	11 513
10 180	1 290 764	195 605	2 524	1 488 893
6 485	808 675	163 128	2 524	974 327
6 485	813 671	218 525	2 524	1 034 720
3 985	465 049	-22 389	0	442 660
3 695	477 093	-22 920	0	454 173

The discount rates applied to 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 3.4% (December 31, 2018: 2.8% to 3.5%).

2 Financial liabilities

The financial liabilities of TCHF 631 178 as at June 30, 2019 (December 31, 2018: TCHF 554 546) break down into mortgage loans with financial institutions in the amount of TCHF 531 344 (December 31, 2018: TCHF 454 744) as well as a five-year bond paid up on February 17, 2017, with a book value of TCHF 99 834 (December 31, 2018: TCHF 99 802).

The face value of the bond was TCHF 100 000. The difference against the book value is attributable to issuing costs amortized over the term of the bond.

The financial liabilities are structured as follows by maturity:

Residual term

in CHF thousands	30.06.2019	31.12.2018
Under 1 year	193 800	117 256
1 to 3 years	101 434	2 512
3 to 5 years	41 600	142 314
5 to 10 years	219 344	217 464
Over 10 years	75 000	75 000
Total financial liabilities	631 178	554 546
Of which current	193 800	117 256
Of which long-term	437 378	437 290

The average residual term of the interest-bearing debt is 4.6 years (December 31, 2018: 5.4 years). The average capital-weighted interest rate on all interest-bearing financial liabilities is 1.7% (December 31, 2018: 1.8%).

To secure the long-term financial liabilities, properties with a book value of TCHF 1 087 981 (December 31, 2018: TCHF 1 072 626) have been encumbered.

In the reporting period, borrowing costs in the amount of TCHF 2 069 (first half 2018: TCHF 1 731) were capitalized.

3 Share capital

As at June 30, 2019, the shares broke down as follows:

Shares issued	Security number	Nominal value CHF	Number	Votes	Capital CHF	Votes previous year	Capital CHF previous year
Series A registered shares	14 805 211	2.50	496 600	496 600	1 241 500	496 600	1 241 500
Series B registered shares	14 805 212	25.00	460 340	460 340	11 508 500	460 340	11 508 500
Total				956 940	12 750 000	956 940	12 750 000

In the first half of 2019, Zug Estates Holding AG sold no treasury shares (first half 2018: 5 592 series B registered shares at an average price of CHF 1 734.50).

As at June 30, 2019, Zug Estates Holding AG held no treasury shares (December 31, 2018: no treasury shares).

Non-distributable statutory reserves amounted to TCHF 7 625 as at June 30, 2019 (December 31, 2018: TCHF 7 625).

4 Key figures and net income per share

Shareholders' equity per share is as follows:

Shareholders' equity per share

	30.06.2019	31.12.2018
Shareholders' equity (in TCHF)	855 675	843 871
Deferred tax liabilities (in TCHF)	114 298	110 155
Shareholders' equity before deferred taxes (in TCHF)	969 973	954 026
Number of outstanding series A registered shares ¹	496 600	496 600
Number of outstanding series B registered shares	460 340	460 340
Shareholders' equity per outstanding series B registered share, before deferred taxes (in CHF)	1 901.91	1 870.64
Shareholders' equity per outstanding series B registered share, after deferred taxes (in CHF)	1 677.79	1 654.65

¹ Series A registered shares are factored according to the percentage of share capital they represent at a ratio of 1 to 10

NAV at market value is calculated as follows:

NAV at market value per share

	30.06.2019	31.12.2018
Shareholders' equity (in TCHF)	855 675	843 871
Difference market value/acquisition value operating properties (in TCHF)	85 522	84 738
Deferred taxes on difference market value/acquisition value operating properties (in TCHF)	- 12 401	- 12 287
NAV at market value (in TCHF)	928 796	916 322
Number of outstanding series A registered shares ¹	496 600	496 600
Number of outstanding series B registered shares	460 340	460 340
NAV at market value per outstanding series B registered share (in CHF)	1 821.17	1 796.71

¹ Series A registered shares are factored according to the percentage of share capital they represent at a ratio of 1 to 10

Net income excluding income from revaluation

Net income excluding income from revaluation is equal to net income excluding income from revaluation of investment properties, excluding income from sale of investment properties and securities and corresponding attributable taxes.

in CHF thousands	01.01.2019 – 30.06.2019	Restated 01.01.2018 – 30.06.2018
Net income	26 084	18 176
Revaluation of investment properties (net)	- 11 513	- 3 487
Result from sale of investment properties	- 982	0
Attributable taxes on adjustments to net income excl. income from revaluation	1 812	506
Net income excluding income from revaluation	15 401	15 195

Earnings per share is calculated as follows:

Earnings per share

Information on series A registered shares		30.06.2019	Restated 30.06.2018
Series A registered shares issued on 01.01.	Number	496 600	1 948 640
Series A registered shares issued on 30.06.	Number	496 600	496 600
Series A registered shares issued (weighted average)	Number	496 600	1 311 356
Series A registered treasury shares (weighted average)	Number	0	0
Average outstanding series A registered shares	Number	496 600	1 311 356
Share in net income attributable to series A registered shares	TCHF	2 540	4 704
Share in net income excluding income from revaluation, attributable to series A registered shares	TCHF	1 500	3 933
Applicable number of series A registered shares	Number	496 600	1 311 356
Earnings per series A registered share, undiluted	CHF	5.11	3.59
Earnings excluding income from revaluation per series A registered share, undiluted¹	CHF	3.02	3.00

Information on series B registered shares		30.06.2019	Restated 30.06.2018
Series B registered shares issued on 01.01.	Number	460 340	315 136
Series B registered shares issued on 30.06.	Number	460 340	460 340
Series B registered shares issued (weighted average)	Number	460 340	378 864
Series B registered treasury shares (weighted average)	Number	0	3 324
Average outstanding series B registered shares	Number	460 340	375 540
Share in net income attributable to series B registered shares	TCHF	23 544	13 472
Share in net income excluding income from revaluation, attributable to series A registered shares	TCHF	13 901	11 262
Applicable number of series B registered shares	Number	460 340	375 540
Earnings per series B registered share, undiluted¹	CHF	51.15	35.87
Earnings excluding income from revaluation per series A registered share, undiluted¹	CHF	30.20	30.00

¹ There are no potential dilutive effects to report. The diluted earnings per share correspond to the undiluted earnings per share

5 Property income

The reported property income of TCHF 26 744 (first half 2018: TCHF 25 170) comprises actual rental income. This position contains revenue from all properties.

in CHF thousands	01.01.2019 – 30.06.2019	Restated 01.01.2018 – 30.06.2018
Rental income Zug City Center site	14 339	14 730
Rental income Suurstoffi	12 163	10 188
Income from other properties	242	252
Total property income	26 744	25 170

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

Term, share in %	30.06.2019	31.12.2018
Under 1 year, incl. unlimited rental contracts	45.4	45.4
Over 1 year	4.3	5.8
Over 2 years	4.9	4.7
Over 3 years	18.2	3.7
Over 4 years	3.0	17.1
Over 5 years	4.4	6.2
Over 6 years	1.2	0.1
Over 7 years	0.5	1.1
Over 8 years	3.8	3.0
Over 9 years	9.8	7.0
Over 10 years	4.5	5.9
Total	100.0	100.0

As at June 30, 2019, the five largest tenant groups together generated 22.5% (as at December 31, 2018: 22.5%) of annualized projected rental revenue.

Tenants, share in %	30.06.2019	Tenants, share in %	31.12.2018
Novartis	6.6	Novartis	6.6
Migros ¹	6.3	Migros ¹	6.3
UBS	4.2	UBS	4.2
Nord Stream	2.8	Nord Stream	2.8
Lucerne University of Applied Sciences and Arts	2.6	Lucerne University of Applied Sciences and Arts	2.6

¹ Various companies of the Migros Group

6 Segment report

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

in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
01.01.2019–30.06.2019				
Operating revenue	31 414	8 483	–3 176	36 721
Operating expenses	–9 747	–7 825	2 857	–14 715
Revaluation of investment properties (net)	11 513	0	0	11 513
Result from sale of investment properties	982	0	0	982
Operating income before depreciation (EBITDA)	34 162	658	–319	34 501
Operating income (EBIT)	32 870	320	–342	32 848

in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
01.01.2018–30.06.2018				
Operating revenue	29 669	8 807	–3 165	35 311
Operating expenses	–8 025	–7 850	2 727	–13 148
Revaluation of investment properties (net)	3 487	0	0	3 487
Operating income before depreciation (EBITDA)	25 131	957	–438	25 650
Operating income (EBIT)	23 802	542	–461	23 883

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

All revenues 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 and all associated expenses and credits arising from rent paid to the real estate business unit, in the reporting period the hotel & catering business unit generated operating income of CHF 2.0 million (first half 2018: CHF 2.3 million).

Portfolio

	Place	Form of ownership ¹	Ownership share in %	Year of construction	Year of refurbishment
Investment properties					
Zug City Center site					
Baarerstrasse 20–22 (Metalli I/II, Zug Estates share)	Zug	M	72.25	1987/1991	–
Baarerstrasse 14a (Metalli III)	Zug	A	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	A	100	1995	–
Industriestrasse 16 (leasehold) ²	Zug	BR-P	100	1987	–
Industriestrasse 18	Zug	A	100	1992	–
Haldenstrasse 12–16 (Haldenhof)	Zug	A	100	2009	–
Residential development Haldenstrasse/Metallstrasse/ Bleichmattweg	Zug	A	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 5, 9, 13–17	Risch Rotkreuz	A	100	2011/2012	–
Suurstoffi 19–35	Risch Rotkreuz	A	100	2015	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Risch Rotkreuz	A	100	ca. 1926	2012
Suurstoffi 8–12	Risch Rotkreuz	A	100	2013	–
Suurstoffi 14	Risch Rotkreuz	A	100	2013	–
Suurstoffi 16–20	Risch Rotkreuz	A	100	2017/2018	–
Suurstoffi 22	Risch Rotkreuz	A	100	2018	–
Suurstoffi 41	Risch Rotkreuz	A	100	2014	–
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	A	100	1971	–
Total other					
Total investment properties (excl. investment properties under construction)					
Investment properties under construction					
Suurstoffi 37 (Aglaya)	Risch Rotkreuz	A	100	2019	–
Suurstoffi 1–6 (Lucerne University of Applied Sciences and Arts)	Risch Rotkreuz	A	100	2019/2020	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Risch Rotkreuz	A	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
Operating properties ^{3,4}	Zug	A/S	100	–	–
Total portfolio					

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

² Zug Estates AG is the ground lessor

³ Information on floorspace and number of parking spaces excludes 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 (City Garden Hotel),
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/cultural/ education m ²	Storage/other m ²	Total rentable space m ²	Total no. of parking spaces
16 419	8 130	10 141	17 917	923	2 261	5 172	44 544	521
4 843	270	5 491	3 056	149	—	3 046	12 012	124
2 155	1 965	1 370	381	461	264	755	5 196	93
3 200	—	—	—	—	—	—	—	—
1 637	—	1 463	—	—	—	234	1 697	30
3 615	3 148	—	—	—	—	59	3 207	54
13 997	8 323	—	—	—	100	49	8 472	72
45 866	21 836	18 465	21 354	1 533	2 625	9 315	75 128	894
15 503	11 336	—	—	—	—	19	11 355	234
12 417	10 278	—	—	—	—	35	10 313	409
2 680	—	—	—	—	520	—	520	—
15 237	10 095	86	—	337	3 405	326	14 249	306
8 359	—	8 527	—	—	—	621	9 148	52
14 098	11 861	5 921	754	—	3 070	1 075	22 681	227
7 081	—	10 414	60	547	—	466	11 487	231
3 496	—	620	—	—	5 861	—	6 481	4
78 871	43 570	25 568	814	884	12 856	2 542	86 234	1 463
2 806	503	698	—	—	—	33	1 234	29
2 806	503	698	—	—	—	33	1 234	29
127 543	65 909	44 731	22 168	2 417	15 481	11 890	162 596	2 386
7 858	—	1 821	—	259	—	37	2 117	—
8 591	—	9 278	—	—	14 726	1 906	25 910	137
16 449	—	11 099	—	259	14 726	1 943	28 027	137
10 337	—	—	—	—	—	—	—	—
10 337	—	—	—	—	—	—	—	—
154 329	65 909	44 731	22 168	2 417	15 481	11 890	162 596	2 386
12 871	1 879	873	—	13 002	—	276	16 030	199
167 200	67 788	45 604	22 168	15 419	15 481	12 166	178 626	2 585

Additional information

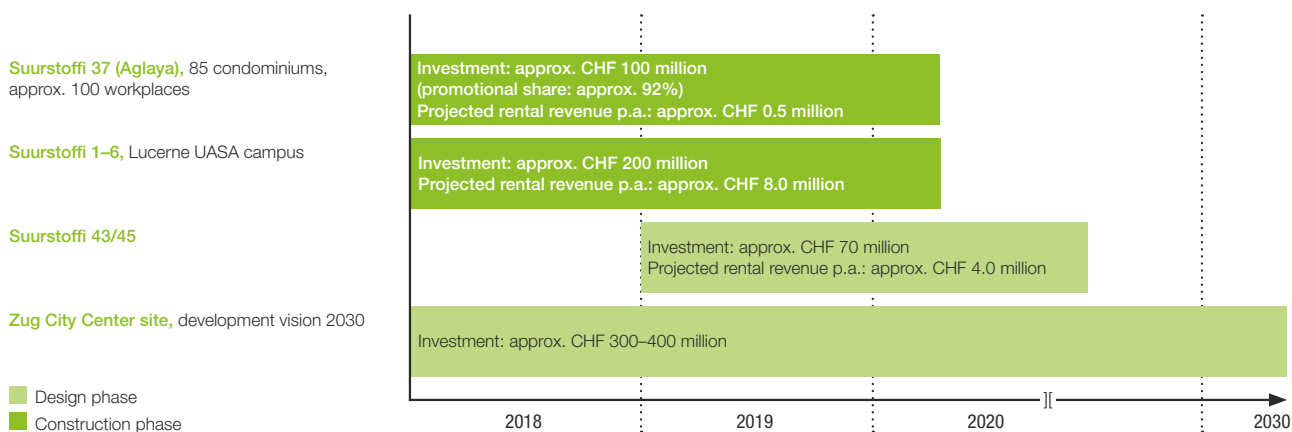
in CHF thousands or %	Book value 30.06.2019	Book value 31.12.2018	Projected rental revenue 30.06.2019	Projected rental revenue 31.12.2018	Vacancy rate 30.06.2019	Vacancy rate 31.12.2018
Zug City Center site, Zug ¹	697 605	689 926	28 765	28 681	1.3	1.3
Suurstoffi site, Risch Rotkreuz	582 979	573 328	24 637	24 589	5.4	4.8
Other	10 180	10 470	445	445	0.0	0.0
Investment properties	1 290 764	1 273 724	53 847	53 716	3.2	2.9
Investment properties under construction	195 605	140 739	–	–	–	–
Undeveloped plots	2 524	2 524	–	–	–	–
Total real estate portfolio	1 488 893	1 416 987	53 847	53 716	3.2	2.9
Operating properties ²	33 183	33 967	–	–	–	–
Total portfolio	1 522 076	1 450 954	–	–	–	–

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

² Properties used for operational purposes are stated at cost less write-downs in accordance with accounting standards.
Wüest Partner AG estimated the fair value as at December 31, 2018 at TCHF 118 705 (December 31, 2017: TCHF 117 296)

Additional information on ongoing or recently completed development projects at the Suurstoffi site

Occupancy level by floor area (commercial units) or number (residential units)		30.06.2019	31.12.2018
Suurstoffi 16–20	Residential	100%	100%
	Student accommodation	100%	100%
	Commercial	94%	86%
Suurstoffi 22	Commercial	100%	75%
Suurstoffi 37	Commercial	100%	84%
Suurstoffi 1–6	Commercial	70%	69%
Stand for promotional properties based on number (residential use)		30.06.2019	31.12.2018
Suurstoffi 37	Residential	92%	87%
Completion			
Suurstoffi 37			2019/2020
Suurstoffi 1–6			2019/2020

Development pipeline

Contact details and upcoming events

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Upcoming events

06.03.2020

Publication of the 2019 Annual Report

07.04.2020

Annual general meeting of shareholders 2020

28.08.2020

Publication of the 2020 Half-Year Report

Exchange trading

Series B registered share Zug Estates Holding AG

Securities number: 14 805 212

ISIN: CH 014 805 212 6

Ticker symbol SIX Swiss Exchange: ZUGN

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Online, download, print

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The electronic version of the report can be downloaded from www.zugestates.ch. A copy of the printed Half-Year Report can be ordered by e-mail from ir@zugestates.ch.

Notes on possible forward-looking statements:

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

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