

Annual Report

2013

At a glance

		2013	2012	%
Zug Estates Group				
Operating revenue (excl. income from the revaluation of inv. properties)	TCHF	59 095	53 520	10.4%
Operating expenses	TCHF	25 910	24 613	5.3%
Operating income before depreciation and revaluation	TCHF	33 185	28 907	14.8%
Revaluation of investment properties (net)	TCHF	26 900	47 772	- 43.7%
Income from sale of investment properties	TCHF	0	2 215	- 100.0 %
EBITDA	TCHF	60 085	78 894	- 23.8%
EBIT	TCHF	56 531	75 215	- 24.8%
Net income	TCHF	44 807	57 886	- 22.6%
Net income excluding income from revaluation ¹	TCHF	20 660	18 181	13.6%
Total assets	TCHF	981 926	945 721	3.8%
Interest-bearing debt	TCHF	250 000	250 000	0.0%
- Debt ratio		25.5%	26.4%	-
Shareholders' equity (NAV)	TCHF	629 069	601 908	4.5%
- Equity ratio		64.1%	63.6%	-
- Return on equity ²		7.3%	10.0%	-
Headcount		154.1	153.7	0.3%
Share				
Closing price ³	CHF	1 162	1 200	- 3.2%
Market capitalization ^{3,4}	TCHF	573 519	602 652	- 4.8%
Earnings per series B registered share ⁵	CHF	89.99	114.38	- 21.3%
Distribution per series B registered share	CHF	16.50 ⁶	15.00	10.0%
Shareholders' equity (NAV) per series B registered share ⁴	CHF	1 274.55	1 198.52	6.3%
EPRA NAV per series B registered share ⁴	CHF	1 387.29	1 310.06	5.9%
Portfolio				
Investment properties on balance sheet date		14	12	16.7%
Investment properties	TCHF	835 867	675 644	23.7%
Investment properties under construction	TCHF	47 023	111 234	- 57.7%
Undeveloped plots	TCHF	9 269	11 311	- 18.1%
Total real estate portfolio	TCHF	892 159	798 189	11.8%
Operating properties (market value)	TCHF	106 507	105 624	0.8%
Total portfolio	TCHF	998 666	903 813	10.5%
Property income ⁷	TCHF	34 733	29 045	19.6%
Vacancy rate investment properties ⁸		2.7%	1.4%	-
Gross return investment properties ⁹		4.8%	4.7%	-
Gross return operating properties ¹⁰		6.6%	6.5%	-

Periodic data for 2012 are pro forma values.

¹ Equal to net income excluding income from revaluation of investment properties (net), excluding income from sale of investment properties and excluding income from securities and corresponding deferred taxes

² In relation to average shareholders' equity

³ The company's series B registered shares have been listed on SIX Swiss Exchange since July 2, 2012

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

⁵ In relation to number of shares on average outstanding (series A registered shares converted)

⁶ Proposed by board of directors, in form of cash distribution from reserves from capital contributions

⁷ Comprises rental income and income from Miteigentümergeinschaft Metalli

⁸ As at the balance sheet date, as a percentage of projected rental income

⁹ Projected rental income (annualized) as a percentage of the market value on the balance sheet date

¹⁰ Projected rental income from point of view of real estate business unit (annualized) as a percentage of the market value on the balance sheet date

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Report to the shareholders

Dear shareholders,

Will the world emerge from financial repression largely unscathed?

– Anyone seeking grounds for optimism in the political economy will have to search long and hard. After all, the frequently cited forecasts of continuing weak growth are among the more optimistic scenarios. It is to be assumed that the damage caused by this induced impairment of growth will be greater overall than the dwindling benefits of the financial repression with which authorities and central banks are attempting to gloss over structural problems and which has now developed a momentum of its own.

In a knock-on effect, the distortion of interest rates also serves to undermine the reliability of statements regarding the valuation of capital goods. This trend is further exaggerated by a highly popular mantra in the investor universe – TINA (which stands for "there is no alternative"); this slogan is supposed to confirm that investing in tangible assets, given the situation, is the only right thing to do. And in this strange world with its bewildering lack of transparency, there is actually a lot that speaks in favor of preferring investments in things that we can touch and that are of practical use and benefit in life.

Especially when it comes to real estate, however, it is becoming more and more difficult for "value"-oriented shareholders to tell whether the revaluation gains they enjoy are attributable to macroeconomic control factors or fast-changing accounting standards and may therefore be built on sand. Whichever is the case, there is a danger of companies losing sight of their own performance.

Despite this confusing environment, Zug Estates is convinced that investing in real estate continues to make sense, while adopting a focused approach with the following guiding principles:

Investing to hold

In 2013, Zug Estates once again diligently invested in new real estate projects, thereby generating strong operating income. The company's activities focus on the continuing expansion and systematic renewal of its portfolio. Zug Estates is in the comfortable position of having a certain amount of development potential at its disposal on the existing sites. At the end of 2013, planning permission was secured for further sizable land reserves at the Suurstoffi site. Continued gratifying operating results are to be achieved by means of strategically well-considered development and renovation activities.

Investing in sustainability

Sustainability is on everyone's lips. However, when something is this popular, skepticism is usually called for. At all events, the most recent referendums must give companies cause to review their direction. Just as it is taken for granted that client needs serve as a guide when developing products, so must the impact of conducting business on society as a whole be geared toward acceptance.

Zug Estates takes a multi-dimensional approach to sustainability. In relation to energy – around half of the power needed in Switzerland is consumed in real estate – priority is given to the zero-zero vision, and thus specifically to avoiding CO₂ and using as little external energy as possible. The results achieved at the Suurstof-fi site, which are to be further optimized, are noteworthy for two reasons: the vision being pursued is not just feasible, it is also competitive in economic terms.

Zug Estates remains firmly committed to establishing networked sites and is doing so in a way that has been labeled a "flagship project" for the energy turnaround by those qualified to judge. This approach promises to unleash a great deal more potential, partly because synergies are to be found in the convergence of energy systems and partly because optimization endeavors exhibit much greater leverage across entire sites than for each individu-

al user. The convergence of systems also involves sites generating their own power. Efforts in this direction are being stepped up, and costs continue to fall. Within the framework of multi-energy networking this should make a relatively important contribution to the energy turnaround as it spells savings in primary energy and places a lesser burden on the power grids.

Investing in density

More and more people on commuter trains, more and more cars on the roads, more and more building density can all lead to what is popularly known as "overcrowding". Zug Estates has without doubt firmly incorporated the paradigms of the (new?) spatial planning in its strategy, while also implementing them through its investment plans. It does so with the conviction that there is great potential to be found in designing and managing large-scale districts for mixed use. A carefully evaluated master plan – in terms of building density, intelligent mix of uses, varied architecture, functional infrastructures, high-quality outdoor spaces among other factors – can lead to an overall aesthetic that creates even more added value for residents, workers, visitors, neighbors, the community and owners. This has been achieved at the Metal-li site in Zug, a growing urban district with a very high density, in a refurbishment process lasting several years. At the Suurstof-fi site, another district with a similarly high building density, it was successfully accomplished in the first phase of the development.

Amendment to articles of association

While most referendums have only an indirect influence on how companies do business, the acceptance of the popular "fat-cat pay" initiative proposed by Councilor of States Thomas Minder did have an immediate impact on corporate articles of association. The board of directors has decided to go ahead and propose to the upcoming general meeting of shareholders that the articles of association be amended in line with the ensuing Ordinance against Excessive Compensation in Listed Companies (OaEC). Three already crucial principles point the way forward:

- the compensation system should be transparent and straightforward,
- members of the board of directors will receive fixed compensation only, and
- the variable compensation for members of Group Management should be set at a moderate level.

As far as variable compensation for members of Group Management is concerned, three points should be noted: first, the realization that bonuses can very quickly destroy intrinsic motivation, which, however, plays an important role in the ability to collaborate with the board of directors and shareholders in a spirit of trust and in the interest of overriding objectives. Second, the inherently trivial insight – which is only now being invoked again by advisors – that with pre-defined systems of targets often insufficiently covering the tasks and influences that arise during the business year, part of the remit of the board of directors remains to make decisions at its own discretion, and third and last, the fact that the personal relationship between board of directors and Group Management and the form this takes is much more important than any overblown bonus program.

Acknowledgments

On behalf of the board of directors, I would like to thank the Group Management and employees for their loyalty and commitment. I thank our clients, the authorities, planners, construction firms and suppliers for the pleasant working relationship. And I would like to thank you, our shareholders, for the trust you place in the company.



Heinz M. Buhofer
Chairman of the board of directors

Dear shareholders,

The Zug Estates Group can look back on a successful second year in business.

Goals for 2013 achieved

Zug Estates increased its revenue and operating income significantly in 2013. Operating revenue before revaluation rose by 10.4% to CHF 59.1 million and operating income before revaluation rose by 14.8% to CHF 33.2 million. As expected, income from the revaluation of investment properties failed to match the previous year's figure; net income therefore declined by 22.6% to CHF 44.8 million. Excluding one-off and revaluation effects, net income rose 13.6% to CHF 20.7 million.

Strong growth persists

Zug Estates continued to pursue its growth strategy in the reporting year, investing CHF 68.3 million in the expansion of its real estate portfolio. The book value of the entire portfolio grew 11.0% to CHF 933.2 million. In accordance with accounting principles, operating properties are stated at cost less write-downs. The fair value of these properties, which is also determined annually, is CHF 106.5 million, and the fair value of the entire portfolio thus amounts to CHF 998.7 million, representing a year-on-year increase of 10.5%.

Higher dividend

On account of the pleasing result for the 2013 financial year and the good outlook for future operations, the board of directors proposes to the general meeting of shareholders that the distribution be increased by 10%: the payout to shareholders from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.65 per series A registered share and CHF 16.50 per series B registered share.

Outlook

Zug Estates expects trends in the Swiss real estate sector to continue to flatten out in 2013. However, the Zug area is still likely to retain its above-average appeal and the healthy demand for living space will continue. Commercial units are likely to experience somewhat longer absorption periods owing to the high supply of available properties should tenants wish to change, even given the fact that those of the Zug Estates Group are all in prime locations. The continuing expansion of the portfolio should lead to a further increase both in revenues and in operating income before revaluation in the 2014 financial year. However, due to the expected slowdown in market momentum, the Group anticipates that income from the revaluation of investment properties will fail to match the previous year's figure, and that this will similarly impact net income. By investing between CHF 50 million and CHF 100 million p.a. in its portfolio, Zug Estates expects to see continuing dynamic growth in future.



Stephan Wintsch
Chief Executive Officer

«I can find
everything
I need at the
Metalli Center.»

Customer at the Metalli Center

With footfall of over four million people a year, the Metalli is the most important shopping center in the Zug region. More than 50 shops and providers offering a varied and attractive range of food, non-food, catering and services generate annual sales of approx. CHF 165 million.



Brief profile

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

A large part of the real estate portfolio is located at two sites in Zug and in Risch-Rotkreuz and is broadly diversified by type of use. The Group also operates a city resort in Zug, incorporating the two leading business hotels Parkhotel Zug and City Garden along with a broad range of restaurant outlets. The total value of the portfolio as at the end of 2013 ran to CHF 998.7 million.

Integrated business model

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

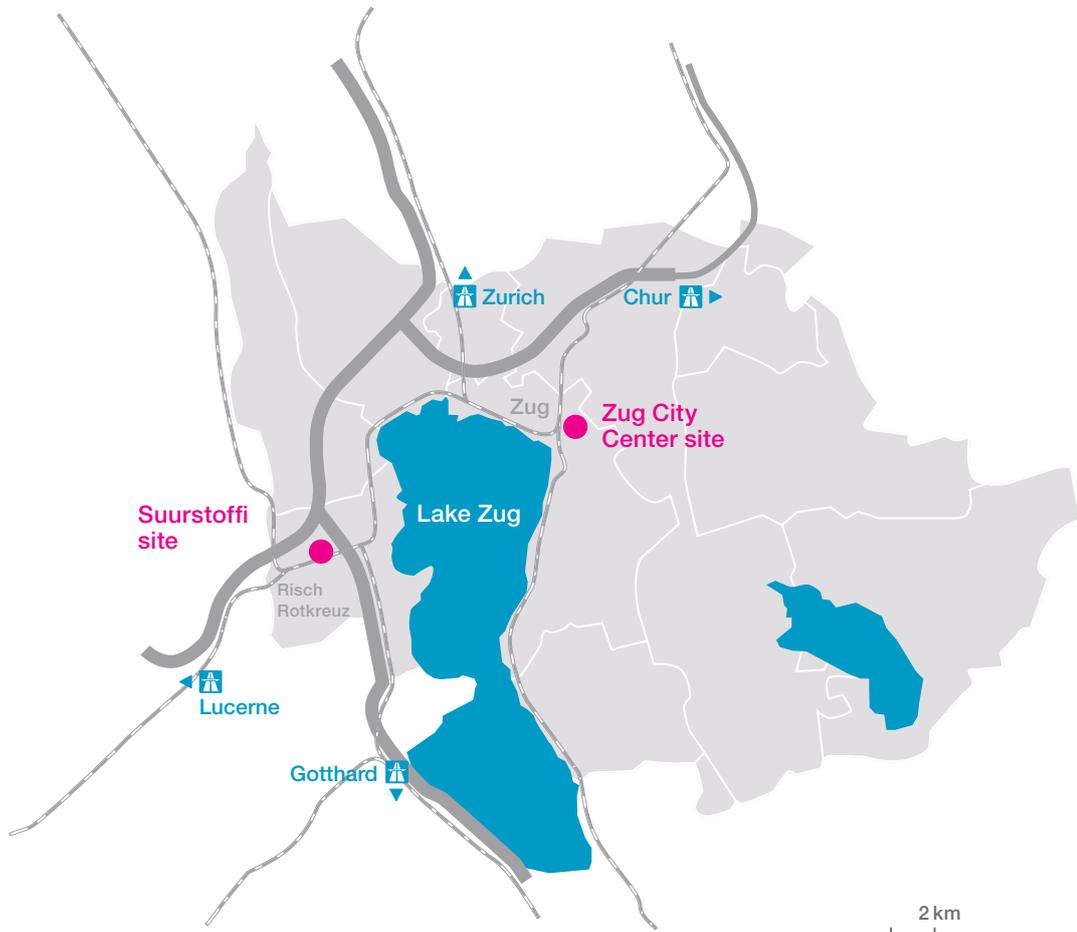
Comprehensive development strategy

The Zug Estates Group focuses on central locations permitting high development densities and a balanced mix of living, working and recreational facilities. It implements development concepts

which are geared to the specific features of the location, exploit the synergies between buildings and view the overall site as an integral urban system. In Zug, the Group has a majority stake in the Metalli Center complex as well as other residential and commercial properties. In Risch Rotkreuz, the Zug Estates Group is in the process of developing an integral urban quarter with apartments and commercial units. The portfolio exhibits an accordingly high degree of diversification in terms of facility type. By concentrating on the city of Zug and surrounding regions, the Zug Estates Group is able to capitalize on its market intelligence and familiarity with the local business community.

Continuous expansion of portfolio

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



Complementary hotel and catering facilities

In Zug, the Group also operates a four-star city resort geared to the needs of business clients, comprising two prominent establishments, Parkhotel Zug and City Garden, along with serviced city apartments. The total capacity runs to around 250 accommodation units, as well as catering and seminar/conferencing facilities.

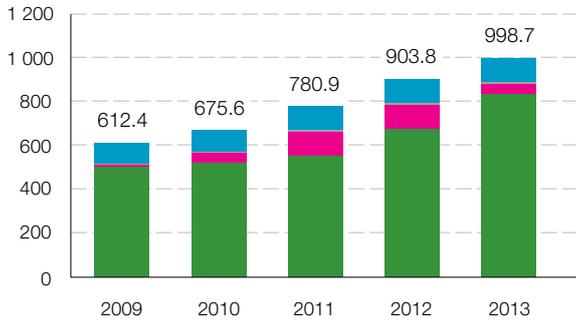
Integrated directly into the Center site, the city resort creates additional synergy potential and attracts 50 000 hotel guests a year to the site, including 90% from abroad.

Committed to sustainability

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

Value of portfolio

in CHF millions



Operating properties (at market value)

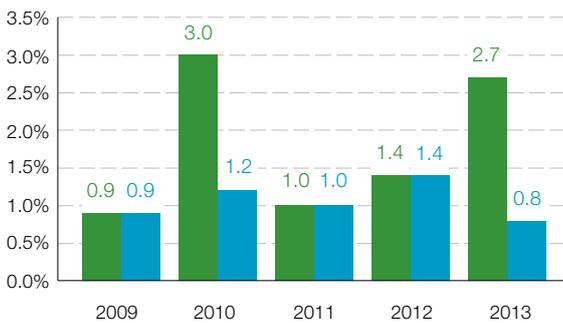
Undeveloped plots

Investment properties under construction

Investment properties

Vacancy rate

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



Vacancy rate investment properties (total)

Vacancy rate investment properties (adjusted)

Gross return

Projected rental revenue at fair value

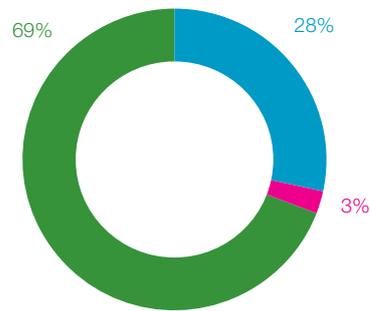


Investment properties

Operating properties

Portfolio by site

Based on fair value as at December 31, 2013



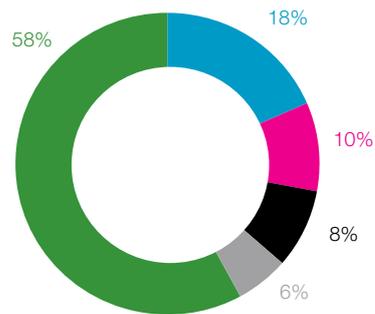
Zug City Center site

Suurstoffi site, Risch Rotkreuz

Other

Portfolio by type of property

Based on fair value as at December 31, 2013



Mixed-use properties

Residential properties

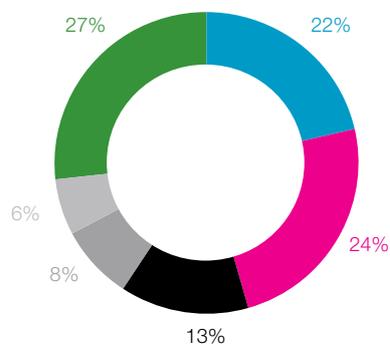
Commercial properties

Hotel properties

Development properties/sites

Portfolio by use

Based on projected rental revenue as at December 31, 2013



Residential

Retail

Office

Hotel & catering

Parking

Other



Zug City Center site



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

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

Key data as at December 31, 2013

Site area	58 213 m ²
Residents	approx. 700
Workplaces	approx. 2 000
Local amenities	Metalli shopping mall with approx. 16 000 m ² effective sales area plus a variety of catering, healthcare, child-care, educational, training and cultural facilities
Access	Direct link to Zug train station and bus station; Baar and Zug motorway interchange within a 5-minute drive from site

Suurstoffi site



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

1. Visualization Suurstoffi 19–35, Risch Rotkreuz, scheduled for completion in 2015
2. Boulevard running through the neighborhood, Risch Rotkreuz
3. Visualization office building Suurstoffi 41, Risch Rotkreuz, scheduled for completion in 2014
4. Suurstoffi 8–14, Risch Rotkreuz

Key data as at December 31, 2013

Site area	104 340 m ²
Residents	approx. 550
Workplaces	approx. 400
Local amenities	Education (private international school), childcare, fitness center, car sharing, further space is being marketed, shops and other local facilities in village
Access	Train station (Interregio route) nearby, several bus stops served by regional bus and postbus system on site, Rotkreuz motorway interchange is a 2-minute drive from site



«Within five minutes I'm at my first meeting of the day.»

Guest at the Parkhotel Zug

The Zug Estates Group operates a centrally located business resort with around 250 accommodation units, as well as catering facilities. An additional 50 000 or so guests p.a. frequent the area around the Metalli Center.



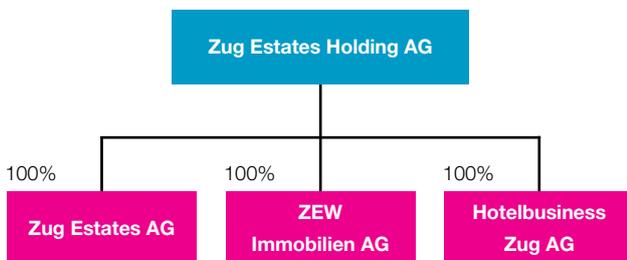
Corporate governance report

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, 2013, or to the year under review (2013) respectively, unless stated otherwise. No essential changes occurred between December 31, 2013 and the submission deadline for the annual report. To aid orientation, the order and numbering of chapters are in line with those of the "Directive on Information relating to Corporate Governance" issued by SIX Swiss Exchange.

1. Group structure and shareholders

1.1 Group structure



The list of consolidated companies can be found in the financial report on page 48.

1.2 Significant shareholders

All the significant shareholders who are known to Zug Estates Holding AG are listed in the financial report on page 56 (see "Significant shareholders"). Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer own a total of 66.3% of the voting rights together with the Buhofer Trust, a fixed-interest trust according to the law of Liechtenstein. Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki indirectly hold a participating interest in Zug Estates Holding AG via this trust, alongside Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer. Other than the above, there are no mutual agreements between shareholders who are subject to registration. The aforementioned group of shareholders also jointly hold – via Buhofer Trust I, Vaduz, Liechtenstein (a fixed-interest trust according to the law of Liechtenstein) – a 67.2% (voting rights) stake in Metall Zug AG, which holds 17 895 series B registered shares in Zug Estates Holding AG (0.8% of the voting rights). This indirect participation is included in full in the stake of 66.3% of the voting rights reported for Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer together with Buhofer Trust II. Pursuant to art. 20 of the Swiss Stock Exchange Act (SESTA) a reduction of the stake held by the aforementioned group from 68.1% to 66.3% was published on May 9, 2013 and a change in the composition of the group was published on August 13, 2013.

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Capital

The composition of the share capital is described in the financial report on page 55 (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 45 (see "Statement of changes in equity"). Since the company was not founded until the previous year, no details of changes in capital for the year before that are stated.

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 55 (see "Shares issued"). Series A (privileged voting shares, par value CHF 2.50) registered shares are not listed. Series B (ordinary shares, par value CHF 25.00) registered shares are listed on the SIX Swiss Exchange, Zurich (securities number 14805212, ISIN CH0148052126).

2.5 Participation certificates and dividend-right certificates

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

2.6 Limitations on transferability and nominee registrations

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

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

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

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

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

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

2.7 Convertible bonds and warrants/options

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

3. Board of directors

3.1 Members of the board of directors

	First appointed	End of term
Heinz M. Buhofer , CH, 1956 Chairman of the board of directors (non-executive)	2012	2014
Hannes Wüest , CH, 1946 Vice chairman of the board of directors (non-executive ¹)	2012	2014
Prof. Dr. Annelies Häcki Buhofer , CH, 1954 Member of the board of directors (non-executive)	2012	2014
Dr. Hajo Leutenegger , CH, 1944 Member of the board of directors (non-executive)	2012	2014
Armin Meier , CH, 1958 Member of the board of directors (non-executive)	2013	2014
Heinz Stübi , CH, 1954 Member of the board of directors (non-executive)	2012	2014
Martin Wipfli , CH, 1963 Member of the board of directors (non-executive)	2012	2014

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

3.2 Other activities and vested interests

Heinz M. Buhofer

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

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

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

Activities on governing and supervisory bodies Chairman of the board of directors of Metall Zug AG, Zug; vice-chairman of the board of directors of Wasserwerke Zug AG, Zug

Hannes Wüest

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

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

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

Activities on governing and supervisory bodies None

Prof. Annelies Häcki Buhofer

Education PhD, University of Zurich

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

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

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



Heinz M. Buhofer



Hannes Wüest



Prof. Annelies Häcki Buhofer



Dr. Hajo Leutenegger



Armin Meier



Heinz Stübi



Martin Wipfli

Dr. Hajo Leutenegger

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

Professional background CEO of Wasserwerke Zug AG, 1986–2009

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

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

Armin Meier

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

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

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

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

Heinz Stübi

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

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

Previous activities for the Zug Estates Group None

Activities on governing and supervisory bodies Vice-chairman of the board of directors of Thurella AG, Egnach and Biotta AG, Tägerwilen

Martin Wipfli

Education 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, and directorships at other unlisted companies

3.3 Elections and terms of office

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

3.4 Internal organizational structure

In the year under review the board of directors held four official meetings, which were also attended by the members of Group Management. These meetings typically last half a day. The agenda items for the meetings of the board of directors are specified by the chairman and prepared by Group Management. Every member of the board of directors and every 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 four committees: the Strategy and Investment Committee, the Hotel Committee, the Nomination and Compensation Committee, and the Audit Committee.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee drafts company strategy for the attention of the board of directors and steers the investment process. The committee receives investment proposals for preliminary evaluation and makes recommendations to the board of directors. It also initiates the implementation of approved projects depending on the marketing situation and monitors the execution of these transactions. The Strategy and Investment Committee usually meets once a month. In the year under review, 13 meetings were held, each lasting approximately three hours. The committee consists of Hannes Wüest (chairman) and Martin Wipfli; the chairman of the board of directors and the CEO also participate in the discussions.

HOTEL COMMITTEE

The Hotel Committee assists the Group board of directors in managing the hotel & catering business unit in that the board of directors of the hotel company reports directly to the committee. The Hotel Committee works with the board of directors and management of the hotel company to formulate the strategy of the hotel & catering business unit. The Hotel Committee was set up in September 2013 and usually meets four times a year. One meeting, which lasted three hours, was held in the year under review. Armin Meier (chairman) and Annelies Häcki Buhofer serve on the committee, and the CEO also participates in the discussions.

NOMINATION AND COMPENSATION COMMITTEE

The Nomination and Compensation Committee develops and reviews the principles of the company's corporate governance. It regularly reviews the composition and size of the board of directors and its committees and the boards of the subsidiaries, and Group Management, and nominates suitable candidates for the various managing bodies to the board of directors. In addition, it submits to the board of directors proposals regarding the remuneration of the board of directors and Group Management, and scrutinizes and reviews the targets and principles of the staffing policy on behalf of the board of directors. Furthermore, it reviews the assessments put forward by the CEO in respect of members of Group Management and monitors staff development and staff succession planning, along with the relevant development measures. The Nomination and Compensation Committee usually meets quarterly. In the year under review, four meetings were held, each lasting approximately two hours. Heinz M. Buhofer (chairman), Hannes Wüest and Martin Wipfli serve on the Nomination and Compensation Committee; the CEO also participates in the discussions, except when his employment contract or remuneration are being discussed.

AUDIT COMMITTEE

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

3.5 Definition of areas of responsibility

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

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

The board of directors controls Group Management and supervises its method of working. The Zug Estates Group has a comprehensive management information system. The 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 about how business is progressing.

The board of directors has put in place a comprehensive system for monitoring and managing the risks associated with the company's activity. This process involves risk identification, risk analysis, risk management and risk reporting. Risks are identified in the categories of environment, strategy, reputation, finance, IT/infrastructure, personnel/management/organization, products/services and processes, and evaluated in terms of their likelihood of occurrence and potential to cause damage. Group Management is responsible for monitoring and managing risk. In the case of major single risks, certain individuals are assigned responsibility for taking concrete measures to manage these risks and for monitoring their implementation. On behalf of the Audit Committee, Group Management draws up a risk report for the board of directors at regular intervals.

4. Group Management

4.1 Members of Group Management



Stephan Wintsch - CEO

Education MBA, University of Rochester (NY)

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

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

Gabriela Theus - CFO

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

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

Activities on governing and supervisory bodies None

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

4.2 Management contracts

There are no management contracts with companies outside the Group.

5. Compensation, shareholdings and loans

Information on the procedure for determining the compensation of members of the board of directors and Group Management and on the compensation amounts paid to members of the board of directors and Group Management is available in the notes to the annual financial statements of Zug Estates Holding AG on pages 67 and 68.

6. Shareholders participation

6.1 Voting rights restrictions and representation of voting rights

All shareholders may attend the general meeting of shareholders in person to exercise their rights or act at the general meeting of shareholders through written proxy to another shareholder entitled to vote or through the independent proxy.

6.2 Statutory quorums

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

6.3 Convocation of the general meeting of shareholders

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

6.4 Agenda items

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

6.5 Inscriptions into the share register

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

7. Changes of control and defense measures

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

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

8. Auditing body

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

Ernst & Young AG, Zug, has been the auditor of the operating companies since 2006. The lead auditor has exercised this function since 2013.

8.2 Auditing fees

In the reporting period, Ernst & Young AG, Zug, invoiced Zug Estates Holding AG or the Zug Estates Group TCHF 90 (previous year: TCHF 130) for services in connection with the auditing of the annual financial statements of Zug Estates Holding AG and its subsidiaries and the consolidated financial statements of the Zug Estates Group.

8.3 Additional fees

Ernst & Young AG received TCHF 19 in additional fees in the reporting period for services in connection with the inspection of the pro forma statements for 2012 (previous year: TCHF 110 in connection with the stock exchange listing).

8.4 Information tools used for the external audit

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

9. Information policy

The Zug Estates Group has a transparent information policy vis-à-vis the public and the financial markets. The official medium of publication is the Swiss Official Gazette of Commerce (SOGC). Media releases are issued if an important event occurs. The Zug Estates Group publishes its figures twice a year in the half-yearly report and the annual report. The current media releases, important dates as well as general information about Zug Estates Holding AG or the Zug Estates Group can be viewed at www.zugestates.ch. Contact details, important dates and information about the shares of Zug Estates Holding AG may also be found on pages 80 to 82 of this annual report.

«Zug's quality
as a location
is unmatched.»

Office tenant at the Metalli Center

Key location factors for high added-value sectors and companies include qualified employees, good accessibility by public and private transport, and a low tax burden. Factors that are ideally combined in the Canton of Zug.



Sustainability report

In the long term, the Zug Estates Group aims to operate its portfolio without any CO₂ emissions and without the use of additional external energy. It came one step closer to achieving this goal in the reporting year. The launch of the first development phase of the Suurstoffi site, with its trailblazing power supply, was a significant contributing factor.

The Zug Estates Group is expressly committed to sustainability in the pursuit of its business operations. In terms of ecology this is reflected in the zero-zero vision, according to which the buildings in the portfolio are to become energy-self-sufficient, enabling them to be run without any CO₂ emissions in the long term. However, the company also subscribes to an overall concept in relation to its social impact and impact on the local community, based on the criteria of sustainable business management. In particular, the Zug Estates Group gears its activities to a long-term investment horizon.

Its investment policy focuses on centrally located and easily accessible sites that, as such, have less of a negative impact on the environment and society than construction projects on "green-field sites". Investments are primarily made in high-density sites that are suitable for a wide variety of uses and enable sustainable development. In developing a site, the specific features of the location serve as the starting point for a systematic approach. This gives rise to solutions with a balanced mix of facilities, which in turn encourage diversity in social life.

Whole site development

Entire sites can be considerably better optimized in terms of land consumption than individual buildings. Thus for example, sufficient open space can be retained in spite of the high density and the requirements of any integral masterplanning become easier to satisfy. Ultimately, site-wide development also encourages a more efficient use of energy. A good mix of facilities within the site helps to save resources, for example, by making it easier to use renewable energies or waste heat.

Overview of consumption data

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

	Absolute	2010 per m ²
Rental space ¹	95 400 m ²	–
Primary energy supply for heating and hot-water production	10.6 m kWh	111 kWh
Primary energy supply adjusted for heating degree days	10.2 m kWh	107 kWh
Residential/commercial properties	8.0 m kWh	108 kWh
Hotel properties	1.6 m kWh	223 kWh
Industrial property	1.0 m kWh	71 kWh
CO₂ equivalents heating/hot water	2 369 t	25 kg
CO ₂ equivalents heating/hot water adjusted for heating degree days	2 285 t	24 kg
Zug City Center site	2 054 t	25 kg
Suurstoffi site, Risch Rotkreuz	–	–
Oberentfelden factory site	231 t	17 kg
Electricity – common area	2.6 m kWh	34 kWh
Electricity – tenants	15.1 m kWh	158 kWh
Residential	–	–
Office/retail/commercial	–	–
Hotel/catering incl. common area electricity	–	–
Industrial incl. common area electricity	6.1 m kWh	440 kWh
Other (parking areas, warehouses/archives)	–	–
Total electricity ²	17.7 m kWh	185 kWh
Zug City Center site	11.5 m kWh	142 kWh
Suurstoffi site, Risch Rotkreuz	–	–
Oberentfelden factory site	6.1 m kWh	440 kWh
CO₂ equivalents electricity	283 t	3.0 kg
Water consumption	71 948 m³	0.75 m³
Zug City Center site	71 392 m ³	0.88 m ³
Suurstoffi site, Risch Rotkreuz	–	–
Oberentfelden factory site	556 m ³	0.04 m ³

¹ Data per square meter refer to rental space

² Electricity mix Zug City Center site and Suurstoffi site: Before 2012 25% nuclear power and 75% hydropower, from 2012 green electricity from Wasserwerke Zug (WWZ) with 95% hydropower and 5% solar electricity. Assumption: tenants in Zug and Rotkreuz also use green electricity.

Oberentfelden factory site (2010 to 2013): 83.2% nuclear power and 16.8% hydropower.

	2011		2012		2013	
Absolute	per m ²	Absolute	per m ²	Absolute	per m ²	
100 900 m ²	–	105 000 m ²	–	119 900 m ²	–	
9.9 m kWh	99 kWh	10.2 m kWh	97 kWh	10.5 m kWh	88 kWh	
10.6 m kWh	106 kWh	10.3 m kWh	98 kWh	10.0 m kWh	84 kWh	
7.3 m kWh	97 kWh	7.5 m kWh	97 kWh	7.8 m kWh	84 kWh	
1.8 m kWh	151 kWh	2.0 m kWh	144 kWh	2.0 m kWh	152 kWh	
0.9 m kWh	64 kWh	0.8 m kWh	55 kWh	0.7 m kWh	50 kWh	
2 225 t	22 kg	2 280 t	22 kg	2 351 t	20 kg	
2 382 t	24 kg	2 297 t	22 kg	2 232 t	19 kg	
2 148 t	25 kg	2 109 t	23 kg	2 069 t	23 kg	
–	–	–	–	2 t	0.15 kg	
233 t	17 kg	188 t	14 kg	161 t	12 kg	
2.8 m kWh	38 kWh	2.5 m kWh	32 kWh	2.8 m kWh	30 kWh	
14.4 m kWh	143 kWh	13.9 m kWh	133 kWh	12.8 m kWh	107 kWh	
–	–	–	–	1.0 m kWh	24 kWh	
–	–	–	–	6.0 m kWh	114 kWh	
–	–	–	–	2.0 m kWh	147 kWh	
5.3 m kWh	379 kWh	4.6 m kWh	329 kWh	3.3 m kWh	239 kWh	
–	–	–	–	0.6 m kWh	638 kWh	
17.2 m kWh	171 kWh	16.4 m kWh	156 kWh	15.7 m kWh	131 kWh	
11.9 m kWh	137 kWh	11.8 m kWh	130 kWh	11.6 m kWh	128 kWh	
–	–	–	–	0.7 m kWh	47 kWh	
5.3 m kWh	379 kWh	4.6 m kWh	329 kWh	3.3 m kWh	239 kWh	
274 t	2.7 kg	297 t	2.8 kg	284 t	2.4 kg	
74 344 m³	0.74 m³	72 202 m³	0.69 m³	81 240 m³	0.68 m³	
73 775 m ³	0.85 m ³	71 734 m ³	0.79 m ³	71 510 m ³	0.79 m ³	
–	–	–	–	8 095 m ³	0.54 m ³	
569 m ³	0.04 m ³	468 m ³	0.03 m ³	1 635 m ³	0.12 m ³	

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

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

In relation to its real estate, the Zug Estates Group has defined ecological goals in environmentally relevant areas that it is largely able to meet autonomously.

- **Energy:** Use of renewable energy sources; energy- and resource-efficient practice.
- **Emissions:** Minimization of CO₂ emissions, other combustion gases and fine particles; reduction of noise and light emissions.
- **Materials and products:** Use of low-pollutant materials; use of energy-efficient technologies, products and equipment; use of renewable materials; minimization of transportation distances.
- **Biodiversity/water:** Realization of suitable measures in landscape design to preserve the diversity of species.

The requirements derived from these goals are implemented during projects in line with their economic and technical feasibility. Meeting these requirements spares resources and generates benefits for society while at the same time forming an important basis for economic success.

Keeping the added value from its projects as local as possible and minimizing transportation distances are also part of the philosophy of the Zug Estates Group. The statistics on the award of the tender for the first phase of the Suurstoffi site development from 2010 to 2013 show how this is achieved. 90% of all orders (in relation to the total tender amount) were awarded to companies from the Canton of Zug and its neighboring cantons. Less than 1% went to foreign companies.

Regular energy monitoring

Regular energy monitoring instead, it has commissioned the Center for Integrated Building Technology (ZIG) at the Lucerne University of Applied Sciences (HSLU) to monitor the energy use for the entire site on a yearly basis. The resulting reports are intended both to document the current status and to assist in the long-term optimization of energy consumption. New-build and renovated facilities are only included in the monitoring once consumption data for a full year is available. That is why the Suurstoffi site is appearing in the report this year for the first time.

Substantial increase in ecological efficiency

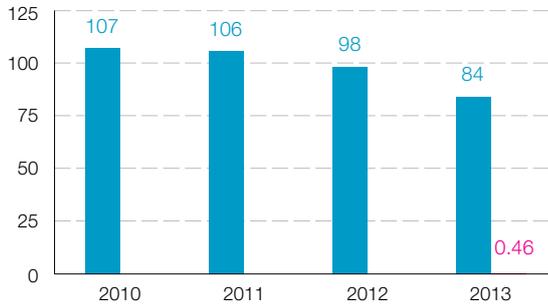
In the course of the four reporting periods, greenhouse gas emissions (CO₂ equivalents) and the primary energy consumption for heating and hot water have both fallen slightly despite growth of almost 26% in rental space. Calculated in terms of rental space and adjusted for heating degree days, CO₂ emissions per square meter have thus been cut by 22% from 2010 to 2013.

The Suurstoffi site was one of the main contributors. Here, geothermal energy is generated using downhole heat exchanger pumps and from waste heat, and distributed by means of a thermal energy ("anergy") network (a heating and cooling network operating at low temperatures). The heat pumps partly derive the electricity they need from a photovoltaic system installed on the site and partly from the public grid. In 2013, the photovoltaic system supplied 67% of the electricity required to run the heat pumps. As the rest of the electricity, which is taken from the grid, is also derived from renewable sources, energy was provided for heating without almost any greenhouse gas emissions.

The planned figures for the Suurstoffi site were thus achieved in its first year of operation and the site can be regarded as a prime example of how the zero-zero vision is being realized.

Primary energy consumption for heating and hot-water production

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

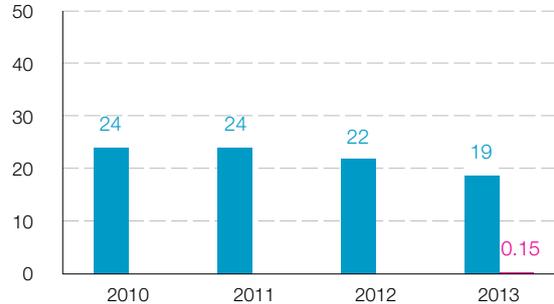


All properties
Suurstoffi site

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

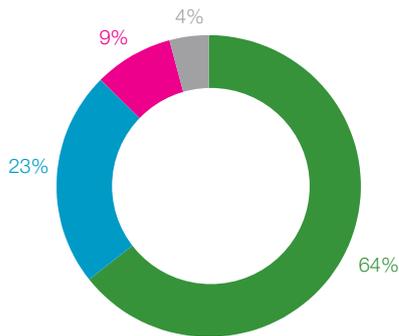
CO₂ equivalents for heating and hot-water production

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



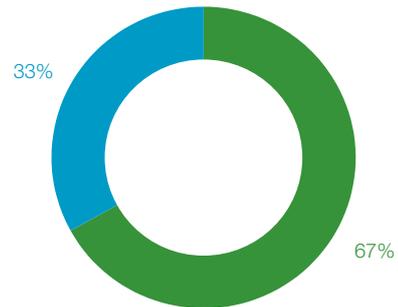
All properties
Suurstoffi site

Space broken down by energy source for heating (2013)



Rental space with natural gas
Rental space with heating oil
Rental space with downhole heat exchangers with PV supply
Rental space with downhole heat exchangers with grid supply

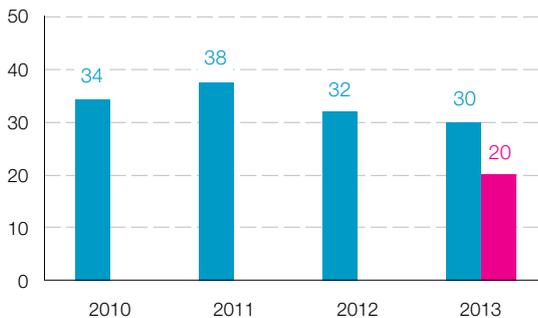
Operating current for heating and hot-water production at Suurstoffi site (2013)



Production photovoltaic system
Grid supply (green electricity)

Final energy consumption electricity (common area ¹)

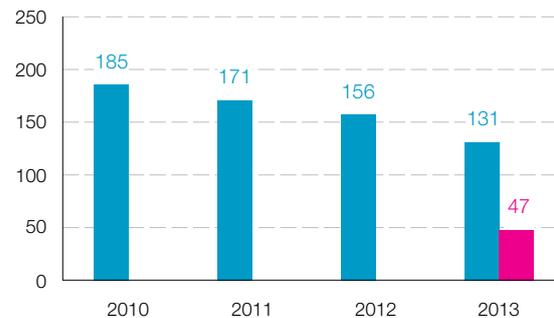
kWh/m² rental space



All properties
Suurstoffi site

Final energy consumption electricity (incl. tenants)

kWh/m² rental space



All properties
Suurstoffi site

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

Efficient equipment lowers electricity and water consumption

A similar picture emerges in relation to electricity consumption. This applies both to the common area electricity used (such as for outside and stairwell lighting) and to the electricity used by tenants. Electricity consumption by tenants cannot be influenced directly by the landlord, but indirect influence is possible. In this respect, the consistent procurement of electrical devices and lighting equipment that are cheap to run, both in new buildings and as replacements, should have a positive effect.

Over the years it is easiest to compare the electricity consumption (final energy) per square meter by excluding tenant consumption. Compared to 2012, it has fallen by a good 5%, and by almost 12% in relation to 2010. Here too, the start of operations at the Suurstoffi site from 2012 can be clearly seen. That development incorporated the latest findings in sustainable building, adopting the corresponding requirements in relation to electricity consumption for electrical appliances and lighting equipment. Measures include the use of energy-saving LED light sources for external lighting and lift systems with regenerative drive technology. In addition, the buildings were partly fitted with a smart metering system that provides the tenants with information on their electricity usage. And experience has shown that this raises awareness among users.

The annual specific water consumption in the building stock fell from 0.75 m³/m² to 0.68 m³/m² between 2010 and 2013. The causes of this reduction of around 10% are many, however the consistent fitting of water-saving devices in new and renovated buildings is bound to play a role.

Continuing to build on the zero-zero vision

With the CO₂ emission-free operation of the Suurstoffi site, Zug Estates has taken a major step toward realizing its zero-zero vision in the very first year. But it is still intended to make continual improvements to the ecological efficiency of the portfolio.

The photovoltaic system on the Suurstoffi site is to be continually expanded as construction work progresses. In the reporting year, panels with a capacity totaling 471kWp were installed. When the second phase of development is realized, that capacity will rise to over 1 000 kWp. This will further increase self-sufficiency in terms of electricity supply on the Suurstoffi site.

What's more, the second phase of construction at Suurstoffi will see the creation of the largest residential development in Central Switzerland built using eco-friendly timberwork composite structures. To a large extent, therefore, a CO₂-neutral building material will be used.

Zug Estates is doing everything in its power to set future milestones in the reduction of its carbon footprint.



Diversity



Diversity in practice

There's not much going on at half-past five in the morning; the city of Zug is still dreaming. A few sleepy people are waiting at the bus stop, while others are already hurrying through the streets to make sure they don't miss their trains. Over the next few hours the picture will change dramatically, as thousands of commuters and schoolchildren transform the center of Zug into a transport hub.



A pedestrian-friendly city needs a wide range of local services.

It is ten years since the infrastructure of Zug city center was last upgraded. Since then it's not only been quicker to walk from the new railway station to the area around the Metalli complex, but also more comfortable and easy to navigate. Those who have benefited most are the 2 000 or so employees who work on the former industrial site of the Zug metal goods factory. However, on an average day many other people use the six-hectare site for all kinds of purposes.

Since the metal goods factory was demolished thirty years ago, the city of Zug has enjoyed having a vibrant and diverse urban center in its place. The variety of uses include not just offices and apartments on the upper floors, but also an attractive range of shops and local services in a pedestrian zone. Pupils from the local high school meet for a snack lunch in the covered arcades. In the afternoon, pensioners use the same venue for a cozy chat or enjoy a quiet cup of coffee, slice of cake and a chance to read the newspapers. At the end of the working day, cafés and restaurants attract a hungry crowd of people keen to chill out and meet their friends.

Long-term development of the site

Developing urban sites means taking a long-term view: while the architectural features and mix of uses are immediately obvious, it takes much longer to design and organize the right density and the outside space. A long-lasting solution includes areas which tempt people to linger for a while – places offering numerous opportunities to socialize, take time out from their busy lives and safely relax.

Town planners and site owners are increasingly asking what makes a district worth living in, and they are interested in hearing some possible answers. At many sites there is a growing awareness of the need to combine the planning, architectural and energy aspects with things that are harder to measure, such as wellbeing, community spirit and other social concerns. Although the Metalli complex is on private land and needs to make a financial profit, its social and public character must not be overlooked. Active management of the site's accessibility, range of services and outside space is therefore an essential condition for operating it in a socially sustainable way.

A richly contrasting range of services

The site in the capital of the Canton of Zug has even more strengths to offer: The Metalli is being expanded to include a diverse, small-scale residential district, with compact rental properties and sought-after addresses. There is plenty of room for small businesses and childcare facilities within walking distance of the city center. And the survival of the "Centro Italiano" right next to the site proves how well the city's heritage is being preserved.

The "City Garden", a hotel with a polished chrome facade and mirrored windows, forms another contrast by contributing to the idyllic suburban atmosphere while still being integrated into the site as a whole. Although it is only five years old, the hotel is a perfect example of the site's comprehensive and visionary nature. The hotel is commercially attractive and the building itself is eco-friendly, making good use of wood in its construction. This investment is clearly in tune with public requirements: since the city of Zug urgently needed more hotel beds, Zug Estates decided to expand the accommodation on offer near the city center by adding a second hotel to the Parkhotel.

It's late now in Zug: just after midnight, people are hurrying through the Metalli to catch the last bus. Meanwhile, hotel guests are sleeping a short distance away, perhaps hoping that the birds in the nearby wood won't wake up too early.



Site development becomes sustainable when the planning, architectural and energy aspects are combined with social concerns.



Financial year report

The Zug Estates Group increased its revenue and operating income significantly in 2013. Property income rose by 19.6% to CHF 34.7 million, operating revenue before revaluation was up by 10.4% to CHF 59.1 million, and operating income grew by 14.8% to CHF 33.2 million. Net income of CHF 44.8 million was 22.6% lower than the previous year's figure owing to the expected decline in income from the revaluation of investment properties. Excluding one-off and revaluation effects, net income rose 13.6% to CHF 20.7 million.

The market environment stabilized in 2013. The world economy gradually recovered from the financial and debt crisis, but is still subject to considerable uncertainties. Switzerland benefited from strong domestic demand, and the export industry also improved. Economic growth accelerated to nearly two percent in 2013 and unemployment fell slightly.

Zug continued to be a competitive place to do business. This was evident from its comparatively low rate of unemployment, above-average growth in employment and high purchasing power compared with the rest of the country. Zug's other advantages include its attractive tax rates, excellent accessibility by public and private transport, highly skilled workforce, good infrastructure with a wide range of educational and training facilities, and

first-rate quality of life. These factors helped to keep the Zug real estate market stable in 2013. Demand for rental apartments remained high, and the vacancy rate fell by 0.1% to 0.4%. Demand for office space rose, and the area available fell from 7.0% to 4.2%. The market for retail space in Zug continues to enjoy stable demand from financially robust businesses.

Significant increase in revenue

Thanks largely to the completion of a further 87 rental apartments and about 12 000 m² of commercial space at the Suurstoffi site and additional retail space at the Metalli complex, property income increased by CHF 5.7 million, or an impressive 19.6%, to CHF 34.7 million (previous year: CHF 29.0 million). The hotel & catering business unit recorded a slight drop in revenue to CHF 20.2 million in a persistently challenging market environment (previous year: CHF 20.7 million). Overall, the Zug Estates Group generated operating revenue before revaluation of CHF 59.1 million in 2013, which represents an increase of 10.4% compared with the previous year (full-year figure). Whereas property expenses were up CHF 2.6 million on the previous year owing to a larger portfolio and periodic maintenance measures, in particular the refurbishment of the outside space at the Metalli Center, other operating expenses fell by CHF 1.3 million in the same period, reflecting the absence of one-off expenses related to the stock exchange listing in July 2012. Overall, operating expenses rose by CHF 1.3 million compared with the previous year. Operating income before revaluation increased by 14.8% to CHF 33.2 million (previous year: CHF 28.9 million).

As expected, the real estate market flattened out. Income from the revaluation of investment properties (net) was positive at CHF 26.9 million, but significantly lower than the previous year's figure of CHF 47.8 million. The progress achieved in the existing development projects, the successful conclusion of new and repeat rental agreements and the market-related 16 basis points fall in the average discount rate (previous year: – 23 basis points) contributed to the positive performance. As a result of the decline in income from the revaluation of investment properties (net) and the absence of profit on the sale of investment properties (previous year: CHF 2.2 million), operating income (EBIT) was down 24.8% on the previous year to CHF 56.5 million.

A profit of CHF 1.5 million (previous year: CHF 3.3 million loss) was made on the securities obtained with the 2012 capital increase, resulting in an improvement of CHF 3.9 million in the financial result in spite of higher interest expense. Tax expenditure fell by CHF 1.7 million compared with the previous year. Net in-

come came to CHF 44.8 million, which was CHF 13.1 million, or 22.6%, below the figure for the previous year. Excluding one-off and revaluation effects – i.e. the net result of income from the revaluation of investment properties, profit from the sale of investment properties, securities income and corresponding deferred taxes – income increased by 13.6% to CHF 20.7 million.

Higher dividend proposed

Income excluding income from the revaluation of investment properties (net), which is the key determinant for calculating the dividend, rose by 15.3% per series B registered share to CHF 41.50. Owing to this good result, the board of directors proposes to the general meeting of shareholders a cash distribution at the top end of the strategic range: the payout from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.65 per series A registered share (previous year: CHF 1.50) and CHF 16.50 per series B registered share (previous year: CHF 15.00). This results in a 10% rise in the distribution compared with the previous year.

Continuous expansion of real estate portfolio

At the end of December, the real estate portfolio comprised fourteen (previous year: twelve) investment properties, two investment properties under construction (no change), and one development site (no change). A further six properties primarily serve the activities of the hotel & catering business unit. Aside from a land consolidation measure related to the Suurstoffi site in Risch Rotkreuz, and a land consolidation measure in Zug, no properties were acquired or sold.

The Group consistently pursued its growth strategy in the year under review, investing CHF 68.3 million (previous year: CHF 90.6 million) in the continuing expansion of its portfolio. As at the end of the year, the entire portfolio had a book value of CHF 933.2 million (previous year: CHF 840.4 million). Operating properties are stated at cost less write-downs. The fair value of these properties is CHF 106.5 million (previous year: CHF 105.6 million), with the fair value of the entire portfolio thus amounting to CHF 998.7 million (previous year: CHF 903.8 million).

Solid equity base creates strong foundation for further growth

The Zug Estates Group can build on a solid equity base offering long-term stability. As at December 31, 2013, equity capital totaled CHF 629.1 million, equivalent to an equity ratio of 64.1% (previous year: 63.6%). Interest-bearing debt was unchanged at CHF 250 million at the end of December. This corresponds to 25.5% (previous year: 26.4%) of total assets. The average residual term of the interest-bearing debt was 9.5 years (previous year: 10.5 years), while the average interest rate remained unchanged at 2.6%. In addition, the Group took out a global credit facility for CHF 100 million in the year under review, CHF 75 million of which was secured long-term with a forward mortgage starting in May 2015. This, combined with the cash and cash equivalents of CHF 23.8 million as at year-end, will provide the Group with adequate scope to fund the continuing expansion of its real estate portfolio.

Further key milestones reached

Further important milestones were reached during the reporting year at the Zug Estates Group sites:

- **Successful initial letting at the Suurstoffi site**
At the Suurstoffi location in Risch Rotkreuz, the first stage of construction was completed with 228 rental apartments and about 13 000 m² of commercial space. 98% of the apartments are rented and occupied. Novartis moved around 350 employees into the office buildings in March 2013. SIS Swiss International School and a children's daycare center have been operating at the site for about a year, Migros started running its One Training Center there in the fall, and the remaining approx. 1 700 m² of commercial space earmarked for neighborhood facilities is currently being marketed. In all, some 550 residents, 400 workers and 50 school and nursery children currently occupy the site.
- **Start of second phase of construction at Risch Rotkreuz**
In the second phase of construction involving investment of approx. CHF 100 million, an additional 156 apartments are being built using particularly eco-friendly timberwork composite structures, as well as an office building with a rental area of about 6 000 m². Construction began on the office building in April 2013. SIS Swiss International School will rent additional space here in summer 2014. The groundbreaking ceremony for the residential buildings took place in July 2013. These nine buildings are expected to be ready for occupation in the first half of 2015.
- **Planning permission secured for further development of Suurstoffi site**
The municipality of Risch Rotkreuz approved the development plan for "Suurstoffi Ost" in November 2013. This means that an area of approx. 57 000 m² for work and services and up to 25 000 m² for residential use will be created on a site with a surface area of 48 643 m². Another important milestone in the sustainable development of the Suurstoffi site has thus been reached.
- **Conversion and extension of Metalli site largely completed**
In Zug the full-scale regeneration of the Metalli site, which has been going on for several years, will shortly be completed. The conversion and extension of the property at Baarerstrasse 14a has been completed, the Zara fashion brand opened its first central Swiss branch there with a retail area of 1 900 m² in August 2013. The extension and consolidation of smaller retail premises will soon be finished, as will the attractive refurbishment of the outside space. The tenant mix has been rounded off by the addition of organic supermarket Al-natura. All the hard work of recent years is now bearing fruit. In 2013, the retail revenue of the Metalli tenants rose 4.7% to just under CHF 165 million. Revenue per unit area is above average at more than CHF 11 000 per m².

Occupancy levels remain high

Even with a substantial investment volume, the occupancy level of the Zug Estates Group's investment properties remains high. Although, due to the voids prior to initial letting, the 2.7% vacancy rate as at December 31, 2013 was higher than at the end of 2012 (1.4%), it fell by 60 basis points to 0.8% when adjusted for this factor.

Business hotel segment stable

The still challenging economic climate and strong Swiss franc took their toll on the Swiss hotel market again in 2013. There was nevertheless a slight recovery in Switzerland as a whole, with overnight stays increasing by 2.3% compared with the previous year. That being said, prices came under pressure once again. In this demanding environment Hotelbusiness Zug AG was able to consolidate its dominant position in Zug's business hotel segment. Occupancy rates at its establishments were in line with the previous year's level, with room prices remaining almost unchanged, and accommodation revenue was steady at CHF 11.4 million. On the other hand, the decrease in catering revenue reduced overall revenue by 2.5% to CHF 20.2 million. However, strict cost management resulted in a higher contribution to profit from the segment.

Outlook for 2014

The Zug Estates Group expects trends in the Swiss real estate market to continue to flatten out in 2014, although the Zug market retains its above-average appeal. Zug Estates believes that demand for residential property will remain high and that tenants will therefore be found for the apartments currently under construction at the Suurstoffi site in Risch Rotkreuz. The downturn that was becoming apparent in 2013 in the commercial market, especially for office space, is gathering pace, and this is likely to have an impact on the Zug Estates units that are available. In terms of changes of tenants, the Group expects longer absorption times and a slight rise in vacancies overall. The long contract periods and broad diversification of the portfolio should ensure continuity.

Since the continuing expansion of the real estate portfolio will lead to an increase in rental revenue, especially at Risch Rotkreuz, Zug Estates anticipates a medium to high single-digit percentage year-on-year rise in operating income before revaluation for 2014. However, due to the expected slowdown in market momentum, the Group anticipates that income from the revaluation of investment properties (net) will be significantly down on the previous year, and that this will similarly impact net income.

In 2014, the focus will continue to be on the ongoing development of the Suurstoffi site in Risch Rotkreuz. The Suurstoffi 41 office building is due to be completed and handed over to the occupants by the summer. Work will continue on the construction of the nine residential buildings on site 3 and should largely be complete by the end of the year. Planning for the development of the eastern site is due to begin in the first quarter, and a first project should be far advanced in 2014. Zug Estates expects to make total investments of the magnitude of CHF 70 million in its real estate portfolio.

«Zug is a great place to grow.»

Child care worker at the Metalli Center

Varied and plentiful child care facilities close to the workplace are a major locational advantage. The Zug Estates sites are ideal, providing bilingual children's daycare centers and – in the case of Suurstoffi – a bilingual day school.



Consolidated balance sheet

Assets			
in CHF thousands	Note	31.12.2013	31.12.2012
Cash and cash equivalents		23 824	75 685
Securities	1	4 366	15 125
Trade receivables	2	1 836	2 218
Other receivables	3	5 218	3 067
Inventories		304	359
Properties held for sale	4	1 388	0
Prepaid expenses		4 540	544
Total current assets		41 476	96 998
Investment properties	5	835 867	675 644
Investment properties under construction	5	47 023	111 234
Undeveloped plots	5	9 269	11 311
Operating properties	6	41 045	42 254
Other tangible assets	7	5 444	5 958
Prepayments for tangible assets	8	535	1 034
Financial assets		1 214	1 214
Intangible assets	9	53	74
Total fixed assets		940 450	848 723
Total assets		981 926	945 721
Liabilities and shareholders' equity			
in CHF thousands	Note	31.12.2013	31.12.2012
Trade payables	10	7 554	9 984
Other current liabilities		4 223	4 178
Accrued expenses		10 460	5 418
Current provisions	12	225	38
Total current liabilities		22 462	19 618
Long-term financial liabilities	11	250 000	250 000
Long-term provisions	12	80	99
Deferred tax liabilities	13	80 315	74 096
Total non-current liabilities		330 395	324 195
Total liabilities		352 857	343 813
Share capital	14	12 750	12 750
Capital reserves		551 014	558 417
Treasury shares		- 20 601	- 10 358
Retained earnings		85 906	41 099
Total shareholders' equity		629 069	601 908
Total liabilities and shareholders' equity		981 926	945 721

Consolidated income statement

in CHF thousands	Note	01.01.2013	01.03.2012	01.01.2012
		- 31.12.2013	- 31.12.2012	- 31.12.2012
				pro forma ¹
Property income	16	34 733	17 563	29 045
Hotel & catering income	17	20 212	12 128	20 731
Other operating revenue	18	4 150	2 766	3 744
Total operating revenue		59 095	32 457	53 520
Property expenses		4 286	1 263	1 707
Cost of goods purchased for hotel & catering		2 298	1 467	2 486
Personnel expenses	19	13 902	8 766	13 686
Other operating expenses	20	5 424	4 769	6 734
Total operating expenses		25 910	16 265	24 613
Operating income before depreciation and revaluation		33 185	16 192	28 907
Revaluation of investment properties (net)	5	26 900	39 129	47 772
Income from sale of investment properties		0	2 215	2 215
Operating income before depreciation (EBITDA)		60 085	57 536	78 894
Depreciation	21	3 554	2 120	3 679
Operating income (EBIT)		56 531	55 416	75 215
Financial result	22	- 4 093	- 6 292	- 8 018
Income before taxes (EBT)		52 438	49 124	67 197
Taxes	23	7 631	8 025	9 311
Net income		44 807	41 099	57 886

¹ Pro forma financial information corresponds to the data published in the annual report 2012 on pages 38 to 47 for the period from January 1, 2012 to December 31, 2012 and has been reviewed by the independent auditors.

Cash flow statement

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Net income for the period	44 807	41 099
Depreciation	3 554	2 120
Revaluation of investment properties (net)	– 26 900	– 39 129
Income from sale of investment properties	0	– 2 215
Depreciation of financial assets	0	42
Changes in provisions/deferred tax liabilities	6 387	6 913
Other non-cash items	– 1 306	– 2 364
Cash flow before changes in working capital	26 542	6 466
Change in securities	10 759	3 315
Change in trade receivables	382	– 1 236
Change in other receivables	– 2 151	146
Change in accrued income and prepaid expenses	– 3 996	1 279
Change in inventories	55	– 7
Change in trade payables	– 7 146	4 010
Change in other current liabilities	45	– 849
Change in accrued expenses and deferred income	– 1 850	– 452
Cash flow from operating activities	22 640	12 672
Investments in investment properties	– 54 975	– 54 634
Disposals of investment properties	35	17 850
Investments in undeveloped plots	– 118	– 900
Investments in operating properties	– 975	– 4
Investments in other tangible assets	– 803	– 799
Prepayments for tangible assets	0	– 782
Investments in intangible assets	– 14	– 61
Cash flow from investing activities	– 56 850	– 39 330
Capital increase in cash	0	39 900
Capital increase through contribution in kind (cash portion)	0	62 343
Purchase of treasury shares	– 10 248	0
Dividend	– 7 403	0
Cash flow from financing activities	– 17 651	102 243
Change in cash and cash equivalents	– 51 861	75 585
Composition of net cash and cash equivalents		
Net cash and cash equivalents at the beginning of reporting period	75 685	100
Net cash and cash equivalents at the end of reporting period	23 824	75 685
Change in cash and cash equivalents	– 51 861	75 585

In the reporting period, non-cash investments of TCHF 12 919 were made (previous year: TCHF 13 561). No non-cash financing was effected (previous year: TCHF 439 922 by means of contributions in kind).

In the full 2012 calendar year (pro forma figures), cash flow from operating activities came to TCHF 18 295, cash flow from investing activities TCHF – 66 482 and cash flow from financing activities TCHF – 2 750. Overall, cash and cash equivalents fell by TCHF 50 937 in the 2012 calendar year.

Statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total shareholders' equity
Balance on 01.03.2012	100	0	0	0	100
Capital increases	12 650	558 417	–	–	571 067
Additions of treasury shares	–	–	– 10 358	–	– 10 358
Dividend	–	–	–	–	0
Net income	–	–	–	41 099	41 099
Balance on 31.12.2012	12 750	558 417	– 10 358	41 099	601 908
Balance on 31.12.2013	12 750	558 417	– 10 358	41 099	601 908
Purchase of treasury shares	–	–	– 10 243	–	– 10 243
Dividend	–	– 7 403	–	–	– 7 403
Net income	–	–	–	44 807	44 807
Balance on 31.12.2013	12 750	551 014	– 20 601	85 906	629 069

Notes

to the consolidated financial statements

Separation and listing on SIX Swiss Exchange

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

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

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

Principles

The consolidated financial statements of Zug Estates Holding AG were prepared in accordance with the Swiss GAAP ARR Accounting and Reporting Regulations in their entirety as in force on December 31, 2013 as well as the special provisions for real estate companies of the SIX Swiss Exchange and present a true and fair view of the financial position, the results of operations and the cash flows. Swiss GAAP ARR 31 has not yet been applied. The Group is assuming that the impact on disclosure will be minimal and is currently clarifying this in detail. The business period covered by these consolidated financial statements commences on January 1, 2013 and ends on December 31, 2013. The previous business period commenced on March 1, 2012 with the establishment of the Company and ended on December 31, 2012. The board of directors approved the consolidated financial statements on March 6, 2014.

Scope of consolidation

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

in CHF thousands

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

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

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

Principles of consolidation

Consolidation method

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

Intercompany transactions

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

Significant accounting and valuation policies

Cash and cash equivalents

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

Securities

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

Trade receivables

Trade receivables include in particular rent receivables, receivables from the hotel & catering activities and receivables from external property 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 acquisition price or at fair value if lower. In addition to specific value adjustments, general value adjustments of up to 10% for general valuation risks are made according to past experience.

Properties for sale

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

Investment properties, investment properties under construction and undeveloped plots

Residential and commercial properties that already exist or are under construction (development properties) and undeveloped plots are used for long-term investment purposes and are carried at fair value in accordance with Swiss GAAP ARR 18. This fair value is calculated and updated half-yearly by

independent real estate valuers using the discounted cash flow (DCF) method. Pursuant to the provisions of Swiss GAAP ARR, increases and decreases in fair value are recognized in profit or loss in the income statement, taking deferred taxes into account. The investment properties are not amortized. Investment properties under construction (development properties) and undeveloped plots are recognized at fair value as of the date on which the fair value can be reliably calculated. Zug Estates has stipulated legally binding building permission and a concrete construction project for which costs and income can be reliably determined as mandatory conditions for a reliable fair market calculation. When the conditions for making a reliable calculation of the fair value have not yet been met, investment properties under construction and undeveloped plots are carried at amortized cost. Investments and major maintenance are recognized as expense in the period in which they are incurred, provided that they do not lead to a rise in fair value.

Operating properties and operating properties under construction

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

Other tangible assets

Other tangible assets, which are mainly utilized in the hotel & 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.

Financial assets

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

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

Liabilities

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

Financial liabilities

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

Provisions

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

Employee benefits

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

Income taxes

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

Deferred tax liabilities

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

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

Contingent liabilities

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

Borrowing costs

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

Expense reductions

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

Estimates

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

List of material investments (as at 31.12.2013, unchanged vs. prior year)

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

1 | Securities

The securities are listed shares with a market value of TCHF 4 366 (previous year: TCHF 15 125) as at the balance sheet date.

2 | Trade receivables

in CHF thousands	31.12.2013	31.12.2012
Trade receivables from hotel & catering activities	852	1 033
Rent receivables	273	139
Other trade receivables	787	1 137
Provisions for doubtful debts	- 76	- 91
Total trade receivables	1 836	2 218

3 | Other receivables

in CHF thousands	31.12.2013	31.12.2012
Withholding tax credits	155	97
Accounts for heating and service charge settlement	3 073	2 795
Other receivables	1 990	175
Total other receivables	5 218	3 067

The increase in other receivables is mainly due to input VAT.

4 | Properties held for sale

in TCHF	31.12.2013	31.12.2012
Acquisition value at the beginning of reporting period	0	0
Additions	1 388	0
Disposals	0	0
Acquisition value at the end of reporting period	1 388	0

A preliminary agreement was concluded with the municipality of Risch for the sale of the Suurstoffi 29 development property in connection with the Suurstoffi East development plan. Correspondingly, this property is now reported under current assets.

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

in CHF thousands	Zug City Center site, Zug, investment properties	Suurstoffi site, Risch Rotkreuz, investment properties
Balance as at 01.01.2012 pro forma ¹	514 427	0
Investments	10 040	11 510
Acquisitions	0	0
Disposals ⁴	0	0
Reclassification of prop. under construction to inv. prop. ^{5,6}	0	73 935
Revaluation (net)	34 230	7 139
Balance as at 31.12.2012	558 697	92 584
Accumulated acquisition values as at 01.01.2012	290 841	0
Accumulated acquisition values as at 31.12.2012	300 881	73 713
Difference market values/acquisition values as at 01.01.2012	223 586	0
Difference market values/acquisition values as at 31.12.2012	257 816	18 871
Balance as at 01.03.2012	0	0
Contribution in kind	522 376	74 534
Investments	8 881	9 734
Acquisitions	0	0
Disposals ⁴	0	0
Reclassification of prop. under construction to inv. prop. ⁶	0	1 598
Revaluation (net)	27 440	6 718
Balance as at 31.12.2012	558 697	92 584
Accumulated acquisition values as at 01.03.2012	0	0
Accumulated acquisition values as at 31.12.2012	300 881	73 713
Difference market values/acquisition values as at 01.03.2012	0	0
Difference market values/acquisition values as at 31.12.2012	257 816	18 871
Balance as at 01.01.2013	558 697	92 584
Investments	9 462	18 620
Acquisitions	0	0
Disposals ⁷	0	0
Reclassification of prop. under construction to inv. prop. ⁸	0	109 607
Reclassification of undeveloped plots to prop. under construction ⁹	0	0
Reclassification to properties held for sale ¹⁰	0	0
Revaluation (net)	16 428	6 279
Balance on 31.12.2013	584 587	227 090
Accumulated acquisition values as at 01.01.2013	300 881	73 713
Accumulated acquisition values as at 31.12.2013	310 343	186 614
Difference market values/acquisition values 01.01.2013	257 816	18 871
Difference market values/acquisition values 31.12.2013	274 244	40 476

¹ Pro forma financial information corresponds to the data published in the annual report 2012 on pages 38 to 47 for the period from January 1, 2012 to December 31, 2012 and has been reviewed by the auditors.

² Comprises the properties under construction at the Suurstoffi site in Risch Rotkreuz

³ Comprises the undeveloped part of the Suurstoffi site in Risch Rotkreuz. The undeveloped plots are stated at amortized cost in accordance with the principles of valuation

⁴ Disposal of the Baar property, Rote Trotte 18/20 and partial disposal of the Baar property, Rote Trotte 10-16

⁵ Reclassification of the Risch Rotkreuz property, Suurstoffi 3-17 to investment properties

⁶ Reclassification of the Risch Rotkreuz property, Suurstoffi 7/9 (Alte Suurstoffi) to investment properties

⁷ Disposal of a hobby room at the Baar property, Rote Trotte 14/16

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

⁹ Reclassification of the Risch Rotkreuz development projects, Suurstoffi 41 and site 3 to investment properties under construction

¹⁰ Reclassification of the Suurstoffi 29 development property held for sale

Other investment properties	Total inv. properties	Total inv. properties under construction ²	Undeveloped plots ³	Total
38 494	552 921	112 503	10 011	675 435
0	21 550	67 767	0	89 317
0	0	0	1 300	1 300
- 15 635	- 15 635	0	0	- 15 635
0	73 935	- 73 935	0	0
1 504	42 873	4 899	0	47 772
24 363	675 644	111 234	11 311	798 189
34 190	325 031	89 787	10 011	424 829
22 384	396 978	94 709	11 311	502 998
4 304	227 890	22 716	0	250 606
1 979	278 666	16 525	0	295 191
0	0	0	0	0
39 359	636 269	59 189	10 011	705 469
0	18 615	49 311	0	67 926
0	0	0	1 300	1 300
- 15 635	-15 635	0	0	- 15 635
0	1 598	- 1 598	0	0
639	34 797	4 332	0	39 129
24 363	675 644	111 234	11 311	798 189
0	0	0	0	0
22 384	396 978	94 709	11 311	502 998
0	0	0	0	0
1 979	278 666	16 525	0	295 191
24 363	675 644	111 234	11 311	798 189
0	28 082	40 293	0	68 375
0	0	0	118	118
- 35	- 35	0	0	- 35
0	109 607	- 109 607	0	0
0	0	1 997	- 1 997	0
0	0	- 1 225	- 163	- 1 388
- 138	22 569	4 331	0	26 900
24 190	835 867	47 023	9 269	892 159
22 384	396 978	94 709	11 311	502 998
22 344	519 301	42 136	9 269	570 706
1 979	278 666	16 525	0	295 191
1 846	316 566	4 887	0	321 453

The fair values are based on the market value assessments performed annually by a recognized independent real estate expert (Wüest & Partner AG) as at December 31 using the DCF (discounted cash flow) method. The discount rates applied for the valuation of the investment properties and the investment properties under construction as at the balance sheet date were within a range from 3.6% to 5.4% (previous year: 3.8% to 5.2%).

As at December 31, 2013, the fire insurance values amounted to TCHF 549 795 (previous year: TCHF 451 603).

Additional information per property can be found on pages 72 to 73 of this report.

6 | Operating properties

in CHF thousands	2013	2012
Acquisition value at the beginning of reporting period	60 723	0
Contribution in kind	0	60 719
Additions	977	4
Disposals	0	0
Acquisition value at the end of reporting period	61 700	60 723
Accumulated depreciation at the beginning of reporting period	- 18 469	0
Contribution in kind	0	- 17 207
Disposals	- 1	0
Depreciation in the reporting period	- 2 185	- 1 262
Accumulated depreciation at the end of reporting period	- 20 655	- 18 469
Net book value at the beginning of reporting period	42 254	0
Net book value at the end of reporting period	41 045	42 254

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

The market value of the operating properties as at the balance sheet date is TCHF 106 507 (previous year: TCHF 105 624). It was determined by the independent real estate consultant (Wüest & Partner AG) using the DCF method. For the valuation as at the balance sheet date, discount rates within a range from 3.9% to 4.8% (previous year: 4.0% to 4.7%) were applied.

As at December 31, 2013, fire insurance values amounted to TCHF 84 827 (previous year: TCHF 83 908).

7 | Other tangible assets

in CHF thousands	2013	2012
Acquisition value at the beginning of reporting period	18 257	0
Contribution in kind	0	18 032
Additions	890	799
Disposals	- 70	- 574
Acquisition value at the end of reporting period	19 077	18 257
Accumulated depreciation at the beginning of reporting period	- 12 299	0
Contribution in kind	0	- 12 020
Additions	0	0
Disposals	0	565
Depreciation in the reporting period	- 1 334	- 844
Accumulated depreciation at the end of reporting period	- 13 633	- 12 299
Net book value at the beginning of reporting period	5 958	0
Net book value at the end of reporting period	5 444	5 958

As at December 31, 2013, fire insurance values amounted to TCHF 11 166 (previous year: TCHF 11 076).

8 | Prepayments for tangible assets

Prepayments for investment properties in the 2013 reporting period amounted to TCHF 535 (previous year: TCHF 1 034).

9 | Intangible assets

in CHF thousands	2013	2012
Acquisition value at the beginning of reporting period	183	0
Contribution in kind	0	122
Additions	14	61
Disposals	0	0
Acquisition value at the end of reporting period	197	183
Accumulated amortization at the beginning of reporting period	- 109	0
Contribution in kind	0	- 95
Disposals	0	0
Amortization in the reporting period	- 35	- 14
Accumulated amortization at the end of reporting period	- 144	- 109
Net book value at the beginning of reporting period	74	0
Net book value at the end of reporting period	53	74

Intangible assets comprise software utilized in the business units.

10 | Trade payables

in CHF thousands	31.12.2013	31.12.2012
Advance payments from tenants	1 585	1 105
Trade payables to suppliers	5 969	8 879
Total trade payables	7 554	9 984

11 | Non-current financial liabilities

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

Residual term in CHF thousands	31.12.2013	31.12.2012
1 to 5 years	50 000	0
5 to 10 years	90 000	100 000
Over 10 years	110 000	150 000
Total non-current financial liabilities	250 000	250 000

The average residual term of the interest-bearing debt is 9.5 years (previous year: 10.5 years). The average capital-weighted interest rate on all interest-bearing financial liabilities was 2.6% (no change). The loans were taken out at fixed interest rates. In the reporting period, a 15-year TCHF 75 000 fixed-rate loan with an interest rate of 2.5% was also arranged under a forward contract maturing in May 2015. The fair value of the forward contract was TCHF 5 381 as at December 31, 2013. Equivalent to the underlying transaction, it was not recognized in the balance sheet.

To secure the non-current financial liabilities, properties with a book value of TCHF 419 170 (previous year: TCHF 397 300) have been encumbered.

12 | Provisions

in CHF thousands	2013	2012
Provisions at the beginning of reporting period	137	0
Contribution in kind	0	210
Increase	192	15
Utilization	- 24	- 88
Release	0	0
Provisions at the end of the reporting period	305	137
Of which current at the beginning of reporting period	38	0
Of which current at the end of reporting period	225	38

13 | Deferred tax liabilities

in CHF thousands	2013	2012
Deferred tax liabilities at the beginning of reporting period	74 096	0
Contribution in kind	0	67 082
Net creation recognized in the income statement in reporting period	6 219	7 014
Utilization	0	0
Deferred tax liabilities at the end of reporting period	80 315	74 096

Potential tax reductions resulting from loss carry forwards and temporary differences amount to TCHF 33 (previous year: TCHF 63). These are not shown in the balance sheet as it is not certain that they will be realized.

The average tax rate for deferred income taxes amounts to 15.0% (no change).

14 | Shareholders' equity (NAV)

Shares issued

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

In 2012, Zug Estates Holding AG received from Metall Zug AG 18 400 series A registered treasury shares and 5 950 series B registered treasury shares with a total market value of TCHF 10 358 as a dividend in kind. In the year under review, Zug Estates Holding AG acquired 8 648 series B registered treasury shares at a market value of TCHF 10 248.

As at December 31, 2013, Zug Estates Holding AG holds 18 400 series A registered treasury shares (no change) and 14 598 series B registered treasury shares (previous year: 5 950).

Non-distributable statutory reserves amount to TCHF 28 281 (previous year: TCHF 10 358) as at December 31, 2013.

Earnings and shareholders' equity (NAV) per share

	01.01.2013	01.03.2012	01.01.2012
	- 31.12.2013	- 31.12.2012	- 31.12.2012
in CHF			pro forma ¹
Earnings per average outstanding series B registered share	89.99	81.21	114.38
in CHF	31.12.2013	31.12.2012	-
Shareholders' equity (NAV) per outstanding series B registered share, before deferred taxes	1 437.27	1 346.06	-
Shareholders' equity (NAV) per outstanding series B registered share, after deferred taxes	1 274.55	1 198.52	-

¹ Pro forma financial information corresponds to the data published in the annual report 2012 on pages 38 to 47 for the period from January 1, 2012 to December 31, 2012 and has been reviewed by the auditors.

15 | Significant shareholders

As at December 31, 2013, Zug Estates Holding AG was aware of the following significant shareholders within the meaning of art. 663c of the Code of Obligations (shareholders with holdings greater than 5% of all voting rights):

in CHF or in %	Series A registered shares	Series B registered shares	Votes	Votes prev. year
Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer ¹	1 480 650	19 196	66.3%	68.1%
Ursula Stöckli-Rubli	328 000	17 006	15.2%	15.2%
Werner O. Weber, indirectly held through Wemaco Invest AG	82 000	46 600	5.7%	5.5%

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

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 66.

16 | Property income

The reported property income of TCHF 34 733 (previous year: TCHF 17 563) comprises actual rental income and income from Miteigentümergeinschaft Metall. This position contains rental revenue from all properties.

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

Term, share in %	31.12.2013	31.12.2012
Under 1 year, incl. unlimited rental contracts	40.5	51.7
Over 1 year	6.7	3.0
Over 2 years	5.8	3.5
Over 3 years	0.6	4.7
Over 4 years	6.2	1.0
Over 5 years	1.7	3.8
Over 6 years	1.2	1.8
Over 7 years	0.8	0.8
Over 8 years	1.6	0.6
Over 9 years	16.1	5.6
Over 10 years	18.8	23.5
Total	100.0	100.0

As at December 31, 2013, the five largest tenant groups together generate 28.1% (previous year: 26.4%) of annualized projected rental revenue.

Tenants, share in %	31.12.2013	Tenants, share in %	31.12.2012
Novartis	8.6	Migros ¹	8.0
Migros ¹	7.2	UBS	7.7
UBS	6.2	Dosenbach-Ochsner	3.7
Nord Stream	3.1	H & M	3.5
Dosenbach-Ochsner	3.0	C & A	3.5

¹ Various companies of the Migros Group

17 | Hotel & catering income

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Accommodation	10 780	6 202
Catering	8 465	5 275
Ancillary services	971	687
Sales deductions	– 4	– 36
Total hotel & catering income	20 212	12 128

18 | Other operating revenue

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Revenue from services	1 605	1 253
Revenue from own work	274	246
Revenue from leasing of personnel	2 167	1 205
Other	104	62
Total other operating revenue	4 150	2 766

19 | Personnel expenses

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Wages and salaries	11 682	7 474
Pension expenses	637	303
Other personnel expenses	1 583	989
Total personnel expenses	13 902	8 766

20 | Other operating expenses

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Marketing/sales promotion	864	844
Maintenance and repair	408	217
Administrative expenses	487	654
IT/software	225	75
Legal and consultancy costs	746	881
Hire, leasing	453	292
Other costs	2 241	1 806
Total other operating expenses	5 424	4 769

21 | Depreciation

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Depreciation of operating properties	2 185	1 262
Depreciation of other tangible assets	1 334	844
Amortization of intangible assets	35	14
Total depreciation	3 554	2 120

22 | Financial result

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Interest income from banks	23	242
Gain on securities	1 933	37
Other financial income	0	2
Total financial income	1 956	281
Interest expense mortgage loans	5 973	3 178
Other financial expenses	73	80
Losses on securities	3	3 315
Total financial expenses	6 049	6 573
Financial result	– 4 093	– 6 292

In the reporting period, borrowing costs in the amount of TCHF 1 038 (previous year: TCHF 2 077) were capitalized.

23 | Taxes

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Income taxes	1 412	1 011
Deferred taxes	6 219	7 014
Total taxes	7 631	8 025

24 | Contingent liabilities and other off-balance sheet obligations

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

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

Zug Estates AG is owner and developer of the Suurstoffi development in Risch Rotkreuz. Under the terms of the rental contract, penalties amounting to a maximum of TCHF 290 were agreed with one tenant. In addition, the tenant is to be compensated for any damage incurred in excess of the penalty.

25 | Leasing liabilities

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

in CHF thousands	31.12.2013	31.12.2012
up to 1 year	20	20
up to 3 years	25	48
over 3 years	0	0
Total	45	68

26 | Pension plan liabilities

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

Employer's contribution reserves (ECR)

As at 31.12.2013 there are no employer's contribution reserves.

Economic benefits/economic liabilities and pension expenses

in CHF thousands	Deficit/ surplus of joint pension plans 31.12.2013	Economic share of com- pany 31.12.2013	Economic share of com- pany 31.12.2012	Change or impact on net income in financial period	Contri- butions for the period	Pension expenses in personnel expenses 2013	Pension expenses in personnel expenses 2012
Patronage funds/pension schemes	–	0	0	0	–	–	–
Pension plans without surplus/deficit	–	0	0	0	456	456	193
Pension plans with surplus	–	0	0	0	–	–	–
Pension plans with deficit	– 126	0	0	0	181	181	110
Total pension expenses	– 126	0	0	0	637	637	303

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

Composition of pension expenses

in CHF thousands	2013	2012
Pension contributions at the company's expense	637	303
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	637	303
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	637	303
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	637	303

Total pension expenses in personnel expenses in the period under review amounted to TCHF 637 (previous year: TCHF 303). No extraordinary contributions were agreed upon or paid in the reporting period.

27 | Risk assessment

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

1. Identification of risks

Every three years, an extensive Group-wide risk survey is conducted. In the scope of this survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are updated on an annual basis until the next extensive survey.

2. Risk analysis

The top executives of the respective business units evaluate the risks identified in step 1 with respect to their probability of occurrence and their impact. When assessing the impact of a risk, the financial impact as well as the effect on reputation is considered.

3. Risk control

The individual business units assign risk managers to each business risk or risk category, who define specific measures and monitor the implementation of these measures.

4. Risk reporting

The board of directors of Zug Estates Holding AG receives a consolidated risk report on an annual basis.

28 | Segment report

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

01.01.2012 – 31.12.2012 pro forma ¹

in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ²	Total
Operating revenue	38 887	20 891	– 6 258	53 520
Operating expenses	9 113	19 987	4 487	24 613
Revaluation of investment properties (net)	47 772	0	0	47 772
Income from sale of investment properties	2 215	0	0	2 215
Operating income before depreciation (EBITDA)	79 761	904	– 1 771	78 894
Operating income (EBIT)	77 338	– 352	– 1 771	75 215

01.03.2012 – 31.12.2012

in CHF thousands				
Operating revenue	23 917	12 281	– 3 741	32 457
Operating expenses	6 536	11 699	1 970	16 265
Revaluation of investment properties (net)	39 129	0	0	39 129
Income from sale of investment properties	2 215	0	0	2 215
Operating income before depreciation (EBITDA)	58 725	582	– 1 771	57 536
Operating income (EBIT)	57 306	– 119	– 1 771	55 416

01.01.2013 – 31.12.2013

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

¹ Pro forma financial information corresponds to the data published in the annual report 2012 on pages 38 to 47 for the period from January 1, 2012 to December 31, 2012 and has been reviewed by the auditors.

² Holding company expenses and inter-segment revenues are eliminated in the Corporate & eliminations column.

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

Ownership of the entire portfolio – i.e. investment and operating properties – rests with the real estate business unit. Based on an integrated view of the hotel & catering business unit, i.e. factoring in all properties used by the unit as well as all associated expenses and credits arising from rent paid to the real estate business unit, in the year under review the hotel & catering business unit generated operating income of CHF 3.3 million (previous year: CHF 3.0 million) and an annualized EBITDA return of 6.3% (previous year: 6.1%) on the market values of these properties.

29 | Transactions with related parties

In the year under review, revenue of TCHF 239 (previous year: TCHF 96) from hotel, catering and property management services were received from companies of the Metall Zug Group. This was offset by expenses of TCHF 120 (previous year: TCHF 57) for services and deliveries of equipment. As at the balance sheet date, receivables due from Metall Zug Group companies amounted to TCHF 6 (previous year: TCHF 11) and liabilities to them TCHF 1 (previous year: TCHF 9).

In the previous year Zug Estates AG sold two multi-family houses to pension foundation BVG Normkasse der V-ZUG AG at the price that an independent third party would have paid.

Information on the procedure for determining the compensation of the board of directors and Group Management and on the compensation amounts paid to them can be found in the notes to the annual financial statements of Zug Estates Holding AG on pages 67 to 68. As at the balance sheet date, liabilities towards members of the board of directors amounted to TCHF 93 (previous year: TCHF 178).

30 | Events after the balance sheet date

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

Auditor's report to the consolidated financial statements



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 6 March 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements presented on page 42 to 62 of Zug Estates Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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 and fair presentation 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

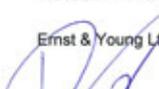
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.


Ernst & Young Ltd
Daniel Zaugg
Licensed audit expert
(Auditor in charge)


Andreas Blank
Licensed audit expert

Balance sheet of Zug Estates Holding AG

Assets		
in CHF thousands	31.12.2013	31.12.2012
Cash and cash equivalents	7 604	36 094
Securities	3 571	15 120
Treasury shares	19 101	9 348
Receivables due from third parties	139	4
Intercompany receivables	800	1 011
Prepaid expenses	3 014	6 107
Current assets	34 229	67 684
Tangible assets	12	12
Intangible assets	48	61
Investments	2 003	2 003
Intercompany loans	30 900	1 300
Fixed assets	32 963	3 376
Total assets	67 192	71 060

Liabilities and shareholders' equity		
in CHF thousands	31.12.2013	31.12.2012
Current liabilities to third parties	171	230
Accrued expenses due to third parties	291	376
Accrued expenses due to Group companies	8	0
Current liabilities	470	606
Liabilities	470	606
Share capital	12 750	12 750
Statutory reserves		
– Reserves for treasury shares	20 605	10 358
– Reserves from capital contributions ¹	29 245	46 896
Free reserves	351	351
Retained earnings		
– Earnings carried forward from the previous year	99	0
– Net income for the period	3 672	99
Shareholders' equity	66 722	70 454
Total liabilities and shareholders' equity	67 192	71 060

¹ Of the reported reserves from capital contributions, TCHF 582 were not accepted by the Swiss Federal Tax Administration.

Income statement of Zug Estates Holding AG

in CHF thousands	01.01.2013 – 31.12.2013	01.03.2012 – 31.12.2012
Income from investments	3 000	6 100
Financial income	1 628	53
Other income	1 840	913
Total income	6 468	7 066
Financial expenses	561	4 287
Personnel expenses	1 849	1 142
Other operating expenses	318	1 536
Depreciation	27	0
Taxes	41	2
Total expenses	2 796	6 967
Net income for the period	3 672	99

Notes

to the annual financial statements of Zug Estates Holding AG

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

The 2013 annual financial statements of Zug Estates Holding AG were approved by the board of directors for publication on March 6, 2014.

1 | Basis of financial reporting

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

2 | Investments

The investments of Zug Estates Holding AG, as at December 31, 2013, are listed on page 48.

3 | Significant shareholders

See notes to the consolidated financial statements, page 56.

4 | Share ownership by current members of the corporate bodies

	Series A registered shares as at 31.12.2013	Series B registered shares as at 31.12.2013	Series B registered shares as at 31.12.2012	Series B registered shares as at 31.12.2012
in CHF				
Heinz M. Buhofer, chairman	563 040 ¹	1	563 040 ¹	1
Hannes Wüest, vice-chairman	0	250	0	250
Prof. Dr. Annelies Häcki Buhofer, member	108 154 ¹	7 727	108 154 ¹	1 727
Dr. Hajo Leutenegger, member	2	0	2	0
Armin Meier, member	0	30	–	–
Heinz Stübi, member	0	90	0	90
Martin Wipfli, member	0	266	0	266
Stephan Wintsch, CEO	0	50	0	40
Gabriela Theus, CFO	0	0	0	0

¹ For the most part held through Buhofer Trust II

5 | Treasury shares

On January 16 of the year under review, Zug Estates Holding AG acquired 8 648 series B registered treasury shares at an average price of CHF 1 185. As at December 31, 2013, Zug Estates Holding AG holds 18 400 series A registered treasury shares and 14 598 series B registered treasury shares (previous year: 18 400 series A registered shares and 5 950 series B registered shares).

6 | Information on the execution of a risk assessment

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

1. Identification of risks

Every three years, an extensive Group-wide risk survey is conducted. In the scope of this survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are updated on an annual basis until the next extensive survey.

2. Risk analysis

The top executives of the respective business units evaluate the risks identified in step 1 with respect to their probability of occurrence and their impact. When assessing the impact of a risk, the financial impact as well as the effect on reputation is considered.

3. Risk control

The individual business units assign so-called risk managers to each business risk or risk category, who define specific measures and monitor the implementation of these measures.

4. Risk reporting

The board of directors of Zug Estates Holding AG receives a consolidated risk report on an annual basis.

7 | Compensation

BOARD OF DIRECTORS

The members of the board of directors receive a fixed compensation for their activities which is determined annually by the entire board of directors at the request of the Nomination and Compensation Committee.

GROUP MANAGEMENT

The compensation received by the members of Group Management consists of a fixed and a variable component. The fixed component of 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. When determining the variable component of compensation, half of the total is based on the financial performance of the company and the other half on the individual efforts and personal initiative of the person concerned, and the achievement of agreed targets. The financial performance of the company is measured using the value drivers of revenue growth and net income (before revaluation and one-time effects). The fixed and variable components of compensation are determined annually by the board of directors at the request of the Nomination and Compensation Committee. No external consultants were engaged. Of the compensation paid in the year under review, the fixed component accounted for 93% and the variable component 7%, to be paid in the following year (previous year: 84% fixed and 16% variable).

Members of Group Management are not present at meetings of the Nomination and Compensation Committee or of the board of directors dealing with employment contracts of members of Group Management and, in particular, compensation received by the latter.

The employment contracts of the members of Group Management do not provide for any severance payments or unusually long periods of notice.

SHAREHOLDING PROGRAMS

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

LOANS AND CREDITS

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

FORMER MEMBERS

Zug Estates Holding AG has paid no direct or indirect compensation to former members of the board of directors or Group Management or associated persons. There are no loans or credit facilities outstanding in relation to former members or associated persons.

Compensations for the calendar year in CHF	Compensa- tions net	Pension contributions ¹	Total 2013	Compensa- tions net	Pension contributions ¹	Total 2012
Heinz M. Buhofer, chairman	240 505	56 986	297 491	158 701	49 489	208 190
Hannes Wüest, vice-chairman ²	250 000	0	250 000	600 000	0	600 000
Prof. Dr. Annelies Häcki Buhofer, member	50 000	7 553	57 553	40 000	5 968	45 968
Dr. Hajo Leutenegger, member	50 000	4 187	54 187	40 000	2 884	42 884
Armin Meier, member	84 463	12 823	97 286	–	–	–
Heinz Stübi, member	56 670	8 561	65 231	25 000	3 734	28 734
Martin Wipfli, member	83 330	0	83 330	65 000	0	65 000
Total board of directors	814 968	90 110	905 078	928 701	62 075	990 776
Stephan Wintsch, CEO (since June 1, 2012)	401 150	187 895	589 045	242 502	109 993	352 495
Total Group Management	613 214	280 537	893 751	464 792	194 976	659 768

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

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

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

8 | Dividends from subsidiaries

Dividends from subsidiaries totaling TCHF 3 000, which were declared from the ordinary profits of the 2013 financial year, are recorded under "Income from investments" (previous year: TCHF 6 100).

Proposal for the appropriation of available earnings

in CHF	31.12.2013	31.12.2012
Retained earnings carried forward	98 536	0
Net income	3 672 199	98 536
Retained earnings	3 770 735	98 536
Retained earnings to be carried forward	3 770 735	98 536

Furthermore, the board of directors proposes that CHF 8 725 493 from the reserves from capital contributions be reclassified as free reserves and that the subsequent payout of CHF 8 143 773 to shareholders be made as follows:

in CHF	
For each series A registered share	1.65 net
For each series B registered share	16.50 net

Subject to approval by the general meeting of shareholders of the proposal put forward by the board of directors, distribution will be effected on Tuesday, April 22, 2014 (payment date).

Auditor's report

on the annual financial statements of Zug Estates Holding AG



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To the General Meeting of
Zug Estates Holding AG, Zug

Zug, 6 March 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zug Estates Holding AG on page 64 to 69, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.


Ernst & Young Ltd
Daniel Zaugg
Licensed audit expert
(Auditor in charge)


Andreas Blank
Licensed audit expert

«For me this is
the ideal place
to live.»

Suurstoffi resident

The Zug Estates sites offers a wide variety of residential options – from serviced room to penthouse apartment. Whatever your situation, you'll find the right home.



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	CO	66.75	1987 / 1991	–
Zug, Baarerstrasse 14a (Metalli III)	Zug	SO	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	SO	100	1995	–
Industriestrasse 16 (leasehold) ²	Zug	LHP	100	–	–
Industriestrasse 18	Zug	SO	100	1992	–
Zug, Haldenstrasse 12–16 (Haldenhof)	Zug	SO	100	2009	–
Residential development Haldenstrasse/Metallstrasse	Zug	SO	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 3–5, 9, 13–17	Rotkreuz	SO	100	2011 / 2012	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Rotkreuz	SO	100	ca. 1926	2012
Suurstoffi 8–12 (construction site 5, buildings A+B)	Rotkreuz	SO	100	2013	–
Suurstoffi 14 (construction site 5, building C)	Rotkreuz	SO	100	2013	–
Total Suurstoffi site					
Other					
Hofstrasse 1a/b	Zug	SO	100	1971	–
Rote Trotte 14–16	Baar	C	100	2007	–
Industriestrasse 8	Oberentfelden	SO	100	1956	1974
Total other					
Total investment properties (excl. properties under construction)					
Investment properties under construction					
Suurstoffi West (construction site 3)	Rotkreuz	SO	100	2014 / 2015	–
Suurstoffi 41	Rotkreuz	SO	100	2014	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Rotkreuz	SO	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
Operating properties ⁴	Zug	SO/C	100	–	–
Total Portfolio³					

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

² Zug Estates AG is the ground lessor

³ Information on floor space and number of parking spaces excludes properties under construction

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

Plot area m ²	Residential m ²	Office m ²	Retail m ²	Hotel/catering m ²	Storage m ²	Miscellaneous m ²	Total rentable area m ²	Total no. of parking spaces
16 419	8 165	12 170	18 151	608	4 453	742	44 289	525
4 843	270	5 325	3 075	0	3 261	356	12 287	111
2 155	1 965	1 634	381	461	686	0	5 127	92
3 200	–	–	–	–	–	–	–	–
1 637	0	1 583	0	0	256	78	1 917	30
3 615	3 150	0	0	0	0	59	3 209	54
13 473	8 222	0	0	0	11	38	8 271	64
45 342	21 772	20 712	21 607	1 069	8 667	1 273	75 100	876
19 370	14 546	0	0	0	0	0	14 546	244
2 680	0	337	0	183	0	0	520	3
11 961	9 982	3 590	0	0	159	0	13 731	212
2 290	0	8 177	0	0	448	0	8 625	37
36 301	24 528	12 104	0	183	607	0	37 422	496
2 806	503	698	0	0	33	0	1 234	12
1 687	876	0	0	0	0	105	981	12
20 551	0	1 212	0	141	6 094	6 457	13 904	105
25 044	1 379	1 910	0	141	6 127	6 562	16 119	129
106 687	47 679	34 726	21 607	1 393	15 401	7 835	128 641	1 501
18 770	10 386	0	0	0	0	23	10 409	370
6 430	0	5 994	0	0	489	0	6 483	0
25 200	10 386	5 994	0	0	489	23	16 892	370
42 539	–	–	–	–	–	–	–	–
42 539	–	–	–	–	–	–	–	–
174 426	47 679	34 726	21 607	1 393	15 401	7 835	128 641	1 501
12 871	2 000	860	0	13 068	89	0	16 017	178
187 297	49 679	35 586	21 607	14 461	15 490	7 835	144 658	1 679

Additional information

in CHF thousands or in %	Book value	Book value	Projected	Projected	Vacancy rate	Vacancy rate
	31.12.2013	31.12.2012	rental revenue 31.12.2013	rental revenue 31.12.2012	31.12.2013	31.12.2012
Zug City Center site, Zug	584 587	558 697	27 110	26 093	1.7	1.4
Suurstoffi site, Risch Rotkreuz	227 090	92 584	11 133	4 380	5.6	1.5
Other	24 190	24 363	1 515	1 511	0.4	0.6
Investment properties	835 867	675 644	39 758	31 984	2.7	1.4
Investment properties under construction	47 023	111 234	–	–	–	–
Undeveloped plots	9 269	11 311	–	–	–	–
Total real estate portfolio	892 159	798 189	39 758	31 984	2.7	1.4
Operating properties ¹	41 044	42 254	–	–	–	–
Total portfolio	933 203	840 443	–	–	–	–

¹ Wüest & Partner AG estimated the fair value as at December 31, 2013 at TCHF 106 507 (previous year: TCHF 105 624)

Additional information on Suurstoffi development project, Risch Rotkreuz

Project description:

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

During the first phase, completed in spring 2013, around 13 000 m² of commercial space and 228 rental apartments were created. A second development phase, which will have an investment volume of approx. CHF 100 million, comprises an office building with approx. 6 000 m² of rental space and 156 apartments.

Project status:

The first construction phase has been completed, and the second construction phase is now underway. Construction of the office building (with approx. 6 000 m² of rental space) began in April 2013. SIS Swiss International School will rent additional space here as of summer 2014. In July 2013, work commenced on the construction of nine apartment blocks with a total of 145 rental and 11 owner-occupied apartments. The apartments are due for occupancy as of spring 2015.

in % 31.12.2013 31.12.2012

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

Suurstoffi 41 (office building east)	45	–
Suurstoffi 19–35 (construction site 3)	30	–

Completion

Suurstoffi 41 (office building east)	Summer 2014
Suurstoffi 19–35 (construction site 3)	Spring 2015

Valuation report of the independent real estate expert

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February 18, 2014

Reference-number: 102428.3

Report of the independent valuation expert, valuation as of
December 31, 2013

To the Board of Directors of Zug Estates Holding AG

Commission

Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2013, Wüest & Partner AG (Wüest & Partner) valued the properties and sections of properties held by the Zug Estates Group. 14 investment properties, two properties under construction and six operating properties were valued.

Valuation standards

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

Definition of market value

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

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

Valuation method

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

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

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

Basis of valuation

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

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

Three investment properties and two properties under construction were inspected in connection with the valuation as of the balance sheet date of December 31, 2013.

Results

As of December 31, 2013, Wüest & Partner determined the market value of the total of 22 properties. These break down into 14 investment properties, two properties under construction and six operating properties. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

- 14 Investment properties	CHF 835,867,000
- 2 Properties under construction	CHF 35,640,000
- 6 Operating properties	CHF 106,507,000
- Total	CHF 978,014,000

Changes during reporting period

Within the review period from January 1, 2013 to December 31, 2013, no purchases and no sales were effected.

Independence and confidentiality

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

Zurich, February 18, 2014
Wüest & Partner AG



Marco Feusi MRICS
Partner



Marco Böhi
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, 2014, on which the valuation was based, were received by Wüest & Partner during the period from November 2013 to January 2014.
- **Calculation model:** The DCF model adopted is a one-period model. The valuation period extends for 100 years from the valuation date with an implicit residual value during the eleventh period. Exceptions are possible in the case of leasehold properties with a corresponding reversion scenario.
- **Discounting:** Discounting is based on a risk-adjusted interest rate. The applicable rate is determined separately for each property. Risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for micro-location depending on use + premium for property quality and income risk + any other specific premiums. The discount rates of the property portfolio of Zug Estates Holding AG range from 3.60% to 5.40% (net real terms).
- **Increased costs:** Unless otherwise specified, the valuations assume an annual inflation rate of 1.00% for both income and expenses. When considered in nominal terms, the discount rate is adjusted accordingly. The cash flow trend and the discounting applied are presented in real terms.
- **Indexing of rental contracts:** Specific indexation of existing rental contracts is taken into account. 80% indexing (Swiss average) is assumed after contract expiry, with contracts adjusted to market rates every three to five years, depending on occupancy.
- **Tenant risks:** The valuation makes no explicit allowance for credit risks posed by any of the tenants.
- **Scheduling of payment flows:** In the case of existing rental contracts, individual payments are scheduled according to the contractually defined arrangements. After expiry of the contracts, cash flows are factored in quarterly in advance for commercial tenancies and monthly in advance for residential tenancies.
- **Recoverability of ancillary costs:** For the running costs, completely separate service charge accounts were assumed, with all tenancy-related ancillary costs passed on to tenants.
- **Maintenance costs:** Maintenance (repair and upkeep) costs were calculated using the building analysis tool. Based on an analysis of the condition and remaining lifespan of the various building elements and components, the software models periodic refurbishments and calculates the associated annual reserves for maintenance costs. The results were plausibility-tested using comparables and benchmarks derived from

Wüest & Partner surveys. The calculation factors in 100% of repair costs in the first 10 years and 60% to 80% (individual recoverable share) from year 11 onwards, in line with the assumed value-preserving investments.

Properties under construction

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

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

Share information

Zug Estates Holding AG has two categories of share. Series A registered shares (securities number 14805211) are not listed, series B registered shares have been listed in the regulatory standard for real estate companies of SIX Swiss Exchange in Zurich since July 2, 2012 (securities number 14805212, ticker symbol ZUGN).

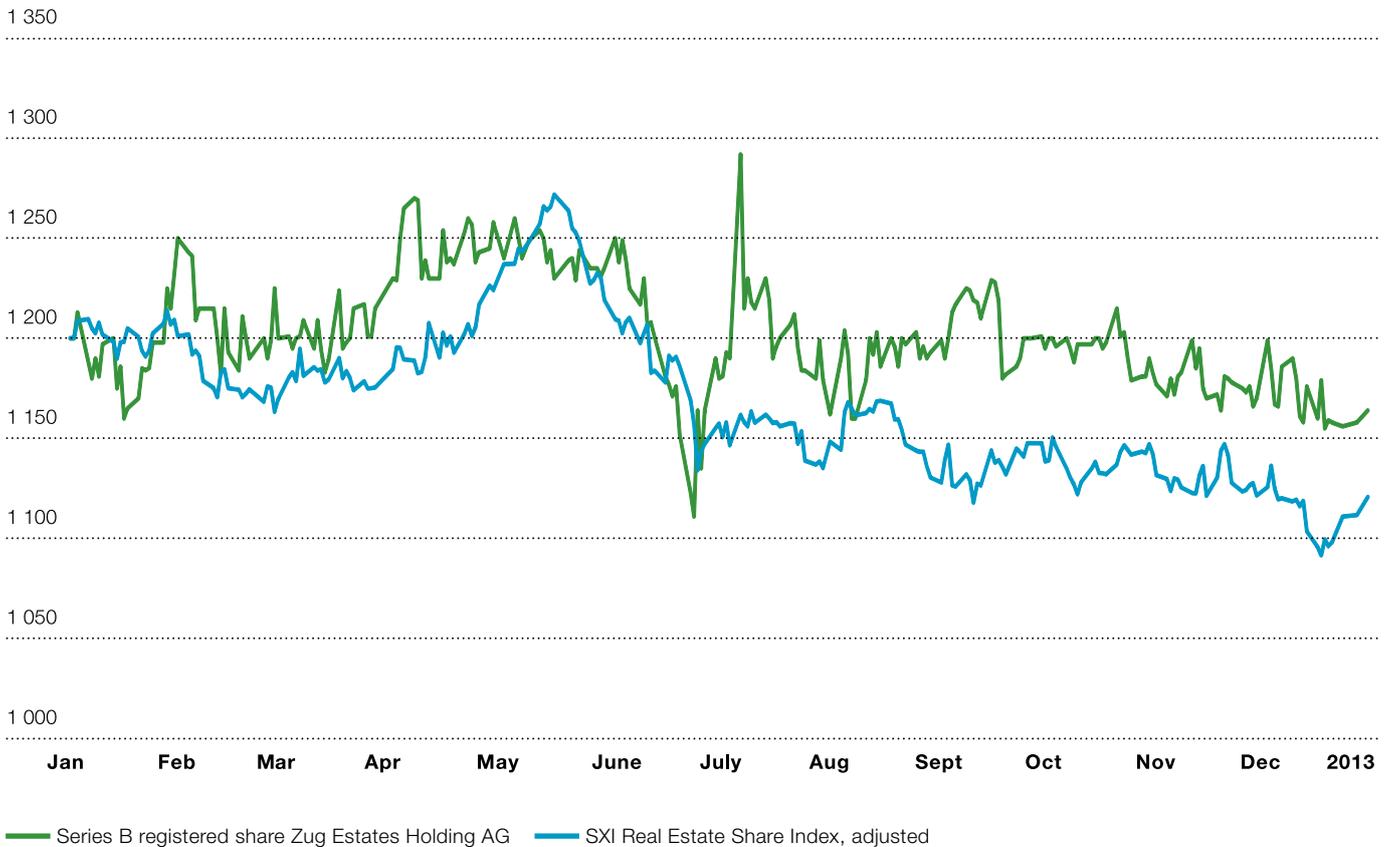
Dividend

On account of the good result, the board of directors proposes to the general meeting of shareholders a cash distribution at the top end of the strategic range: the payout from the reserves from capital contributions, which is exempt from withholding tax, will total CHF 1.65 per series A registered share and CHF 16.50 per series B registered share.

Upcoming events

April 11, 2014	General meeting of shareholders
April 22, 2014	Payment of dividend
August 29, 2014	Publication on half-year results

Performance series B registered share



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

Figures per series A registered share

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

Figures per series B registered share

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

Stock market price

	High	1 295	1 335
	Low	1 111	1 135
	At year-end	1 162	1 200

Total capitalization

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

The figures for the 2012 period are pro forma.

¹ In relation to number of shares on average outstanding (series A registered shares converted)

² In relation to number of shares outstanding (series A registered shares converted)

³ Corresponds to net income excluding income from the revaluation of investment properties (net) and the resulting deferred taxes

⁴ Net asset value (NAV) calculated in accordance with the best practices recommended by the European Public Real Estates Association EPRA

⁵ Proposal of the board of directors

⁶ Conversion of series A registered shares on the basis of the year-end rate applicable to series B registered shares

Contact:

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Notes on possible forward-looking statements:

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

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