

ZugEstates

2019

Annual Report



Company profile

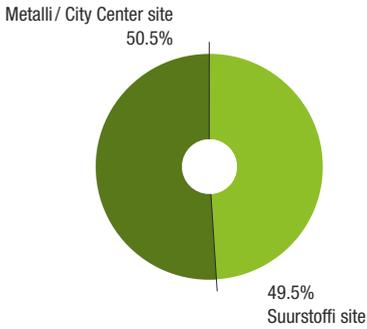
The Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites which are suitable for a wide range of uses and allow sustainable development. The real estate portfolio comprises the two sites in Zug and Risch Rotkreuz. As at December 31, 2019, the total portfolio value was CHF 1.63 billion.

31.4 million

Net income excluding revaluation and special effects as at December 31, 2019

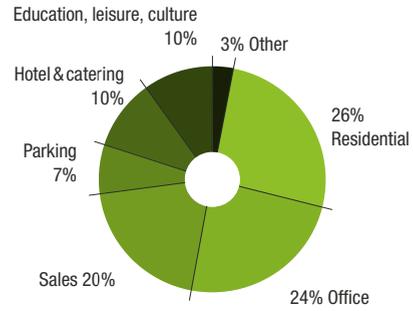
Portfolio by site

Based on market value as at December 31, 2019



Portfolio by use

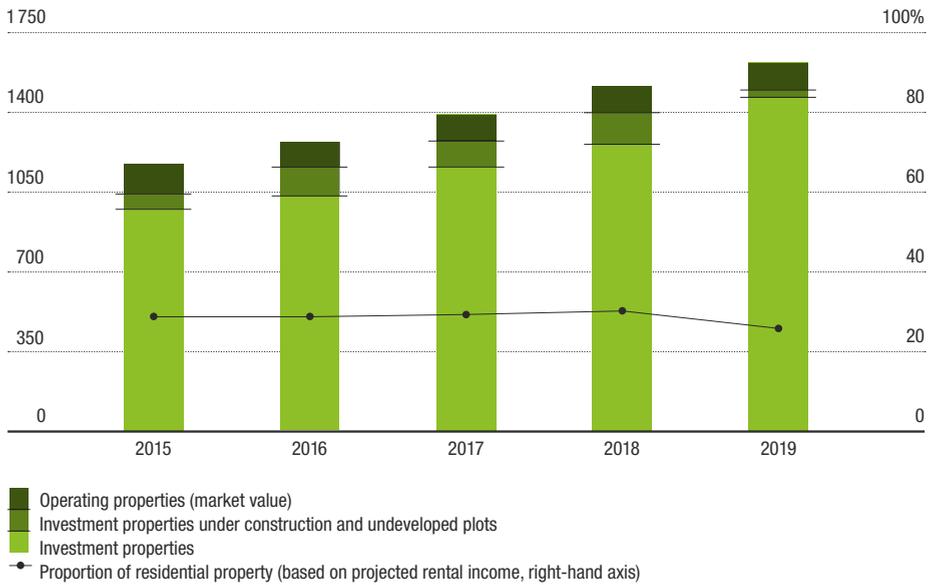
Based on projected rental income ¹ as at December 31, 2019



¹ From point of view of real estate business unit

Value of portfolio

in CHF million



Selected key figures

		2019	2018	%
Zug Estates Group				
Operating revenue ¹	TCHF	120 378	70 828	70.0%
Operating expenses	TCHF	66 960	28 630	133.9%
Operating income before depreciation and revaluation	TCHF	53 418	42 198	26.6%
Revaluation of investment properties (net)	TCHF	19 552	11 082	76.4%
Income from sale of investment properties	TCHF	998	0	n/a
Operating income (EBIT)	TCHF	70 549	49 797	41.7%
Net income	TCHF	76 046	38 811	95.9%
Net income excluding revaluation and special effects ²	TCHF	31 373	28 616	9.6%
Result from sale of promotional properties after tax ³	TCHF	6 792	0	n/a
Total assets	TCHF	1 654 946	1 552 511	6.6%
Interest-bearing debt	TCHF	597 443	554 546	7.7%
- Interest-bearing debt in % of total assets		36.1%	35.7%	
- Average rate of interest of the interest-bearing debt (period)		1.4%	1.8%	
- Average maturity of the interest-bearing debt	YEARS	5.2	5.4	
Shareholders' equity	TCHF	905 637	843 871	7.3%
- Equity ratio		54.7%	54.4%	
- Return on equity ⁴		8.7%	4.7%	
Headcount	FTE	139.6	135.4	3.1%
Share				
Closing price	CHF	2 330	1 675	39.1%
Market capitalization ⁵	TCHF	1 188 300	854 250	39.1%
Earnings per series B registered share ⁶	CHF	149.11	76.35	95.3%
Earnings per series B registered share excluding revaluation and special effects ^{2,6}	CHF	61.52	56.29	9.3%
Distribution per series B registered share ⁸	CHF	31.00	28.00	10.7%
Special dividend promotional profit from Aglaya per series B registered share	CHF	13.00	0.00	n/a
NAV at market value per series B registered share ^{5,7}	CHF	1 923.87	1 796.71	7.1%
Portfolio				
Investment properties	TCHF	1 478 364	1 273 724	16.1%
Investment properties under construction	TCHF	31 402	140 739	-77.7%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	TCHF	1 512 290	1 416 987	6.7%
Operating properties (market value)	TCHF	118 250	118 705	-0.4%
Total portfolio	TCHF	1 630 540	1 535 692	6.2%
Property income	TCHF	54 481	50 794	7.3%
Vacancy rate investment properties ⁹		3.3%	2.9%	
Gross return investment properties ¹⁰		4.1%	4.2%	

¹ Excluding income from revaluation of investment properties and gains on the sale of investment properties

² Corresponds to net income excluding income from revaluation of investment properties (net), excluding income from the disposal of investment and promotional properties and corresponding deferred taxes as well as the effect of adjustments made to deferred tax rates (see page 58)

³ Corresponds to the income from sale of promotional properties, deducted with the expenses incurred directly through the sale of proportional properties and corresponding deferred taxes

⁴ In relation to average shareholders' equity

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

⁶ In relation to number of shares on average outstanding (series A registered shares converted)

⁷ NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes

⁸ Proposed by board of directors

⁹ As at the balance sheet date, as a percentage of projected rental income

¹⁰ Projected rental income (annualized) as a percentage of the market value on the balance sheet date

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Letter to shareholders

“Metalli Living Space” gets green light

Dear shareholders,

This past year saw us hand over two lighthouse projects to their users: the condominium apartments in the Aglaya – Switzerland’s first garden tower block – as well as the campus of the Lucerne University of Applied Sciences and Arts. The Suurstoffi district’s diverse architectural mosaic is accentuated even further by the addition of these two striking, vital contributions to the attractive mix of exterior designs already found in this area. The vehicle-free site features an extremely well-balanced blend of spaces designed for residential, work, research, teaching, learning and recreational uses.

Change in the Executive Committee

Now that the Suurstoffi project is largely complete and after a successful six-year tenure at Zug Estates, our CEO Tobias Achermann has decided to pursue a new challenge. The board of directors thanks him for his successful, highly committed and prudent approach to implementing our vision and strategy in our role as a leading developer and operator of sustainable sites for a wide range of uses. Tobias Achermann made a major, lasting contribution toward the development of Suurstoffi, in particular. We would like to take this opportunity to wish him the best of luck in the future, both personally and professionally. We will be able to share information regarding his successor by the end of March at the latest and therefore before the general meeting of shareholders.

First green bond

Sustainability in practice is a pivotal aspect of our strategy. Our medium-term goal, which is enshrined in our zero-zero vision for the future, is to operate our entire portfolio using renewable sources of energy and without CO₂ emissions. It was clear to us early on that many future investors will only want to invest in companies that embrace a sustainable business model. Against that backdrop, last year we became the first Swiss real estate company to successfully place a fixed-income green bond in the amount of CHF 100 million. The proceeds were used to refinance existing loans for what is currently Switzerland’s highest wooden high-rise. This building not only satisfies the very highest environmental standards but also offers measurable environmental added value.

Attractive special dividend

The full sale of all condominium apartments in the Aglaya building upon completion of the project contributed to an extremely positive annual result. In light of this, the board of directors will propose to the general meeting of shareholders that the entire amount of the promotional profit after tax generated in 2019 be distributed to the shareholders in full as part of a special dividend. Furthermore, we will also hold on to the policy we announced last year, under which we will increase the ordinary dividend by 10% per year until the payout ratio reaches a level of two thirds of earnings from operations provided no major investments are needed.

“Our medium-term goal is to operate our entire portfolio using renewable sources of energy and without CO₂ emissions.”

For the year 2019, we will therefore be proposing an ordinary dividend per series B registered share of CHF 31.00 and a special dividend of CHF 13.00, which amount to a total payout of CHF 44.00 (CHF 4.40 per series A registered share), to the general meeting of shareholders.

“Metalli Living Space” opportunity

Last year, we signed a planning agreement with the city of Zug that defines a binding approach to be applied when developing the “Metalli Living Space” project. A joint urban development process with mixed planning teams gave us an opportunity to lay the foundation for a trend-setting project and a new zoning plan. The plan is to moderately redesign the area to create more space for living, working and recreational activities. This project should also give rise to new potential uses, meeting places and open spaces for the people of Zug. The transformation will factor in environmental aspects while also making an effort to preserve important identity-building elements. This project offers a unique opportunity to shape the further development of a district in downtown Zug, one in the immediate vicinity of the train station, in a way that blends the new with elements that are tried and tested.

This is a process that I look forward to, and I would be grateful for your generous support if you choose to accompany us on this journey.

Zug, March 2020



Dr. Beat Schwab

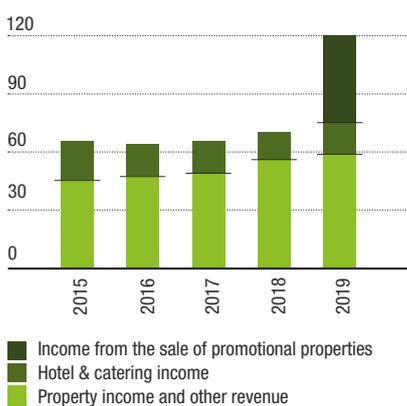
Chairman of the board of directors

Financial year report

“Qualitative growth in the Zug Estates Group continues with the completion of major development projects at the Suurstoffi site and successful marketing activities.”

Operating revenue¹

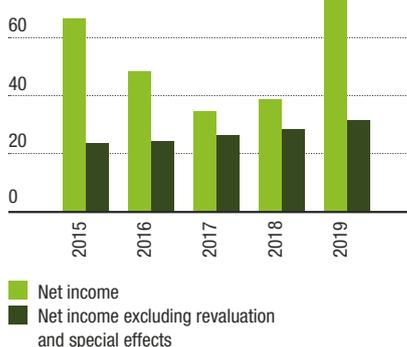
in CHF million
150



¹ 2015–2017 restated

Net income and net income excluding revaluation and special effects¹

in CHF million
80



¹ 2015–2017 restated

Dear shareholders,

The 2019 financial year was characterized by the completion of major development projects at the Suurstoffi site. Key milestones were reached within the scope of the “Metalli Living Space” project at the City Center site in Zug and a solid foundation has been laid for its careful further development. The encouraging financial year was also topped off by successful marketing activities with property income, operating income and net income excluding revaluation and special effects all significantly higher year on year.

Several different special effects – including the first proceeds from sales in the Aglaya condominium project, a gain on the sale of an investment property that was not in line with our strategy, further value increases on our portfolio of properties as well as a non-recurring positive tax effect from a reduction in the deferred tax rate – nearly doubled our net income as well.

Qualitative growth continues

Property income rose by 7.3% to CHF 54.5 million due to full-year rental income from the Suurstoffi properties S22 and construction site A, tenants moving into the first phase of construction site 1 as well as rentable space in the Aglaya building.

Sales generated in the hotel & catering business came in at CHF 16.6 million, which represents a slight 0.8% decline over the previous year. This is due to the lower number of overnight stays, which is mainly attributable to the departure of a major customer. There was also a reduction in the number of large-scale events. Gross operating profit (GOP) still remains high, however, at 39.8%.

Compared to the previous year, property expenses rose by 7.7% to CHF 7.8 million due to overall growth in the real estate portfolio. These expenses included investments made for renovation work at the Suurstoffi site as well as an increase in maintenance work at the Zug City Center site.

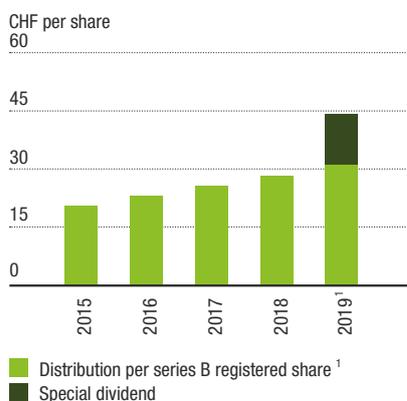
Operating income before depreciation and revaluation rose from CHF 42.2 million to CHF 53.4 million (+26.6%). This striking increase is attributable to sales proceeds from promotional activities (first phase of the Aglaya condominium project). The sale of the first 36 of a total of 85 condominium apartments generated a total pre-tax profit of CHF 7.9 million. The remaining 49 units have been sold in the meantime and the proceeds from those sales will be posted to 2020 financial year.

At CHF 19.6 million, which is 76.4% or CHF 8.5 million higher than the previous year, income from revaluation has increased significantly due to the above-average locational and property features of our mixed-use portfolio, ongoing development and positioning of the sites as preferred residential and business locations, successful re-rental efforts and factors on the overall market with respect to real estate. We were also able to sell an investment property that was not in line with our strategy at market value in the year under review; this sale generated a pre-tax profit of CHF 1.0 million (no investment properties were sold in the previous year). EBIT rose from CHF 49.8 million to CHF 70.5 million (+41.7%) as a result. The release of deferred taxes in the reporting period due to a revision of the tax laws in the Canton of Zug also gave rise to a non-recurring positive tax effect of CHF 20.3 million. Driven by both solid operational growth as well as the special effects mentioned above, net income rose by 95.9%, from CHF 38.8 million to CHF 76.0 million. Excluding revaluation and special effects, the Group's net income showed operational growth of 9.6%, from CHF 28.6 million to CHF 31.4 million.

Considerably higher distribution

In an effort to gradually increase the distribution to two thirds of net income excluding revaluation and special effects, the board of directors will propose to the general meeting of shareholders that the dividend be increased by 10.7%, from CHF 28.00 to CHF 31.00 per series B registered share. Since shareholders should also participate in the proceeds from the sale of the Aglaya promotional project, an additional proposal is being made to distribute this year's promotional profit after tax in full in the form of a special dividend of CHF 13.00 per series B registered share. This would increase the distribution from CHF 28.00 to CHF 44.00, or by 57.1% per series B registered share. A decision regarding the distribution of a special dividend, if any, from 2020 promotional profit will be taken in the spring of 2021.

Distribution per series B registered share



¹ Payable in the following year; 2019: proposal of the board of directors

Value of portfolio climbs to CHF 1.63 billion

Brisk development activity at Zug Estates resulted in portfolio investments of CHF 85.9 million in the year under review. Properties worth another CHF 40.9 million were sold as part of the Aglaya promotional project. The market value of the overall portfolio rose by 6.2%, from CHF 1.54 billion to CHF 1.63 billion.

Slight increase in vacancy rate

The completion of buildings A and B on construction site 1 as well as the addition of new rentable space in the Aglaya building meant that around 22 600 m² of new commercial space was added to the vacancy calculation for 2019. The vacancy rate only rose by 0.4 percentage points during the year, from 2.9% to 3.3%, even despite this sharp increase in space.

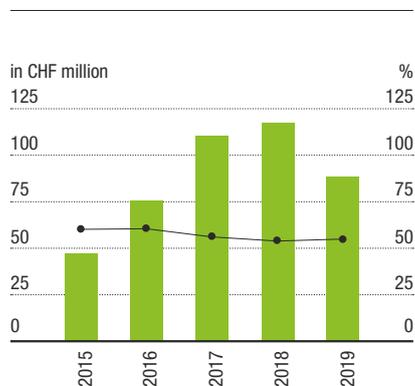
Green bond placement

September 2019 saw Zug Estates become the first Swiss real estate company to successfully place a six-year, CHF 100 million green bond with a coupon rate of 0.1%. The proceeds of the bond will be used exclusively to refinance outstanding short-term loans connected to the construction of three buildings on construction site 1 of the Suurstoffi site. The buildings, one of which is Switzerland's tallest wooden high-rise, meet the most stringent of sustainability requirements and offer meas-

Fair value of portfolio



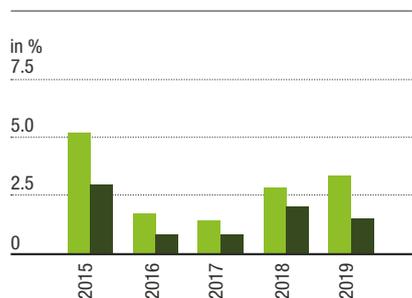
Equity and investments¹



■ Investments (left-hand axis)
● Equity ratio (right-hand axis)

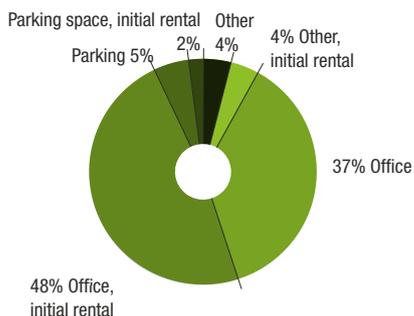
¹ 2015–2017 restated

Vacancy rate (on reference date)



■ Vacancy rate as at December 31
■ Vacancies before first-time rental and strategic vacancies as at December 31

Breakdown of vacancies as at December 31, 2019 by use



urable environmental benefits. Zug Estates is using the green bond to diversify its financing structure and reduce the average interest rate of its debt from 1.8% per year in 2018 to 1.4% for the 2019 financial period at an average residual term of 5.2 years (previous year: 5.4 years). Thanks to cash inflows from the sale of promotional properties, which are used to repay debt, and despite brisk construction activity, interest-bearing debt as a percentage of total assets saw a marginal increase from 35.7% to 36.1%.

Major development and marketing successes

Major development and marketing successes were achieved at both the Suurstoffi site as well as the City Center site in Zug.

Zug City Center site

- Demand remains high for retail and office space at the Metalli complex and rental contracts for space totaling more than 4 600 m² were either renewed or extended during the year under review. Contract negotiations for the remaining commercial space are already at an advanced stage.
- The second phase of an extensive CHF 1.5 million renovation project on the property at Liegenschaft Baarerstrasse 14a was completed on schedule at the end of 2019.
- Preparatory work to connect it to the Circulago lake water district is nearly finished. Assuming that the final steps proceed according to plan, the entire Metalli complex will be operating nearly CO₂ free from April 2020 onwards and have its heating and cooling requirements covered by water from Lake Zug.
- Contracts to connect the remaining 16 properties to the Circulago lake water district were signed in December 2019. Commissioning is to take place in stages in 2021, 2023 and 2025. From then onward, Zug Estates will be able to operate its entire portfolio nearly CO₂ free.
- December 2019 saw work begin on the installation of a CO₂-neutral air conditioning system in the rooms of Parkhotel Zug. This project, which has an investment volume of around CHF 1 million, is scheduled for completion in April 2020 and will offer guests a significantly more comfortable experience.
- The adjustments to the Metalli and Bergli development plans needed to develop the city center are being made together with the city of Zug. For this, a planning agreement was concluded with the city of Zug, which clarifies the general conditions for the joint project. To clarify urban design-related issues, three planning teams took part in, something referred to as a quality assurance competition (QAC), which began in August and was successfully completed in December 2019. A reference project should be available from Q2 2020 onward, which will serve as a baseline for adjustments made to the two development plans. The legally binding, modified development plans are expected to take effect in 2022/23. See page 15 for details on the “Metalli Living Space” development project.

Suurstoffi Rotkreuz

- In September 2019, approximately 19 000 m² of teaching and office space on construction site 1 was handed over to the Lucerne University of Applied Sciences and Arts on schedule. This space is subject to a long-term rental contract. Prominent, long-term tenants were found for the 2 000 m² of space on the top three floors of the ARBO wooden high-rise: Burger Söhne AG (Dannemann), Sanofi Aventis and Konplan AG. In fact, demand for these spaces is so high that we can expect the ARBO building to reach full occupancy sometime during 2020.

The completion of the third building with a total area of 4 900 m² is scheduled for Q2 2020. Around 74% of the total area available for rent of 25 000 m² on construction site 1 has already been rented on a long-term basis.

- As announced, the Aglaya garden high-rise was completed in early November 2019. The last of the 85 condominium apartments were also sold at the same time. Tenants gradually began to move in on November 4 and the final phase of this process is expected to be completed end of March 2020. 2 100 m² of commercial space has been leased to Spaces, a provider of coworking space, and Saponi's, an à la carte restaurant. This project had an investment volume of around CHF 100 million, 92% of which was for promotional purposes.
- The final two floors of the S22 wooden high-rise, with a total area of 2 950 m², were rented to the global medical device company Align Technology in June 2019.
- A floor with a total area of 1 000 m² was rented to Arisco Versicherungen AG in the S41 building. This space had previously been used by the Lucerne University of Applied Sciences and Arts on a temporary basis.
- Longer-term rental contracts were concluded in 2019 for a total of nearly 5 900 m² of commercial space at the Suurstoffi site, which will generate annual income of more than CHF 1.4 million.
- Zug Estates received the building permit needed for the final two commercial buildings, S43 and S45, at the end of 2019. These two buildings comprise total rentable space of 18 000 m² and construction on them will take place in stages and in line with demand. The last of three geothermal sites will be built during the final phase of the Suurstoffi project, thus marking the completion of the sustainable power system.

Outlook for 2020

In the real estate business unit, we anticipate an increase in rental revenue due to full-year rental revenue, newly rented space from the first phase of construction site 1 and rentable space in the Aglaya building. At the same time, renovation work at the Metalli complex and further maintenance work at the Suurstoffi site point to higher property expenses. Lower investment activity will significantly reduce the share of capitalizable financing costs and increase financial expenses considerably as a result.

We expect sales and gross operating profit in the hotel & catering segment to fall short of prior-year levels due to the impact of the coronavirus.

For the 2020 financial year we are looking to see another year-on-year increase in operating income before depreciation and revaluation, largely driven by the second wave of projected sales proceeds from the Aglaya condominium apartments.

We are not able to make any definitive assessment of the impact on net income excluding revaluation and special effects at this time.

“We expect net income excluding revaluation and special effects to be on a par with the previous year.”

Zug, March 2020



Tobias Achermann
CEO



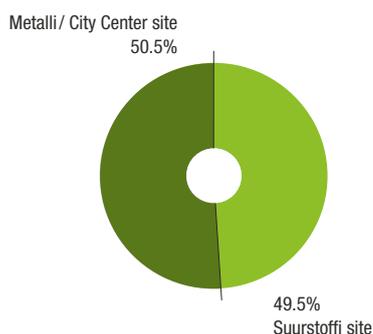
Mirko Käppeli
CFO

Portfolio

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

Portfolio by site

Based on market value as at December 31, 2019



Zug Estates invests in sites in the Zug region. Half of the real estate portfolio is located at the Zug City Center site and the other half is at the Suurstoffi site in Risch Rotkreuz; it is broadly diversified by type of use. As an attractive business and residential location, the Zug region provides good conditions for the long-term sustainable development of the portfolio: centrality and the easy reachability that comes with it, access to a large talent pool, and business-friendly authorities.

By concentrating on the Zug area, the Group is able to capitalize on its regional market intelligence and familiarity with the local business community. Zug Estates plans to leverage this solid baseline for the acquisition of another centrally located site in German-speaking Switzerland in the medium term.

Above-average property qualities with attractive market positioning

Zug Estates takes an integrated development approach geared to the specific locational features of its sites in order to create forward-looking environments. Thanks to their central location and excellent accessibility, both the busy Metalli shopping area in Zug and the university campus in Risch Rotkreuz will enjoy attractive long-term positioning as places of business. District-based services, superior green surroundings and resource-efficient energy systems explain why the sites are so sought-after – by residential and commercial tenants alike. Accordingly, the Zug Estates Group portfolio offers above-average locational and property features coupled with low vacancy rates. What's more, the portfolio features a balanced mix of uses, around 26% of which is residential property, as well as development potential that can be successively exploited over the next few years.

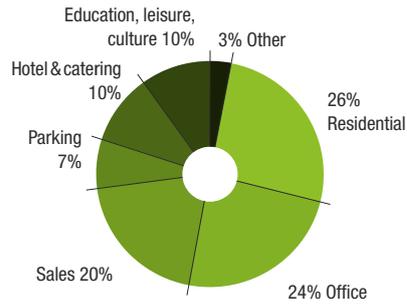
Policy of active growth

As at December 31, 2019, the portfolio had a market value of CHF 1.63 billion, having more than doubled since the Zug Estates Group's IPO in 2012 (market value as at June 30, 2012: CHF 764.5 million). The Zug Estates real estate portfolio has therefore grown by over 10% p.a. on average.

Zug Estates pursues a policy of active growth. In the past, development activities have focused on completing the Suurstoffi site in Risch Rotkreuz. The next step will be to make another investment, estimated at over CHF 300 million, in the phased development of the Zug City Center site. Construction is not slated to begin before 2023.

Portfolio by use

Based on projected rental income ¹ as at December 31, 2019



¹ From point of view of real estate business unit

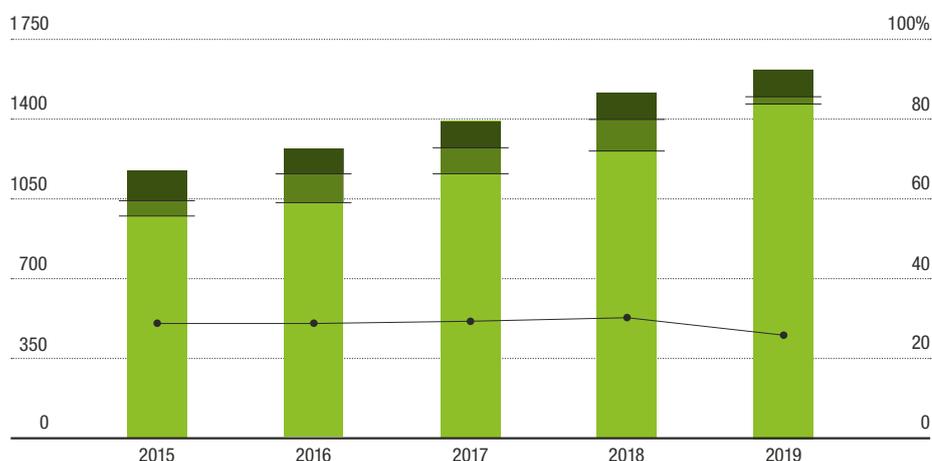
Zug Estates plans to acquire another development site as well. The evaluation process for potential sites will focus on properties in German-speaking Switzerland that are expected to be in high demand over the long term (inside the city limits or metropolitan areas of Zurich, Winterthur, Zug, Lucerne or Basel). The strategy envisages the development of large-scale sites with a unique presence, broadly diversified uses and internal synergies. The investment volume is expected to be at least CHF 200 million.

On-site business hotels

The Zug Estates Group operates a city resort in Zug, Hotelbusiness Zug AG, geared to the needs of business clients. It has a total capacity of around 240 accommodation units plus ancillary catering and conferencing facilities. The resort comprises the leading 4-star superior business hotels Parkhotel Zug and City Garden in addition to long-stay apartments. Ideally integrated into the Zug City Center site and within walking distance of the train station, workplaces and shopping facilities, the resort benefits from numerous synergies with the rest of the site.

Value of portfolio

in CHF million



- Operating properties (market value)
- Investment properties under construction and undeveloped plots
- Investment properties
- Proportion of residential property (based on projected rental income, right-hand axis)

Selected key portfolio figures

	2015	2016	2017	2018	2019
Book value in CHF thousands					
Investment properties	1 013 516	1 043 489	1 181 425	1 273 724	1 478 364
Investment properties under construction	57 723	128 519	106 618	140 739	31 402
Undeveloped plots	4 008	2 524	2 524	2 524	2 524
Total real estate portfolio	1 075 247	1 174 532	1 290 567	1 416 987	1 512 290
Operating properties ¹	38 008	36 461	35 434	33 967	32 412
Total portfolio	1 113 255	1 210 993	1 326 001	1 450 954	1 544 702
Performance in thousands or %					
Projected rental revenue investment properties	44 485	45 194	49 028	53 716	60 597
Property income ⁴	41 456	43 569	45 425	50 794	54 481
Gross return investment properties ³	4.4%	4.3%	4.1%	4.2%	4.1%
Investment properties ²	5.4%	1.8%	1.5%	2.9%	3.3%
Discount rate	3.5%	3.4%	3.3%	3.2%	3.1%

¹ Properties used for operational purposes are stated at cost less write-downs in accordance with accounting standards.

Wüest Partner AG estimated the fair value as at December 31, 2019 at TCHF 118 250 (December 31, 2018: TCHF 118 705)

² As at the balance sheet date, as a percentage of projected rental income

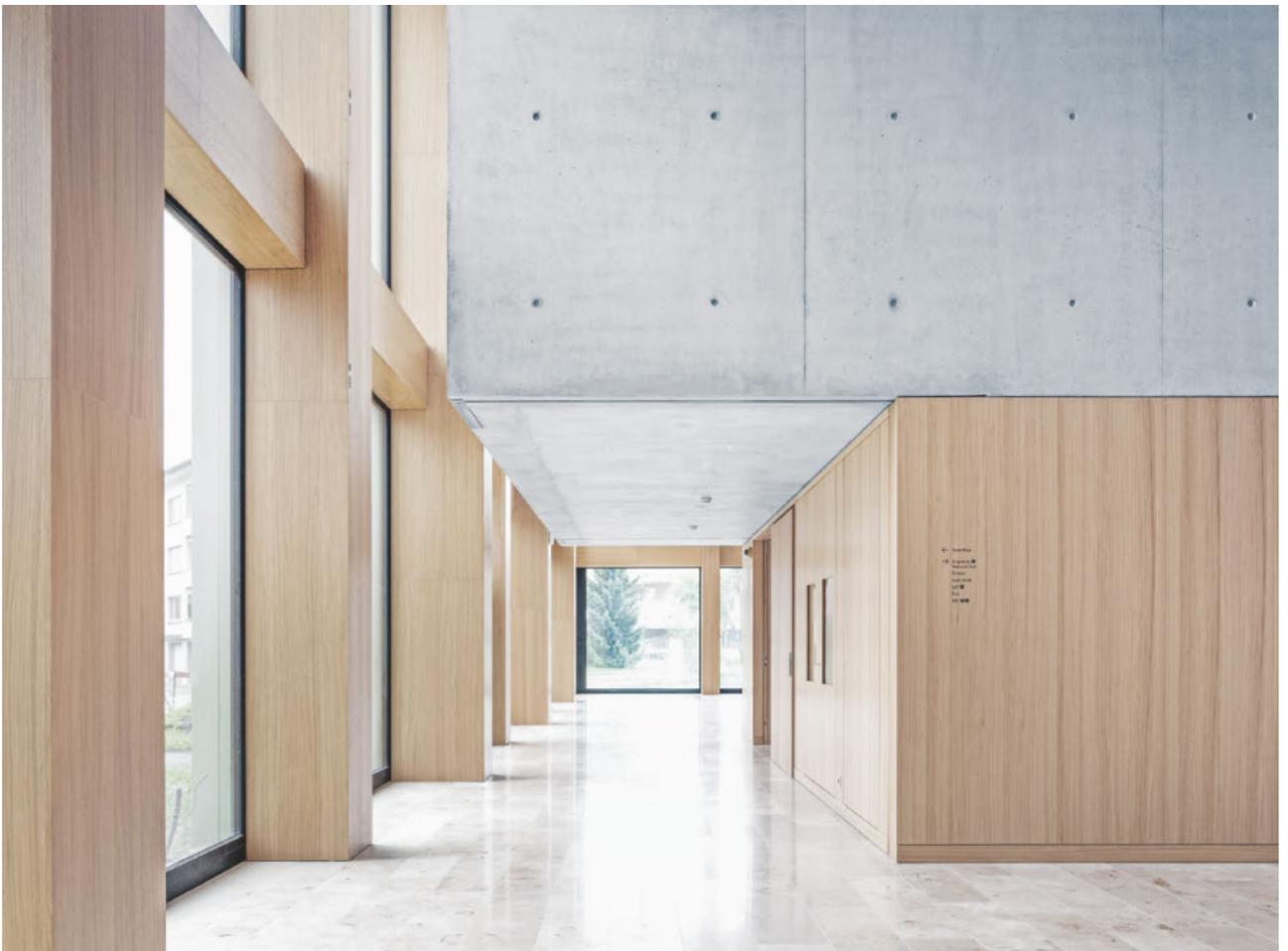
³ Projected rental income (annualized) as a percentage of the market value on the balance sheet date

⁴ Restated 2015-2017



Some 15,000 plants were planted on the Aglaya garden high-rise between February and October 2019 and now serve as the green facade of this 70-meter building.

Foyer of the Zug Rotkreuz campus of Lucerne University of Applied Sciences and Arts, which opened in September 2019. The wood hybrid construction is home to the IT department and the Institute of Financial Services Zug (IFZ).



Metalli/Zug City Center site

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

Key data as at December 31, 2019

Site area	58 737 m ²
Market value ^{1,2}	CHF 823.0 million
Book value:	CHF 737.2 million
Vacancy rate:	1.0% (previous year: 1.3%)
Projected rental income investment properties ¹	CHF 28.9 million
Gross return on investment properties	4.1%
Residents	around 700
Workspaces	around 2 000
Local amenities	Metalli shopping area with approx. 16 000 m ² of customer-friendly sales area and an annual turnover of around CHF 160 million, city resort with 240 accommodation options, a wide variety of catering, healthcare, childcare, educational, training and youth culture facilities

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

² Includes market value of operating properties

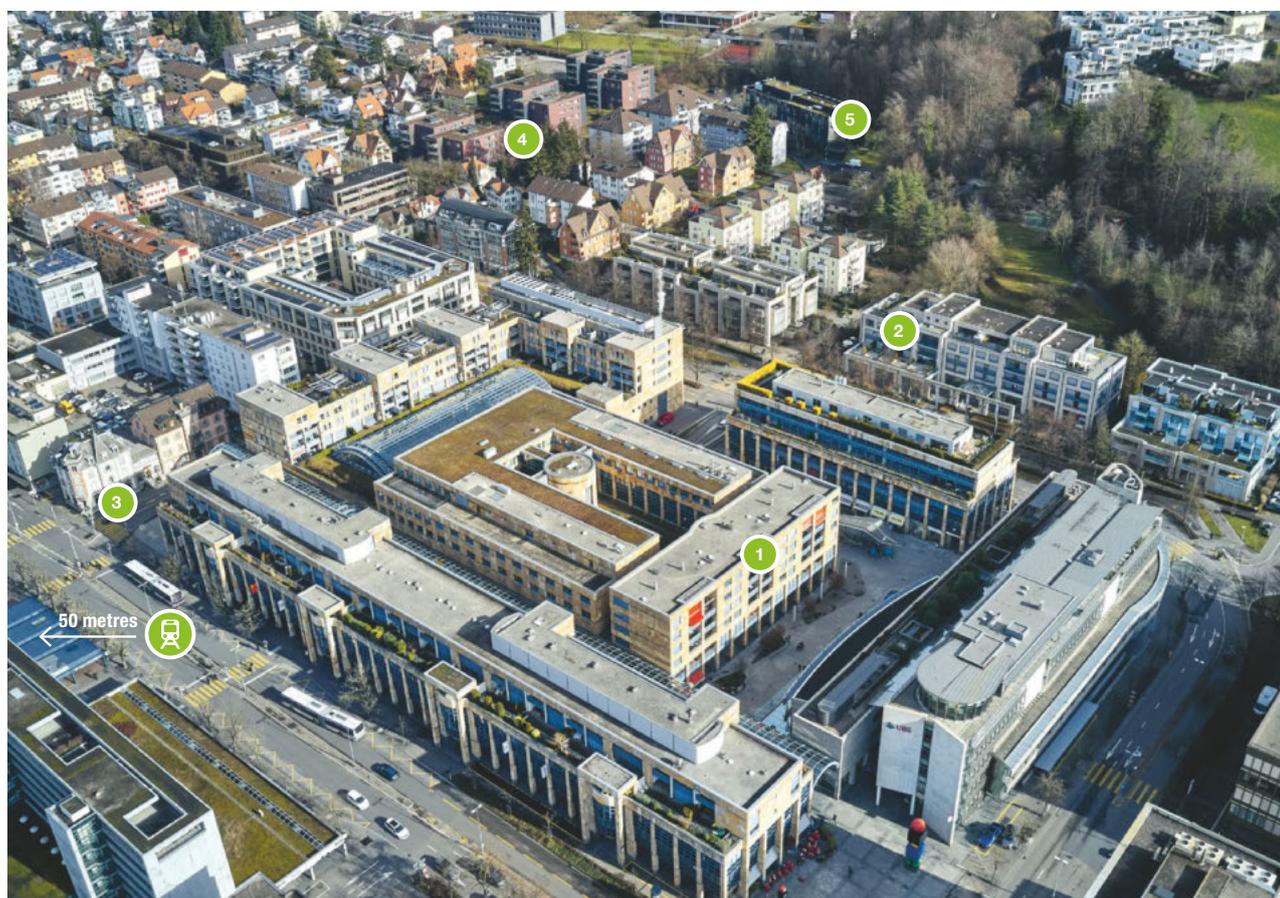
1 Metalli shopping area

2 Parkhotel Zug
109 hotel rooms,
restaurant, bar and
conference rooms

**3 Restaurant
Bären**

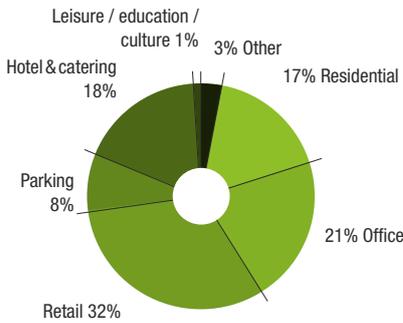
**4 Serviced
city apartments**
49 long-stay apartments

5 City Garden
78 hotel rooms,
restaurant, bar,
conference room and
CU restaurant



Mix of use

Based on projected rental income^{1,2} as at December 31, 2019



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

² From point of view of real estate business unit

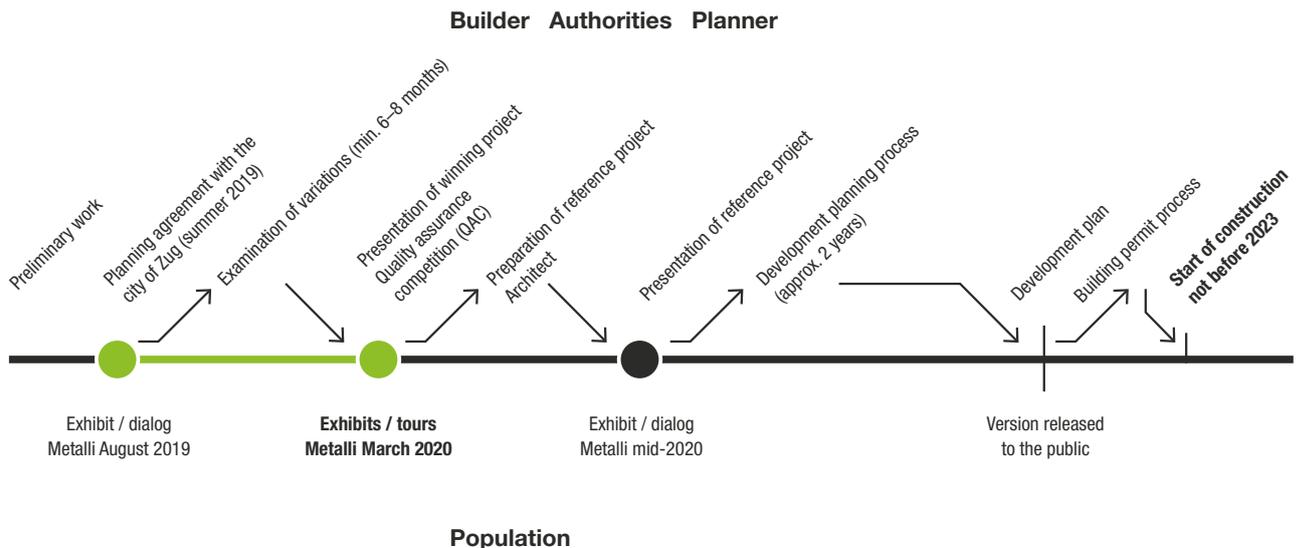
Information about the “Metalli Living Space” development project, Zug City Center site

Zug Estates plans to continue the further development of the Metalli Living Space in sync with the overall development plans of the city of Zug. The planning agreement signed in 2019 defined binding rules governing the joint undertaking between Zug Estates and the city of Zug. This process marks the start of an important, multi-year urban development process that will take the perspectives and needs of the people of Zug into account from the very start. An accompanying exhibition on the historical development of the Metalli site was held from August 22 to September 7, 2019, and included a platform where people could share their opinions.

Input gained from this dialog with the people of Zug was then taken into consideration during the very first phase of the process, the urban design competition (quality assurance competition), provided to all three planning teams and incorporated into their urban development reference projects. The winning design will be presented to the public in March 2020 and used as the basis for a reference project, which will then form the foundation of the development plan. Since this phase of the process will take around two years, the first steps of the construction phase can only begin in 2023 at the earliest.

For further information, please go to www.lebensraum-metalli.ch

Multi-phase plan



Suurstoffi site, Risch Rotkreuz

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

Key data as at December 31, 2019

Site area	105 657 m ²
Market value	CHF 773.6 million
Book value	CHF 773.6 million
Vacancy rate	5.3% (previous year: 4.8%)
Projected rental income investment properties	CHF 31.7 million
Gross return on investment properties	4.3%
Residents	around 1 100
Workspaces	around 1 800

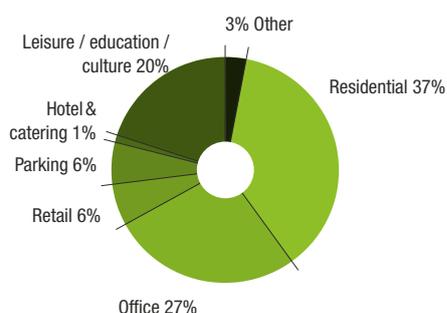
Local amenities

- 1 Zug Rotkreuz campus, Lucerne University of Applied Sciences and Arts
- 2 Fitness center, childcare
- 3 Hairdressing salon, group medical practice, childcare, physical therapy
- 4 Institute of Radiology & Neuroradiology
- 5 Coworking
- 6 Private bilingual school
- 7 Catering
- 8 Footbridge to the Rotkreuz train station



Mix of use

Based on projected rental revenue as at December 31, 2019

**Information on Suurstoffi development project, Risch Rotkreuz**

Based on the total investment volume, the Suurstoffi complex is 95% complete. The receipt of the building permit for the last two buildings, S43 and S45, at the end of 2019 took us another step closer toward completion of the entire site. The plan provides for two office buildings with around 18000 m² of rentable space and an investment volume of around CHF 80 million. The construction on them will take place in stages and in line with demand.

The final two floors of the S22 wooden high-rise, which feature a total of 2950 m² of floor space, were rented to the global medical device company Align Technology in June 2019.

The RNI (Institute of Radiology & Neuroradiology) opened its doors on construction site A on August 19, thus expanding the range of healthcare services offered on the site.

September 13 marked the official handover of the premises on construction site 1 to the Lucerne University of Applied Sciences and Arts. The last of the three buildings on this site will be ready for use in the summer of 2020.

The last of the 85 condominium apartments in the Aglaya garden high-rise has been sold, meaning that the ambitious target of having all the residential units sold before the building's completion has been met. As planned, tenants gradually started moving into the apartments on November 4 and the final phase of this process is expected to be completed end of March 2020. At the same time, Spaces, the international provider of coworking space, opened its doors on December 3.

More than 22000 m² of commercial space was completed and put on the market over the course of the past financial year, and tenants were found for the majority of this additional space thanks to extremely successful marketing efforts.

Building projects with a projected rental revenue potential of CHF 1.3 million were under construction at the Suurstoffi site as at December 31, 2019.

Occupancy level by floor area (commercial units) or number (residential units)		31.12.2019	31.12.2018
Suurstoffi 16–20	Residential	100%	100%
	Student accommodation	100%	100%
	Commercial	95%	86%
Suurstoffi 22	Commercial	100%	75%
Suurstoffi 37	Commercial	100%	84%
Suurstoffi 1–6	Commercial	74%	69%
Stand for promotional properties based on number (residential use)		31.12.2019	31.12.2018
Suurstoffi 37	Residential	100%	87%

Completion

Suurstoffi 37	Q4 2019
Suurstoffi 1–6	2019/2020

List of properties

	Place	Form of ownership ¹	Ownership share in %	Year of construction	Year of refurbishment
Investment properties					
Zug City Center site					
Baarerstrasse 20–22 (Metalli I/II, Zug Estates share)	Zug	M	72.25	1987/1991	–
Baarerstrasse 14a (Metalli III)	Zug	A	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	A	100	1995	–
Industriestrasse 16 (leasehold) ²	Zug	BR-P	100	–	–
Industriestrasse 18	Zug	A	100	1992	–
Haldenstrasse 12–16 (Haldenhof)	Zug	A	100	2009	–
Residential development Haldenstrasse/Metallstrasse/Bleichmattweg	Zug	A	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 1, 2, 4 ⁵	Risch Rotkreuz	A	100	2019	–
Suurstoffi 5, 9, 13, 15, 17	Risch Rotkreuz	A	100	2011/2012	–
Suurstoffi 19–35	Risch Rotkreuz	A	100	2015	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Risch Rotkreuz	A	100	ca. 1926	2012
Suurstoffi 8, 10, 12	Risch Rotkreuz	A	100	2013	–
Suurstoffi 14	Risch Rotkreuz	A	100	2013	–
Suurstoffi 16, 18, 20	Risch Rotkreuz	A	100	2017/2018	–
Suurstoffi 22	Risch Rotkreuz	A	100	2018	–
Suurstoffi 37 (Aglaya)	Risch Rotkreuz	A	100	2019	–
Suurstoffi 41	Risch Rotkreuz	A	100	2014	–
Total Suurstoffi site					
Total investment properties (excl. investment properties under construction)					
Investment properties under construction					
Suurstoffi 6 ⁵	Risch Rotkreuz	A	100	2020	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Risch Rotkreuz	A	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
Operating properties ^{3,4}	Zug	A/S	100	–	–
Total portfolio					

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

² Zug Estates AG is the ground lessor

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

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

⁵ Plot area of construction site 1 split into two sites (50% each)

Plot area m ²	Residential m ²	Office m ²	Retail m ²	Hotel/catering m ²	Leisure/ education/ culture m ²	Storage/other m ²	Total rentable space m ²	Total no. of parking spaces
16 419	8 165	10 140	17 917	923	2 261	5 172	44 578	521
4 843	352	5 491	3 056	149	–	3 046	12 094	123
2 155	1 965	1 370	381	461	264	755	5 196	93
3 200	–	–	–	–	–	–	–	–
1 637	–	1 463	–	–	–	234	1 697	30
3 615	3 148	–	–	–	–	59	3 207	54
13 997	8 304	–	–	–	100	49	8 453	72
45 866	21 934	18 464	21 354	1 533	2 625	9 315	75 225	893
6 979	–	2 372	–	–	16 155	1 645	20 524	122
15 503	11 336	–	–	–	–	19	11 355	234
12 417	10 278	–	–	–	–	35	10 313	409
2 680	–	–	–	–	520	–	520	–
15 237	10 095	86	–	337	3 405	326	14 249	306
8 359	–	8 527	–	–	–	621	9 148	52
14 098	11 851	6 182	493	–	3 099	1 071	22 696	227
7 081	–	10 414	60	547	–	466	11 487	231
7 858	–	1 809	–	258	–	37	2 103	–
3 496	–	4 437	–	–	2 044	–	6 481	4
93 708	43 560	33 827	553	1 142	25 223	4 220	108 876	1 585
139 574	65 494	52 291	21 907	2 675	27 848	13 535	184 101	2 478
1 612	–	4 124	477	–	–	142	4 742	38
1 612	0	4 124	477	0	0	142	4 742	38
10 337	–	–	–	–	–	–	–	–
10 337	0	0	0	0	0	0	0	0
151 523	65 494	52 291	21 907	2 675	27 848	13 535	184 101	2 478
12 871	1 879	873	–	13 002	–	277	16 031	199
164 394	67 373	53 164	21 907	15 677	27 848	13 812	200 132	2 677

To the Board of Directors of Zug Estates Holding AG

Report of the independent valuation expert Valuation as of December 31, 2019



Commission

Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2019, Wüest Partner AG (Wüest Partner) valued the properties and sections of properties held by the Zug Estates Group. 17 investment properties, six operating properties and one property under construction were valued.

Zürich,
January 23, 2020

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 the estimated amount for which a property would most probably be exchanged on the date of valuation date between a willing buyer and a willing seller, with due allowance made for a reasonable marketing period, each party acting knowledgeably, prudently and without compulsion.

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

Valuation method

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

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

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

Basis of valuation

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

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

Six properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2019.

Results

As of December 31, 2019, Wüest Partner determined the market value of the total of 24 properties. These break down into 17 investment properties, six operating properties and one property under construction. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

in CHF	
17 Investment properties	1 478 363 725
6 Operating properties	118 250 000
1 Property under construction	24 400 000
Total	1 621 013 725

Changes during reporting period

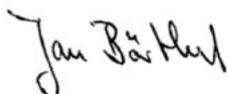
Within the review period from January 1, 2019 to December 31, 2019 the following changes took place:

- Property «Hofstrasse 1 a/b, Zug»: Reclassification to properties held for sale.

Independence and confidentiality

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

Wüest Partner AG



Jan Bärthel MRICS
Partner



Martin Schönenberger MRICS
Director

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, 2020, on which the valuation was based, were received by Wüest Partner in October 2019.
- **Calculation model:** A two-phase DCF model was adopted. From the valuation date, the infinite valuation period starts with an implicit residual value in the 11th period. Exceptions are possible in the case of leasehold properties with a corresponding reversion scenario.
- **Discounting:** Discounting is based on a risk-adjusted interest rate. The applicable rate is determined separately for each property. The discount rates of the property portfolio of Zug Estates Holding AG range from 2.7% to 4.3% (net real terms).
- **Increased costs:** Unless otherwise specified, the valuations assume an annual inflation rate of 0.5% for both income and expenses. When considered in nominal terms, the discount rate is adjusted accordingly. The cash flow trend and the discounting applied are presented in real terms.
- **Indexing of rental contracts:** Specific indexation of existing rental contracts is taken into account. 80% indexing (Swiss average) is assumed after contract expiry, with contracts adjusted to market rates every three to five years, depending on occupancy.
- **Tenant risks:** The valuation makes no explicit allowance for credit risks posed by any of the tenants.
- **Scheduling of payment flows:** In the case of existing rental contracts, individual payments are scheduled according to the contractually defined arrangements. After expiry of the contracts, cash flows are factored in quarterly in advance for commercial tenancies and monthly in advance for residential tenancies.
- **Recoverability of ancillary costs:** For the running costs, completely separate service charge accounts were assumed, with all tenancy-related ancillary costs passed on to tenants.
- **Maintenance costs:** Maintenance (repair and upkeep) costs were calculated using the building analysis tool. Based on an analysis of the condition and remaining lifespan of the various building elements and components, the software models periodic refurbishments and calculates the associated annual reserves for maintenance costs. The results were plausibility-tested using comparables and benchmarks derived from Wüest Partner surveys. The calculation factors in 100% of repair costs in the first 10 years and 60% to 80% (individual recoverable share) from year 11 onwards, in line with the assumed value-preserving investments.

Properties under construction

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

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

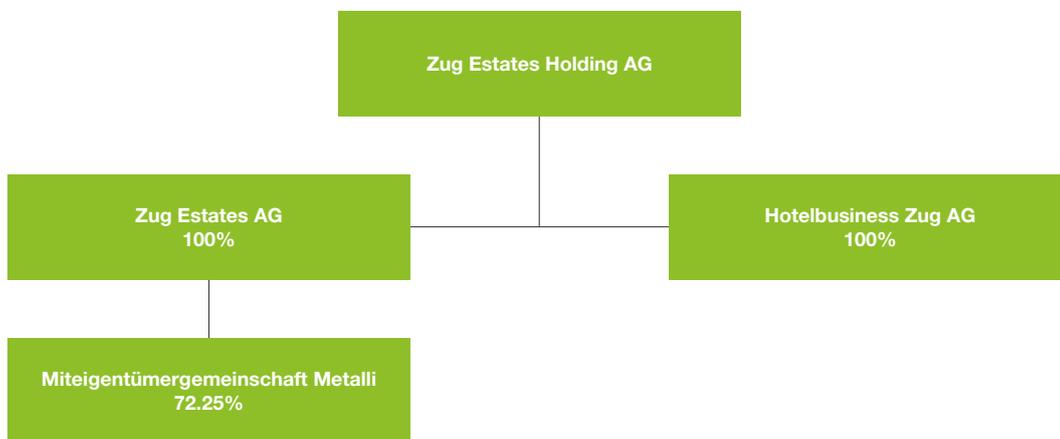
Corporate governance report

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

The following information refers to the situation as at December 31, 2019, or to the year under review (2019) unless stated otherwise. No material changes occurred between December 31, 2019, and the submission deadline for the annual report. The order and numbering of chapters are in line with those of the “Directive on Information relating to Corporate Governance” issued by SIX Swiss Exchange, Zurich.

1 Group structure and shareholders

1.1 Group structure



The list of consolidated companies can be found in the financial report on page 46.

1.2 Significant shareholders

All significant shareholders who are known to Zug Estates Holding AG, together with information about the composition of shareholder groups, are listed in the financial report on page 59 (see “Significant shareholders”). Further information about the significant shareholders can also be found on the website of the Disclosure Office of SIX Swiss Exchange at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

As at both December 31, 2019, and December 31, 2018, Elisabeth Buhofer, Annelies Häcki Buhofer, Martin Buhofer and Julia Häcki made up the Buhofer shareholder group. Some of the shares are held indirectly via Holmia Holding AG, Zug. In accordance with a shareholder pooling agreement between the members of the group, the latter coordinate the exercising of their voting rights. As at December 31, 2019, and unchanged over the previous year, the group owns a total of 49.3% of the voting rights.

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

1.3 Cross-shareholdings

Zug Estates Holding AG has no cross-shareholdings.

2 Capital structure

2.1 Capital

The composition of the share capital is described in the financial report on page 57 (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 changes in capital in the reporting period is listed in the financial report on page 45 (see “Statement of shareholders’ equity”).

2.4 Shares

Detailed information on the shares of Zug Estates Holding AG (number of shares, type and par value) is available in the financial report on page 57 (see “Shares issued”). Series A registered shares (privileged voting shares, par value CHF 2.50) are not listed. Series B registered shares (ordinary shares, par value CHF 25) are listed on the SIX Swiss Exchange, Zurich (securities number 14805212, ISIN CH0148052126).

2.5 Participation certificates and dividend-right certificates

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

2.6 Limitations on transferability and nominee registration

In relation to the company, only those registered in the share register are recognized as registered shareholders or beneficiaries.

An entry is made in the share register:

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

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

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

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

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

The following count as important reasons:

- to keep away buyers who operate a business that competes with the purpose of the company, who have a direct or indirect participating interest in such a business or who are employed by such a business;
- to ensure that the company remains independent based on the voting-rights-related control of the group of current holders of Series A registered shares. Usually, spouses and descendants of the current circle of shareholders must be admitted unless they qualify as foreign non-residents within the meaning of the Federal Act on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents;
- to acquire or to hold shares on behalf of third parties or in the interests of third parties.

Approval can also be denied without giving reasons, provided that the board of directors acquires the shares (for the account of the company, specific shareholders or third parties) at their actual value at the time when the request was submitted. If the shares were acquired through inheritance, division of an estate, a matrimonial regime or compulsory enforcement, the company can only deny approval of the application if it offers to buy the shares from the acquirer (for the account of the company, specific shareholders or third parties) at their actual value at the time when the request was submitted and such transfer results in one of the limits stipulated in paragraph 4 ("Lex Koller restrictions") being exceeded.

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

2.7 Convertible bonds and warrants/options

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

3 Board of directors

3.1 Members of the board of directors

	First elected	End of term
Dr. Beat Schwab , CH, 1966 – Chairman of the board of directors (non-executive)	2014	2020
Prof. Dr. Annelies Häcki Buhofer , CH, 1954 – Member of the board of directors (non-executive) – Member of the Audit Committee	2012	2020
Armin Meier , CH, 1958 – Member of the board of directors (non-executive) – Chairman of the Nomination and Compensation Committee	2013	2020
Johannes Stöckli , CH, 1959 – Member of the board of directors (non-executive) – Member of the Audit Committee	2018	2020
Martin Wipfli , CH, 1963 – Member of the board of directors (non-executive) – Chairman of the Audit Committee – Member of the Nomination and Compensation Committee	2012	2020



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

3.2 Other activities and vested interests

Dr. Beat Schwab

Education

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

Professional background

Self-employed real estate entrepreneur and independent director, since 2017; Head of Real Estate Investment Management at Credit Suisse AG, 2012–2017; CEO of Wincasa AG, 2006–2012; member of the management of ISS Schweiz AG, 2004–2006; director of SEVIS AG, 1999–2004; various positions in the banking industry

Previous activities for the Zug Estates Group

None

Activities on governing and supervisory bodies

Member of the board of directors of Varia US Properties AG, Zug; member of the board of directors of Swiss Federal Railways SBB, Bern; member of the board of directors of Raiffeisen Schweiz Genossenschaft, St. Gallen; vice chairman of the board of directors of pom+Consulting AG, Zurich; and other unlisted companies

Official functions and political offices

None

Prof. Dr. Annelies Häcki Buhofer

Education

PD Dr. Phil. I, University of Zurich

Professional background

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

Previous activities for the Zug Estates Group

Member of the board of directors of MZ Immobilien AG, 1997–2012

Activities on governing and supervisory bodies

Chair of the board of directors of BURU Holding AG, Cham, and Holmia Holding AG, Zug; member of the board of directors of V-ZUG AG, Zug, and the Cham Group AG, Cham, and other unlisted companies; role in management bodies of national and international professional associations

Official functions and political offices

None

Armin Meier

Education

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

Professional background

Managing director of Boyden Switzerland, Zurich, since 2010; Chief Commercial Officer Travelport, London, 2008–2010; CEO Kuoni Travel Holding Ltd, Zurich, 2005–2007; member of the executive board of

the Federation of Migros Cooperatives, Zurich, 2002–2005; President and CEO Atraxis AG, Zurich, 1998–2002; CEO ABB PTI AG, Baden, 1995–1998

Previous activities for the Zug Estates Group

Chairman of the board of directors of Hotelbusiness Zug AG, 2012–2013

Activities on governing and supervisory bodies

Member of the board of directors of KIBAG HOLDING AG, Zurich, the Ameos Group AG, Zurich, IHAG Holding AG, Zurich, Evalueserve Holding AG, Zug, and directorships at other unlisted companies

Official functions and political offices

None

Johannes Stöckli

Education

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

Professional background

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

Previous activities for the Zug Estates Group

None

Activities on governing and supervisory bodies

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

Official functions and political offices

Justice of the Peace with the Office of the Justice of Peace of the City of Zug

Martin Wipfli

Education

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

Professional background

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

Previous activities for the Zug Estates Group

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

Activities on governing and supervisory bodies

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

Official functions and political offices

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

3.3 Additional mandates

Pursuant to the company's articles of association, a member of the board of directors may hold no more than four additional mandates in listed companies and no more than 20 mandates in unlisted companies. For the purposes of calculating the number of mandates in cases where several legal entities are associated with one another, one mandate is counted in full and the remaining mandates each count 10%. Mandates are deemed to comprise activities in the most senior executive and management bodies of legal entities that are obliged to obtain an entry in the commercial register or a corresponding foreign register and which are not controlled by the company. There is no limit on the number of other types of mandate that may be held, provided these do not hinder the member of the board of directors in the performance of their duties toward the company and other enterprises associated with it. The Nomination and Compensation Committee reviewed and verified compliance with the relevant provisions of the articles of association in the 2019 financial year.

3.4 Elections and terms of office

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

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

3.5 Internal organizational structure

In the year under review, the board of directors held seven official meetings, which were also attended by the members of group management. In the case of excused absences, the topics on the meeting agenda are discussed in advance with the chairman of the board of directors. All members of the board of directors were present at all meetings held in 2019. 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 receive documentation that allows them to prepare for the discussion of the agenda items. Decisions are made by the entire board of directors with the assistance of the following two committees: the Nomination and Compensation Committee and the Audit Committee.

Nomination and Compensation Committee

The Nomination and Compensation Committee develops and reviews the principles of the company's corporate governance. It regularly reviews the composition and size of the board of directors and its committees, the boards of the subsidiaries, and the management bodies, and proposes suitable candidates for the various boards/bodies to the board of directors. The committee also drafts, for the attention of the board of directors, the proposal to be submitted to the general meeting of shareholders regarding the amount of the total compensation and the additional compensation to be paid to the members of the board of directors and group management, as well as the compensation report. In keeping with the level of compensation approved by the general meeting of shareholders, the committee submits to the board of directors proposals regarding the remuneration of the board of directors and management bodies, and scrutinizes and reviews the targets and principles of the staffing policy on behalf of the board of directors. Furthermore, it reviews the assessments put forward by the CEO in respect of members of the management bodies and monitors staff development and staff succession planning, along with the relevant development measures. The Nomination and Compensation Committee usually meets three times a year. In the year under review, three meetings were held. All committee members attended the three meetings. Armin Meier (chair) and Martin Wipfli serve on the Nomination and Compensation Committee. The CEO also participates in the discussions, except when his employment contract or remuneration are being discussed.

Audit Committee

The Audit Committee assists the board of directors in fulfilling its supervisory responsibility by reviewing the financial information provided to shareholders and third parties, the internal control systems and the auditing process. It makes an independent assessment of the quality of the annual financial statements, including the appraisal reports of estimated market values, and discusses these with group management and the auditors. It proposes to the board of directors as to whether the financial statements may be recommended for submission to the general meeting of shareholders. In addition, it specifies the plan and scope of the work conducted by the auditors, evaluates the auditors' performance and remuneration, ensures that the auditors are independent, and checks that the auditing is compatible with any other advisory mandates. The Audit Committee also assesses the efficiency of the internal control system with due consideration of risk management and evaluates compliance with laws, regulations, and accounting standards as well as adherence to internal rules and directives. The Audit Committee usually meets quarterly. Five meetings were held during the reporting year. In 2019, one committee member excused himself from one meeting for unavoidable reasons. Martin Wipfli (chair), Annelies Häcki Buhofer and Johannes Stöckli serve on the committee; the CEO, CFO and auditors also attend the meetings.

3.6 Definition of areas of responsibility

The board of directors has established organizational regulations regarding the distribution of areas of responsibility between the board of directors and group management. These can be found at <http://www.zugestates.ch/de/investor-relations/corporate-governance.html> (German only). In principle, group management's mandate is comprehensive. Even if an area of responsibility lies with the board of directors, group management is expected to take the intellectual initiative and to address emerging business opportunities until they reach a stage at which a decision can be made.

3.7 Information and control instruments vis-à-vis group management

The board of directors controls group management and supervises its method of working. The Zug Estates Group has a comprehensive management information system. The Group companies report to group management once a month. The board of directors is informed of the Group's operational and financial performance every quarter. The results are compared with the same period of the previous year and with the budget. The achievability of budgets, which are integrated into rolling medium-term plans, is reviewed several times a year on the basis of extrapolations. Furthermore, group management keeps the board of directors fully informed at board meetings on the progress of business.

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

4 Group management

4.1 Members of group management

	Employment
Tobias Achermann, CH, 1971, CEO	From 2014 to May 31, 2020
Mirko Käppeli, CH, 1979, CFO	Since 2017

4.2 Other activities and vested interests



Group management,
from left to right:
Mirko Käppeli and
Tobias Achermann

Tobias Achermann, CEO

Education

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

Professional background

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

Previous activities for the Zug Estates Group

None

Activities on governing and supervisory bodies of the Zug Estates Group

Chairman of the board of directors of Zug Estates AG, Zug, and of Hotelbusiness Zug AG, Zug; member of the board of directors of Parkleitsystem Zug AG, Zug

Other activities on governing and supervisory bodies

None

Official functions and political offices

None

Mirko Käppeli, CFO

Education

Lic. oec. University of St. Gallen

Professional background

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

Previous activities for the Zug Estates Group

None

Activities on governing and supervisory bodies of the Zug Estates Group

Member of the board of directors of Zug Estates AG, Zug, and of Hotelbusiness Zug AG, Zug

Other activities on governing and supervisory bodies

Member of the board of directors of Meili Holding AG, Zug

Official functions and political offices

None

4.3 Upcoming changes in group management

Tobias Achermann (CEO) will leave Zug Estates as of May 31, 2020, in order to pursue new professional challenges. The search for a successor is underway.

4.4 Additional mandates

Members of group management may hold a maximum of two additional mandates, one of which may be with a listed company. The acceptance of mandates by members of group management requires the approval of the board of directors. The Nomination and Compensation Committee reviewed and verified compliance with the relevant provisions of the articles of association in the 2019 financial year.

4.5 Management contracts

There are no management contracts with companies outside the Group.

5 Compensation, shareholdings and loans

Information on the procedure for determining the compensation of members of the board of directors and group management and on the compensation amounts paid to them is available in the compensation report on pages 36 to 39.

6 Shareholders' participation

6.1 Voting rights restrictions and representation of voting rights

Each share entitles the holder to one vote.

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

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

6.2 Statutory quorums

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

6.3 Convocation of the general meeting of shareholders

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

6.4 Agenda items

In principle, items are placed on the agenda in compliance with the legal provisions. Shareholders representing shares with a par value of at least CHF 1 million may request in writing, and on specification of the motion, inclusion of an item on the agenda within 40 days before the general meeting, unless the company issues a public notice specifying a different deadline. The written request must be accompanied by a bank statement confirming that the shares are on deposit until after the general meeting.

6.5 Entries in the share register

Registered shareholders who on the day when the invitation to the general meeting of shareholders is sent – i.e. usually about 20 days before the date of the meeting – are listed in the share register as shareholders with voting rights receive the invitation to the ordinary general meeting directly. No entries will be made in the share register between this date and the day of the general meeting.

7 Changes of control and defense measures

7.1 Duty to make an offer

The duty to make a public offer to purchase according to article 135 and 163 ff. of the Swiss Financial Market Infrastructure Act (FMIA) is waived pursuant to article 125 para. 3 FMIA (opting-out).

7.2 Clauses on change of control

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

8 Auditing body

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

Ernst & Young AG, Zug, has been the auditor of the operating companies since 2006. The lead auditor has exercised this function since 2017.

8.2 Auditing fees

In the reporting period, Ernst & Young AG invoiced Zug Estates Holding AG or the Zug Estates Group TCHF 158 (previous year: TCHF 165) for services in connection with the auditing of the annual financial statements of Zug Estates Holding AG and the subsidiaries Zug Estates AG and Hotelbusiness Zug AG and the consolidated financial statements of the Zug Estates Group. Miteigentümergeinschaft Metalli is audited by BDO AG. In the reporting period, BDO AG invoiced TCHF 15 (previous year: TCHF 11).

8.3 Additional fees

In the reporting period, Ernst & Young AG and BDO AG did not receive any additional fees for audit-related services (previous year: no additional fees).

8.4 Information tools used for the external audit

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

9 Information policy

The Zug Estates Group has a transparent information policy vis-à-vis the public and the financial markets. The invitation to the general meeting of shareholders is sent by letter to shareholders. Media releases are issued if an important event occurs.

The Zug Estates Group publishes its figures twice a year in the half-year report and the annual report. The current media releases, important dates as well as general information about Zug Estates Holding AG or the Zug Estates Group can be viewed at www.zugestates.ch. Ad hoc releases can be subscribed to at <https://www.zugestates.ch/en/investor-relations/ad-hoc-publicity.html>. Published ad hoc press releases can be downloaded at <https://www.zugestates.ch/en/nc/media/press-releases.html>, the corporate calendar at <https://www.zugestates.ch/en/investor-relations/calendar.html> and the half-year and annual reports at <https://www.zugestates.ch/en/mn/downloads.html>.

Contact details, important dates and information about the shares of Zug Estates Holding AG may also be found on pages 80 to 82 of this annual report.

Compensation report

“The Zug Estates Group’s compensation policy provides a suitable basis for the remuneration of members of the board of directors, employees and managers that is both performance based and in line with the market.”

The compensation system is structured in such a way that the interests of these persons are compatible with the interests of the Group. It is built on the following guiding principles:

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

On an annual basis, the general meeting of shareholders votes separately on whether to approve the proposal of the board of directors for the total compensation to be paid to the board of directors for the period until the next ordinary general meeting, as well as for the total compensation to be paid to Group Management for the coming financial year (article 19 of the company’s articles of association). The general meeting also acknowledges the compensation report by consultative vote.

The following remarks outline the principles of the compensation system and the details of the compensation received by the board of directors and Group Management for the 2019 financial year.

Board of directors

Pursuant to article 18 of the company’s articles of association, members of the board of directors receive a fixed compensation in cash. They will, in principle, also be reimbursed for expenses incurred on behalf of the company, provided that any such reimbursement of further expenses is paid only in exceptional cases, and if evidenced by supporting documentation, within 60 days. In the reporting period, as in the previous year, no expenses were paid out to members of the board of directors.

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

Compensation period up to the 2019 general meeting of shareholders

The general meeting of shareholders took a first vote on compensation on April 10, 2018, and approved a total amount for the board of directors of CHF 900 000 for the term of office up to the general meeting of shareholders on April 9, 2019.

Of this total, the sum of CHF 803 394 was effectively paid out (see detailed breakdown on the following page).

Compensation for the compensation period from

in CHF	11.04.2018–09.04.2019
Fixed compensation (net)	767 546
Var. compensation (net)	0
Pension contributions	35 848
Total compensation paid	803 394
Total amount approved	900 000
Difference	–96 606

Compensation period up to the 2020 general meeting of shareholders

The general meeting voted on compensation on April 9, 2019, and approved a total amount for the board of directors of CHF 800 000 for the term of office up to the next general meeting of shareholders in 2020. In the 2019 financial year, the compensation paid out to the board of directors amounted to a total of CHF 764 736. Of this sum, the amount of CHF 497 388 was paid out in the period from the 2019 general meeting of shareholders to December 31, 2019. Compared to the corresponding prior-year period (CHF 535 523), this represents a decrease of 7.1%.

Proposal for the compensation period up to the 2021 general meeting of shareholders

At the 2020 general meeting of shareholders, the board of directors will propose that a total amount of CHF 800 000 (unchanged compared to the previous term of office) be made available as the fixed compensation in cash payable to the members of the board of directors during the term of office until the next ordinary general meeting of shareholders.

Group Management

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

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

The performance-based compensation paid to Group Management is intended to ensure that the interests of Group Management, the board of directors and the shareholders correspond as closely as possible. Pursuant to article 18 of the company's articles of association, it may be equivalent to a maximum of half the fixed cash compensation. The employment contracts of the members of Group Management stipulate that the performance-based compensation will amount to no more than one-third of the fixed cash compensation.

When determining this amount, consideration is given mainly to the progress of business, as well as to individual performance, personal initiative and attainment of the agreed targets. The progress of business is evaluated in terms of economic success. This in turn is generally measured on the basis of earnings drivers – specifically, pay-out potential generated and earnings prospects – as well as other factors. Acting on the proposal of the Nomination and Compensation Committee, the board of directors determines at its discretion on an annual basis the fixed cash compensation and the performance-based compensation within the limits of the total amount approved by the general meeting of shareholders.

2019 compensation period (financial year)

On April 10, 2018, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to Group Management for the 2019 financial year. Of this total, the sum of CHF 1 050 782 was effectively paid out (see the detailed breakdown below).

Compensation payments to Group Management

in CHF	Financial year 2019
Fixed compensation (net)	542 149
Var. compensation (net)	198 158
Pension contributions	310 475
Total compensation paid	1 050 782
Total amount approved	1 200 000
Difference	-149 218

2020 compensation period (financial year)

On April 9, 2019, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to Group Management for the 2020 financial year.

Proposal for the 2021 compensation period (financial year)

At the 2020 general meeting of shareholders, the board of directors will propose that a total amount of CHF 1 200 000 (unchanged) be made available as the total compensation payable to Group Management for the 2021 financial year.

Affected 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. External consultants are not engaged.

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

Shareholding programs

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

Loans and credits

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

Former members

In the year under review, Zug Estates AG paid the former chairman of the board of directors, Hannes Wüest, a planning fee of CHF 50 000 (exclusive of VAT) for grounds maintenance work at the Risch-Rotkreuz site as well as a farewell gift in the amount of CHF 3 762. Hannes Wüest was paid a planning fee of CHF 50 000 (exclusive of VAT) for grounds maintenance work at the Risch-Rotkreuz site during the prior-year period.

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

Compensation payments to the board of directors and Group Management

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

Compensation for the 2019 financial year

in CHF	Fixed compensation (net)	Var. compensation (net) ¹	Pension contributions ²	Total 2019
Dr. Beat Schwab	356 299	0	0	356 299
Prof. Dr. Annelies Häcki Buhofer	80 000	0	7 995	87 995
Armin Meier	95 000	0	14 387	109 387
Johannes Stöckli	80 000	0	12 115	92 115
Martin Wipfli	118 940	0	0	118 940
Total board of directors	730 239	0	34 497	764 736
Tobias Achermann, CEO	329 635	120 092	187 279	637 006
Total Group Management	542 149	198 158	310 475	1 050 782

Compensation for the 2018 financial year

	Fixed compensation (net)	Var. compensation (net) ¹	Pension contributions ²	Total 2018
Dr. Beat Schwab	393 606	0	0	393 606
Heinz M. Buhofer ³	26 431	0	0	26 431
Prof. Dr. Annelies Häcki Buhofer	80 000	0	10 044	90 044
Armin Meier	95 000	0	14 374	109 374
Johannes Stöckli ³	51 667	0	7 821	59 488
Martin Wipfli	118 940	0	0	118 940
Total board of directors	765 644	0	32 239	797 883
Tobias Achermann, CEO	332 641	108 083	175 609	616 333
Total Group Management	549 834	178 342	292 031	1 020 207

¹ In line with the accrual principle, the variable compensation payable to the Group Management for the 2019 financial year is posted in the applicable year (same method as previous year), but not paid out until April 2020

² Employer's and employee's contributions to pension schemes, health insurance, accident insurance, AHV (old-age and survivors' insurance), IV (invalidity insurance), EO (compensation for loss of earnings) and ALV (unemployment insurance); members of the board of directors receive AHV, IV, EO and ALV contributions only

³ Heinz M. Buhofer stepped down from the board of directors at the 2018 general meeting of shareholders. Johannes Stöckli was elected to succeed him on the board. Payments to members of the board of directors who were appointed or stepped down in 2018 are considered on a pro rata basis (Heinz M. Buhofer for 4 months to April 10, 2018 and for Johannes Stöckli for 8 months from May 1, 2018)



To the General Meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Zug Estates Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 38 to 39 of the remuneration report.



Board of Directors' responsibility

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



Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Zug Estates Holding AG complies with Swiss law and articles 14–16 of the Ordinance.



Zug, March 4, 2020

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

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Consolidated balance sheet

Assets

in CHF thousands	Note	31.12.2019	31.12.2018
Cash and cash equivalents		21 352	20 464
Trade receivables	1	1 146	1 109
Other receivables	2	5 767	9 131
Inventories		189	177
Properties held for sale	3	10 180	2 193
Promotional properties	4	60 630	57 365
Prepaid expenses		2 520	2 435
Total current assets		101 784	92 874
Investment properties	5	1 478 364	1 273 724
Investment properties under construction	5	31 402	140 739
Undeveloped plots	5	2 524	2 524
Operating properties	6	32 412	33 967
Other tangible assets	7	7 146	7 858
Financial assets		694	596
Intangible assets	8	620	229
Total fixed assets		1 553 162	1 459 637
Total assets		1 654 946	1 552 511

Liabilities and shareholders' equity

in CHF thousands	Note	31.12.2019	31.12.2018
Current financial liabilities	9	60 800	117 256
Trade payables	10	7 089	4 018
Other current liabilities	11	22 680	22 568
Accrued expenses		24 570	17 336
Current provisions	12	20	17
Total current liabilities		115 159	161 195
Long-term financial liabilities	9	536 643	437 290
Deferred tax liabilities	13	97 507	110 155
Total long-term liabilities		634 150	547 445
Total liabilities		749 309	708 640
Share capital	14	12 750	12 750
Capital reserves		509 491	509 491
Retained earnings		383 396	321 630
Total shareholders' equity		905 637	843 871
Total liabilities and shareholders' equity		1 654 946	1 552 511

Consolidated income statement

in CHF thousands	Note	2019	2018
Property income	16	54 481	50 794
Income from the sale of promotional properties	4	45 606	0
Hotel & catering income	17	16 553	16 683
Additional income from ordinary business operations	18	3 037	2 699
Net proceeds of trade payables and receivables		119 677	70 176
Other operating revenue		701	652
Total operating revenue		120 378	70 828
Property expenses		-7 805	-7 250
Expenses incurred directly through the sale of promotional properties	4	-37 663	0
Cost of goods purchased for hotel & catering		-1 456	-1 549
Personnel expenses	19	-14 167	-13 712
Other operating expenses	20	-5 869	-6 119
Total operating expenses		-66 960	-28 630
Operating income before depreciation and revaluation		53 418	42 198
Revaluation of investment properties (net)	5	19 552	11 082
Result from sale of investment properties	3	998	0
Operating income before depreciation (EBITDA)		73 968	53 280
Depreciation	21	-3 419	-3 483
Operating income (EBIT)		70 549	49 797
Financial result	22	-5 551	-5 683
Income before taxes (EBT)		64 998	44 114
Tax expenditure	23	11 048	-5 303
Net income		76 046	38 811
Earnings per share			
in CHF			
Earnings per series A registered share, undiluted *		14.91	7.63
Earnings per series B registered share, undiluted *		149.11	76.35

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

Consolidated statement of cash flows

in CHF thousands	Note	2019	2018
Net income for the period		76 046	38 811
Depreciation	6,7,8	3 419	3 483
Revaluation of investment properties (net)	5	-19 552	-11 082
Earnings from sale of investment properties		-998	0
Changes in provisions / deferred tax liabilities	12,13	-12 645	4 010
Other non-cash items		7 425	-3 802
Cash flow before changes in working capital		53 695	31 420
Change in trade receivables		-37	1 546
Change in other receivables		3 364	199
Change in accrued income and prepaid expenses		-85	-1 261
Change in inventories / properties for sale		-7 999	-2 184
Change in promotional properties		-3 265	-18 151
Change in trade payables		1 375	-513
Change in other current liabilities		112	6 772
Change in accrued expenses and deferred income		1 389	-882
Cash flow from operating activities		48 549	16 946
Investments in investment properties	5	-74 572	-120 074
Investments in operating properties	6	-117	-99
Investments in other tangible assets	7	-897	-108
Non-recurring compensation received, other tangible assets		0	365
Disinvestments of other tangible assets	7	100	0
Investments in financial assets		-246	0
Disinvestments of financial assets		142	1 745
Investments in intangible assets	8	-609	-63
Cash flow from investing activities		-76 199	-118 234
Increase in current financial liabilities	9	102 000	66 000
Repayment of current financial liabilities	9	-158 800	-60 200
Increase in long-term financial liabilities	9	0	90 000
Repayment of long-term financial liabilities	9	0	-1 256
Increase from bond issues	9	99 618	0
Sale of treasury shares		0	9 521
Distribution to shareholders		-14 280	-12 862
Cash flow from financing activities		28 538	91 203
Change in cash and cash equivalents		888	-10 085
Composition of net cash and cash equivalents			
Net cash and cash equivalents at the beginning of reporting period		20 464	30 549
Net cash and cash equivalents at the end of reporting period		21 352	20 464
Change in cash and cash equivalents		888	-10 085

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

Consolidated statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Treasury shares	Retained earnings	Total shareholders' equity
Balance on 01.01.2018	12 750	517 745	-7 435	285 341	808 401
- Sale of treasury shares ¹	0	2 086	7 435	0	9 521
Distribution from the reserves from capital contributions	0	-10 340	0	0	-10 340
Distribution from retained earnings carried forward (dividends)	0	0	0	-2 522	-2 522
Net income	0	0	0	38 811	38 811
Balance on 31.12.2018	12 750	509 491	0	321 630	843 871
Balance on 01.01.2019	12 750	509 491	0	321 630	843 871
Distribution from retained earnings carried forward (dividends)	0	0	0	-14 280	-14 280
Net income	0	0	0	76 046	76 046
Balance on 31.12.2019	12 750	509 491	0	383 396	905 637

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

Notes to the consolidated financial statements

Principles

The consolidated financial statements of Zug Estates Holding AG were prepared in accordance with the Swiss GAAP FER Accounting and Reporting Regulations in their entirety as in force on December 31, 2019, as well as the special provisions for real estate companies (article 17 of the Directive on Financial Reporting) of the SIX Swiss Exchange, Zurich, and present a true and fair view of the financial position, the results of operations and the cash flows. The business year covered by these consolidated financial statements is equivalent to the calendar year.

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

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

The board of directors approved the consolidated financial statements on March 4, 2020.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital 31.12.2019	Share of capital 31.12.2018	Share of votes 31.12.2019	Share of votes 31.12.2018
Hotelbusiness Zug AG	Zug, ZG	Hotel & catering operator	1 000 000	100%	100%	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%	100%	100%
Miteigentümergeinschaft Metalli Zug	Zug, ZG	Real estate company	0	72.25%	72.25%	7.69%	7.69%

Scope of consolidation

In the case of participations in which the share of votes held is above 50% (Zug Estates AG and Hotelbusiness Zug AG) the full consolidation method is applied, i.e., assets and liabilities as well as expenses and revenue are consolidated at 100%. Any share of minority shareholders in net income and shareholders' equity is reported separately. In the case of joint ventures (Miteigentümergeinschaft Metalli) the proportional consolidation method is applied, which consists of reporting all positions pro rata in the balance sheet and income statement. Associated companies in which Zug Estates Holding AG holds direct or indirect participations of 20% to 50% are consolidated according to the equity accounting method. Participations below 20% are not consolidated. Real estate property is included in the consolidated financial statements on the basis of the applicable ownership share.

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

Principles of consolidation

Consolidation method

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

Intercompany transactions

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

Significant accounting and valuation policies

Cash and cash equivalents

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

Trade receivables

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

Other receivables

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

Inventories

In the inventories for the Hotel & Catering business unit, goods purchased are carried at the lower of acquisition price or market value. In addition to specific value adjustments, general value adjustments of up to 10% for general valuation risks are made according to past experience.

Properties held for sale

Properties available for sale, which were formerly carried at market value, are carried at market value at the time of reclassification or, if lower, at their realizable value less the expected transaction costs.

Promotional properties

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

Investment properties, investment properties under construction and undeveloped plots

Investment properties that already exist or are under construction (development properties) and undeveloped plots are used for long-term investment purposes and are carried at market value in accordance with Swiss GAAP FER 18. This market value is calculated and updated half-yearly by independent real estate valuers using the discounted cash flow (DCF) method. Pursuant to the provisions of Swiss GAAP FER, increases and decreases in market value are recognized in profit or loss in the income statement, taking deferred taxes into account. The investment properties are not depreciated. Investment properties under construction (development properties) and undeveloped plots are recognized at market value as of the date on which the market value can be reliably calculated. Zug Estates has stipulated legally binding building permission and a concrete construction project for which costs and income can be reliably determined as mandatory conditions for a reliable fair market calculation. Where the conditions for making a reliable calculation of the fair value are not met, investment properties under construction and undeveloped plots are carried at cost.

Investments and major maintenance are recognized as expense in the period in which they are incurred, provided that they do not lead to a rise in fair value.

Operating properties and operating properties under construction

Operating properties and operating properties under construction comprise buildings used by the Group itself and in its hotel & catering activities. They are valued at acquisition or production cost less accumulated depreciation and accumulated impairment. The straight-line depreciation method is applied on the basis of a useful life of 33 to 50 years.

Other tangible assets

Other tangible assets mainly comprise infrastructural installations related to the real estate business unit as well as furnishings and small-scale inventory from the hotel & catering business unit. They are valued at acquisition or production cost less any write-downs necessary for commercial reasons. The straight-line depreciation method is applied on the basis of a useful life of three to eight years, and up to 30 years in the case of infrastructure investments.

Financial assets

Financial assets comprise long-term securities and loans. The securities are reported at market value and loans are reported at their nominal value.

Intangible assets

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

Liabilities

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

Financial liabilities

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

Provisions

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

Pension plan liabilities

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

Income taxes

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

Deferred tax liabilities

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

If the fair values are higher than the taxable values, this leads to a deferred tax liability for which provision must be made. Deferred taxes are calculated separately for each business period and each taxable entity. The individual company's expected tax rates are applied to calculate deferred taxes. Changes in deferred taxes are recorded as tax expenditure. Tax loss carry forwards that can be used for tax purposes are capitalized provided such use is likely. They are offset against deferred tax liabilities for the same taxable entity.

Contingent liabilities

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

Borrowing costs

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

Revenue recognition

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

The real estate segment operates primarily in the areas of product development and management. The project development department develops and oversees its own construction projects, mainly for the Group portfolio. The management department provides property management services for third parties and the Group portfolio. The main source of revenue is "Property income", which is made up of net rental income after deduction of vacancy losses and losses from receivables. Income is also earned through the sale of promotional properties. This is reported under "Income from the sale of promotional properties" and comprises sales of residential properties (mainly condominiums and secondary properties such as parking spaces). Other income is generated by facility management and on the sale of self-produced energy. This income is recognized under "Additional income from ordinary business operations". Property income is derived from rental income. Rents are recognized over the period of rendering of services. Reservation fees and advance payments made in connection with the certification of purchase agreements for promotional properties are reported as prepayments in other current liabilities. Income from the sale of promotional properties is recognized in the income statement at the time when the benefits and risks are transferred to the contracting party. Pro rata acquisition or production costs are recognised in the income statement at the same time. Other services are taken to income at the time of rendering.

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

Expense reductions

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

Estimates

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

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

1 Trade receivables

in CHF thousands	31.12.2019	31.12.2018
Trade receivables from hotel & catering activities	746	639
Rent receivables	321	79
Other trade receivables	133	447
Provisions for doubtful receivables	-54	-56
Total trade receivables	1 146	1 109

2 Other receivables

in CHF thousands	31.12.2019	31.12.2018
Withholding tax credits	15	29
Accounts for heating and service charge settlement	3 792	5 914
Other receivables	1 960	3 188
Total other receivables	5 767	9 131

Other receivables comprise mainly input tax credits on the basis of construction activities for VAT-optimized space.

3 Properties held for sale

in CHF thousands	2019	2018
Acquisition value at the beginning of reporting period	2 193	0
Additions	10 180	2 193
Disposals	-2 193	0
Acquisition value at the end of reporting period	10 180	2 193

In 2019, the investment property Hofstrasse 1 a/b, Zug, was reclassified to properties held for sale. In addition, the two condominiums with corresponding parking spaces at Rote Trotte 14-16, Baar, which were reclassified in the previous year, were sold in the reporting period at a profit before taxes of TCHF 998 (no investment properties were sold in the previous year).

4 Promotional properties

in CHF thousands	2019	2018
Acquisition value at the beginning of reporting period	57 365	39 214
Additions	40 928	18 151
Disposals	-37 663	0
Acquisition value at the end of reporting period	60 630	57 365

Promotional properties include the available-for-sale part of the property Suurstoffi 37 (Aglaya residential tower block), Risch Rotkreuz. 36 of a total of 85 condominium apartments with corresponding secondary-use properties (parking spaces and all-purpose rooms) were sold in 2019 at a profit before taxes of TCHF 7 943 (no promotional properties were sold in the previous year).

5 Investment properties, investment properties under construction and undeveloped plots

in CHF thousands	Zug City Center, Zug, Investment properties	Suurstoffi Site, Risch Rotkreuz Investment properties
Balance on 01.01.2018	682 449	486 336
Investments ³	2 869	10 213
Reclassification of properties under construction to investment properties ⁴	0	60 070
Reclassification to properties for sale ⁵	0	0
Revaluation (net)	4 608	16 709
Balance on 31.12.2018	689 926	573 328
Accumulated acquisition values as at 01.01.2018	342 814	394 145
Accumulated acquisition values as at 31.12.2018	345 683	456 507
Difference market values / acquisition values as at 01.01.2018	339 635	92 191
Difference market values / acquisition values as at 31.12.2018	344 243	116 821
Balance on 01.01.2019	689 926	573 328
Investments ³	2 300	9 369
Acquisitions	0	25
Reclassification of properties under construction to investment properties ⁶	0	183 006
Reclassification to properties held for sale ⁷	0	0
Revaluation (net)	12 558	7 852
Balance on 31.12.2019	704 784	773 580
Accumulated acquisition values as at 01.01.2019	345 683	456 507
Accumulated acquisition values as at 31.12.2019	347 983	669 011
Difference market values / acquisition values as at 01.01.2019	344 243	116 821
Difference market values / acquisition values as at 31.12.2019	356 801	104 569

¹ Comprises the properties under construction at the Suurstoffi site in Risch Rotkreuz (excluding promotional properties) as well as planning costs for the development of the City Center site in Zug

² Comprises the undeveloped part of the Suurstoffi site in Risch Rotkreuz. The undeveloped plots are stated at cost less accumulated depreciation in accordance with the valuation principles

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

⁴ Reclassification of the Suurstoffi 22 property, Risch Rotkreuz, to investment properties

⁵ Reclassification of the property Baar, Rote Trotte 14–16, to properties held for sale

⁶ Reclassification of buildings A and B of the Suurstoffi 1–6 property (campus of Lucerne University of Applied Sciences and Arts), Risch Rotkreuz, to investment properties

⁷ Reclassification of the property at Hofstrasse 1 a/b, Zug, to properties held for sale

Other investment properties	Total investment properties	Total investment properties under construction ¹	Undeveloped plots ²	Total
12 640	1 181 425	106 618	2 524	1 290 567
0	13 082	104 449	0	117 531
0	60 070	-60 070	0	0
-2 193	-2 193	0	0	-2 193
23	21 340	-10 258	0	11 082
10 470	1 273 724	140 739	2 524	1 416 987
7 384	744 343	110 047	2 524	856 914
6 485	808 675	163 128	2 524	974 327
5 256	437 082	-3 429	0	433 653
3 985	465 049	-22 389	0	442 660
10 470	1 273 724	140 739	2 524	1 416 987
0	11 669	74 237	0	85 906
0	25	0	0	25
0	183 006	-183 006	0	0
-10 180	-10 180	0	0	-10 180
-290	20 120	-568	0	19 552
0	1 478 364	31 402	2 524	1 512 290
6 485	808 675	163 128	2 524	974 327
0	1 016 994	34 255	2 524	1 053 773
3 985	465 049	-22 389	0	442 660
0	461 370	-2 853	0	458 517

The fair values are based on the market value assessments performed annually by a recognized independent real estate expert (Wüest Partner AG) as at December 31 using the DCF method. The discount rates applied for the valuation of the investment properties and the investment properties under construction as at the balance sheet date were within a range of 2.7% to 3.4% (previous year: 2.8% to 3.5%).

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

6 Operating Properties

in CHF thousands	2019	2018
Acquisition value at the beginning of reporting period	63 397	63 298
Additions	117	99
Acquisition value at the end of reporting period	63 514	63 397
Accumulated depreciation at the beginning of reporting period	-29 430	-27 864
Depreciation in the reporting period	-1 672	-1 566
Accumulated depreciation at the end of reporting period	-31 102	-29 430
Net book value at the beginning of reporting period	33 967	35 434
Net book value at the end of reporting period	32 412	33 967

Operating properties include the following properties located in Zug used completely or partly by the Group: Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence) Metallstrasse 20 (Hotel City Garden), Haldenstrasse 9, 10, 11 (serviced city apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices).

The market value of the operating properties as at the balance sheet date was TCHF 118 250 (previous year: TCHF 118 705) and was determined by the independent real estate expert Wüest Partner AG using the DCF method. For the valuation as at December 31, 2019, discount rates within a range of 3.2% to 4.3% (previous year: 3.2% to 4.4%) were applied.

7 Other tangible assets

in CHF thousands	2019	2018
Acquisition value at the beginning of reporting period	20 226	20 859
Additions	897	108
Disposals	-318	-741
Acquisition value at the end of reporting period	20 805	20 226
Accumulated depreciation at the beginning of reporting period	-12 368	-10 706
Disposals	238	87
Depreciation in the reporting period	-1 529	-1 749
Accumulated depreciation at the end of reporting period	-13 659	-12 368
Net book value at the beginning of reporting period	7 858	10 153
Net book value at the end of reporting period	7 146	7 858

The disposals relate to write-offs of tangible assets no longer in use as well as sales of furnishings.

8 Intangible assets

in CHF thousands	2019	2018
Acquisition value at the beginning of reporting period	625	566
Additions	609	63
Disposals	0	-4
Acquisition value at the end of reporting period	1 234	625
Accumulated depreciation at the beginning of reporting period	-396	-232
Disposals	0	4
Depreciation in the reporting period	-218	-168
Accumulated depreciation at the end of reporting period	-614	-396
Net book value at the beginning of reporting period	229	334
Net book value at the end of reporting period	620	229

Intangible assets comprise software utilized in the business units.

9 Financial liabilities

Financial liabilities comprise bonds and mortgage loans with financial institutions. They are structured as follows by maturity:

Residual term in CHF thousands	31.12.2019	31.12.2018
Under 1 year	60 800	117 256
1 to 3 years	101 465	2 512
3 to 5 years	131 600	142 314
5 to 10 years	237 378	217 464
Over 10 years	66 200	75 000
Total financial liabilities	597 443	554 546
Of which current	60 800	117 256
Of which long-term	536 643	437 290

The average residual term of the interest-bearing debt was 5.2 years (previous year: 5.4 years). The average capital-weighted interest rate on all interest-bearing financial liabilities was 1.4% (previous year: 1.8%). The long-term loans were taken out at fixed interest rates.

On February 17, 2017, a TCHF 100 000 bond that matures on February 17, 2022, was settled. A TCHF 100 000 green bond that matures on October 2, 2025, was also issued on October 2, 2019. The transaction costs were deducted from the initial recognition of the issue proceeds. The difference between the book value and the redemption amount is attributed on a straight-line basis over the term and as at December 31, 2019, and amounts to TCHF 501 (previous year: TCHF 198).

CHF thousands	0.7% bond (2017-2022)	0.1% green bond (2019-2025)	Total
Issue proceeds	99 684	0	99 684
Accumulated amortization of issue costs	118	0	118
Balance on 01.01.2019	99 802	0	99 802
Proceeds from new issue	0	99 618	99 618
Amortization of issue costs	63	16	79
Balance on 31.12.2019	99 865	99 634	199 499

Key figures	0.7% bond (2017-2022)	0.1% green bond (2019-2025)
Volume	CHF 100 million	CHF 100 million
Term	5 years (17.02.2017-17.02.2022)	6 years (02.10.2019-02.10.2025)
Coupon	0.70%	0.10%
Effective rate of interest	0.773%	0.174%
Listing	SIX Swiss Exchange AG	SIX Swiss Exchange AG
Security number	35 342 798	494 734 426

To secure the long-term financial liabilities, properties with a book value of TCHF 875 629 (previous year: TCHF 1 072 626) have been encumbered.

10 Trade payables

in CHF thousands	31.12.2019	31.12.2018
Advance payments from tenants	2 848	3 077
Liabilities to third parties	4 241	941
Total trade payables	7 089	4 018

11 Other current liabilities

in CHF thousands	31.12.2019	31.12.2018
Advance payments on account for rents and flat-rate heating and service charges	4 436	9 416
Prepayments for promotional properties	17 338	9 229
Liabilities to social security institutions and public authorities	132	2 558
Liabilities to pension schemes	9	85
Remaining other current liabilities	765	1 280
Total other current liabilities	22 680	22 568

2018 included a liability to social security institutions and public authorities in the amount of TCHF 2 000 in connection with public service fees related to the development projects in Risch Rotkreuz, which fell due in 2019.

12 Provisions

in CHF thousands	2019	2018
Provisions at the beginning of reporting period	17	971
Increase	3	4
Reclassification	0	-958
Provisions at the end of reporting period	20	17
Of which current at the end of reporting period	20	17
Of which long-term at the end of reporting period	0	0

The provisions reclassified to accrued expenses and deferred income in 2018 were largely related to fees levied for the development projects in Risch Rotkreuz, which fell due in 2019.

13 Deferred tax liabilities

in CHF thousands	2019	2018
Deferred tax liabilities at the beginning of reporting period	110 155	105 191
Net release / creation recognized in the income statement in the reporting period	-12 648	4 964
Deferred tax liabilities at the end of reporting period	97 507	110 155

Deferred income taxes were calculated using an average tax rate of 12.0% (previous year: 14.5%). The tax rate was reduced due to a revision of the tax law of the Canton of Zug, which provides for reduced tax rates for ordinary taxed legal entities and enters into effect on January 1, 2020. Viewed in isolation, the reduction in the average deferred tax rate resulted in a positive profit contribution of TCHF 20 311.

14 Shareholders' equity

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

Zug Estates Holding AG did not sell any registered shares in the year under review (previous year: 5 592 series B registered shares at an average price of CHF 1 734.50).

As was the case last year, Zug Estates Holding AG does not hold any registered treasury shares.

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

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

Shareholders' equity per share

in CHF	31.12.2019	31.12.2018
Shareholders' equity (in CHF thousands)	905 637	843 871
Deferred tax liabilities (in CHF thousands)	97 507	110 155
Shareholders' equity before deferred taxes (in CHF thousands)	1 003 144	954 026
Number of outstanding series A registered shares ¹	496 600	496 600
Number of outstanding series B registered shares	460 340	460 340
Shareholders' equity per outstanding series B registered share, before deferred taxes	1 966.95	1 870.64
Shareholders' equity per outstanding series B registered share, after deferred taxes	1 775.76	1 654.65

¹ Series A registered shares are factored in at a ratio of 1 to 10 in accordance with their share of capital

NAV at market value per share

in CHF	31.12.2019	31.12.2018
Shareholders' equity (in CHF thousands)	905 637	843 871
Difference market value / acquisition value operating properties (in CHF thousands)	85 838	84 738
Deferred taxes on difference market value / acquisition value operating properties (in CHF thousands)	-10 301	-12 287
NAV at market value (in CHF thousands)	981 174	916 322
Number of outstanding series A registered shares ¹	496 600	496 600
Number of outstanding series B registered shares	460 340	460 340
NAV at market value per outstanding series B registered share	1 923.87	1 796.71

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

Net income excluding revaluation and special effects

in CHF thousands	01.01.2019 – 31.12.2019	01.01.2018 – 31.12.2018
Net income	76 046	38 811
Income from the sale of promotional properties	-45 606	0
Expenses incurred directly through the sale of promotional properties	37 663	0
Taxes attributable to changes in the result from sale of promotional properties	1 151	0
Revaluation of investment properties (net)	-19 552	-11 082
Taxes attributable to the revaluation of investment properties (net)	2 835	1 607
Result from sale of investment properties	-998	0
Taxes attributable to the result from sale of investment properties	145	0
Effect of tax rate change on deferred taxes	-20 311	-720
Net income excluding revaluation and special effects	31 373	28 616

Earnings per share

Information on series A registered shares		2019	2018
Series A registered shares issued on 01.01.	Number	496 600	1 948 640
Series A registered shares issued on 31.12.	Number	496 600	496 600
Series A registered shares issued (weighted average)	Number	496 600	903 978
Average outstanding series A registered shares		496 600	903 978
Share in net income attributable to series A registered shares	TCHF	7 405	6 902
Share in net income excluding revaluation and special effects, attributable to series A registered shares	TCHF	3 055	5 089
Applicable number of series A registered shares	Number	496 600	903 978
Earnings per series A registered share, undiluted	CHF	14.91	7.63
Earnings per series A registered share excluding revaluation and special effects, undiluted¹	CHF	6.15	5.63

Information on series B registered shares		2019	2018
Series B registered shares issued on 01.01.2018	Number	460 340	315 136
Series B registered shares issued on 31.12.2018	Number	460 340	460 340
Series B registered shares issued (weighted average)	Number	460 340	419 602
Series B registered treasury shares (weighted average)	Number	0	1 662
Average outstanding series B registered shares		460 340	417 940
Share in net income attributable to series B registered shares	TCHF	68 641	31 909
Share in net income excluding revaluation and special effects, attributable to series A registered shares	TCHF	28 318	23 527
Applicable number of series B registered shares	Number	460 340	417 940
Earnings per series B registered share, undiluted	CHF	149.11	76.35
Earnings per series B registered share excluding revaluation and special effects, undiluted¹	CHF	61.52	56.29

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

15 Significant shareholders

As at December 31, 2019, the following shareholders owned more than 3% of total voting rights:

Number or %	Series A registered shares	Series B registered shares	Votes	Votes Previous year
Buhofer Group ¹	409 470	61 872	49.3%	49.3%
Heinz M. Buhofer	25 640	53 758	8.3%	8.3%
Johannes Stöckli	56 800	3 866	6.3%	6.2%
Werner O. Weber, indirectly held through Wemaco Invest AG	0	60 392	6.3%	6.3%

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

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 72.

16 Property income

The reported property income of TCHF 54 481 (previous year: TCHF 50 794) comprises actual rental income. This position contains rental revenue from all properties.

in CHF thousands	2019	2018
Rental income Zug City Center site	28 962	29 161
Rental income Suurstoffi	25 205	21 128
Income from other properties	314	505
Total property income	54 481	50 794

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 %	31.12.2019	31.12.2018
Under 1 year, including unlimited rental contracts	39.2	45.4
Over 1 year	3.7	5.8
Over 2 years	11.5	4.7
Over 3 years	9.7	3.7
Over 4 years	6.2	17.1
Over 5 years	1.2	6.2
Over 6 years	1.5	0.1
Over 7 years	3.2	1.1
Over 8 years	6.5	3.0
Over 9 years	2.2	7.0
Over 10 years	15.1	5.9
Total	100.0	100.0

As at December 31, 2019, the five largest tenant groups together generated 27.5% (previous year: 22.5%) of annualized projected rental revenue.

Tenants, share in %	31.12.2019	Tenants, share in %	31.12.2018
Lucerne University of Applied Sciences and Arts	9.5	Novartis	6.6
Novartis	5.9	Migros ¹	6.3
Migros ¹	5.6	UBS	4.2
UBS	3.8	Nord Stream	2.8
Nord Stream	2.7	Lucerne University of Applied Sciences and Arts	2.6

¹ Various companies of the Migros Group

17 Hotel & catering income

in CHF thousands	2019	2018
Accommodation	11 319	11 221
Catering	5 184	5 397
Ancillary services	52	56
Increase / release of provisions for doubtful receivables	-2	9
Total hotel & catering income	16 553	16 683

18 Additional income from ordinary business operations

in CHF thousands	2019	2018
Revenue from services	1 032	899
Revenue from own work	721	740
Revenue from leasing of personnel	691	454
Other revenue	593	606
Total additional income from ordinary business operations	3 037	2 699

19 Personnel expenses

in CHF thousands	2019	2018
Wages and salaries	-11 740	-11 456
Pension expenses	-1 784	-1 683
Other personnel expenses	-643	-573
Total personnel expenses	-14 167	-13 712

20 Other operating expenses

in CHF thousands	2019	2018
Marketing / sales promotion	-1 866	-1 552
Maintenance and repair	-548	-480
Administrative expenses	-680	-799
IT / software	-608	-393
Legal and consultancy costs	-715	-1 506
Other costs	-1 452	-1 389
Total other operating expenses	-5 869	-6 119

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

21 Depreciation

in CHF thousands	2019	2018
Depreciation of operating properties	-1 672	-1 566
Depreciation of other tangible assets	-1 529	-1 749
Amortization of intangible assets	-218	-168
Total depreciation	-3 419	-3 483

22 Financial result

in CHF thousands	2019	2018
Other financial incomes	20	1
Securities income	44	100
Total financial income	64	101
Interest expense mortgage loans and bonds	-5 577	-5 720
Other financial expenses	-38	-29
Loss on securities	0	-35
Total financial expenses	-5 615	-5 784
Financial result	-5 551	-5 683

Borrowing costs in the amount of TCHF 3 097 (previous year: TCHF 3 480) were capitalized in the reporting period.

23 Taxes

in CHF thousands	2019	2018
Income taxes	-1 598	-339
Deferred taxes	12 646	-4 964
Total taxes	11 048	-5 303

Average weighted tax rate

in CHF thousands or %	2019	2018
Income before taxes (EBT)	64 998	44 114
Average tax rate	14.25%	13.65%
Income taxes at average tax rate	-9 263	-6 023
Change of tax rate	20 311	720
Total income taxes	11 048	-5 303

See note 13 for further details regarding the change of tax rate.

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. In a local referendum held on June 14, 2015, the population of Zug rejected the city tunnel scheme.

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

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	31.12.2019	31.12.2018
Up to 1 year	110	23
Up to 3 years	17	64
Over 3 years	3	3
Total	130	90

26 Pension plan liabilities

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

Employer's contribution reserves (ECR)

As at December 31, 2019, there were no employer's contribution reserves (unchanged to prior period).

in CHF thousands	Deficit / surplus of pension plans 31.12.2019	Economic share of company 31.12.2019	Economic share of company 31.12.2018	Change or impact on net income in financial period	Contributions for the period	Pension expenses in personnel expenses 2019	Pension expenses in personnel expenses 2018
Patronage funds / pension schemes	0	0	0	0	0	0	0
Pension plans without surplus/deficit	0	0	0	0	781	781	708
Pension plans with surplus	0	0	0	0	0	0	0
Pension plans with deficit	0	0	0	0	0	0	0
Total	0	0	0	0	781	781	708

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

Composition of pension expenses

in CHF thousands	2019	2018
Pension contributions at the company's expense	781	708
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	781	708
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	781	708
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	781	708

Total pension expenses in personnel expenses in the period under review amounted to TCHF 781 (previous year: TCHF 708). No extraordinary contributions for financial reconstructions were agreed or paid in the reporting period.

27 Segment report

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

2019 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
Operating revenue	109 507	17 154	-6 283	120 378
Operating expenses	-57 020	-15 675	5 735	-66 960
Revaluation of investment properties (net)	19 552	0	0	19 552
Result from sale of investment properties	998	0	0	998
Operating income before depreciation (EBITDA)	73 037	1 479	-548	73 968
Operating income (EBIT)	70 340	819	-610	70 549

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

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

All revenues in 2019 and the previous year were generated in the Canton of Zug.

Ownership of the entire portfolio – i.e. investment and operating properties – rests with the Real Estate business unit. Based on an integrated view of the Hotel & Catering business unit, i.e., factoring in all properties used by the unit as well as all associated expenses and credits arising from rent paid to the Real Estate business unit, in the year under review the Hotel & Catering business unit generated operating income (EBIT) of CHF 4.1 million (previous year: CHF 4.4 million) and an annualized EBITDA return of 5.7% (previous year: 6.0%) on the market values of these properties.

28 Transactions with related parties

Metall Zug AG and its group companies are no longer reported as related parties in the year under review. Revenue of TCHF 147 from hotel, catering and property management services was received in the previous year from companies of the Metall Zug Group. This was offset by expenses of TCHF 223 for services, interest and deliveries of equipment.

As at December 31, 2018, there were receivables of TCHF 8 due from Metall Zug Group companies and liabilities to the companies of TCHF 17. Additionally, Zug Estates Holding AG repaid a short-term loan from Metall Zug AG in full in 2018.

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

Information on the procedure for determining the compensation of members of the board of directors and Group Management and on the compensation amounts paid to them is available in the compensation report on pages 36 to 39. As at the balance sheet date, there were no liabilities towards members of the board of directors (unchanged).

29 Events after the balance sheet date

Between December 31, 2019, and the date of approval of the present consolidated financial statements no events occurred which would necessitate a restatement of the book values of the Group's assets and liabilities as at December 31, 2019, or would need to be disclosed here.



To the general meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Zug Estates Holding AG, which comprise the consolidated balance sheet, the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (pages 42 to 65), for the year ended 31 December 2019.



Board of directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER, article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

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

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



Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange as well as Swiss law.



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

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

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to

respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Market valuation of investment properties and investment properties under construction

Risk

The market valuation of investment properties and investment properties under construction was considered a key audit matter, since this process features significant areas of estimates and the assets valued in this way, at TCHF 1'478'364 and TCHF 31'402 respectively, are therefore a significant part of the group's balance sheet. As disclosed in the notes to the consolidated financial statements under "Investment properties, investment properties under construction and undeveloped plots" in the significant accounting and valuation policies (pages 47-48) as well as under "5 Investment properties, investment properties under construction and undeveloped plots" (pages 52-53), market values were determined by an external real estate expert on the basis of the discounted cash flow method. These market value estimates are based on assumptions, in particular in terms of rental income, discount rates, vacancy rates as well as maintenance costs and development risks.

Our audit response

In addition to other audit procedures, we assessed the objectivity, independence and competence of the external real estate expert as well as the valuation model that was applied. Moreover, we performed sample tests to examine the correctness of property-specific data (amongst others rental income, maintenance costs) that were considered in the valuation. We also assessed the underlying key assumptions of the key real estate expert by discussing them with both management and the external expert and comparing them with market data.

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



Report on other legal requirements

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

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

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

Zug, March 4, 2020

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

Balance sheet of Zug Estates Holding AG

Assets

in CHF thousands	Note	31.12.2019	31.12.2018
Cash and cash equivalents		1 552	638
Other receivables due from third parties		53	42
Other receivables due from Group companies	1	0	11
Expenses prepaid to third parties		43	15
Accrued income Group companies	2	11 750	770
Total current assets		13 398	1 476
Loans to Group companies	3	347 602	260 300
Financial assets with quoted price		50	50
Investments		13 892	13 892
Intangible assets		112	75
Total fixed assets		361 656	274 317
Total assets		375 054	275 793
Liabilities and shareholders' equity			
Trade payables to third parties		24	34
Trade payables to Group companies		2	1
Other current liabilities to third parties		20	20
Accrued expenses due to third parties		1 410	1 534
Total current liabilities		1 456	1 589
Bonds	4	199 499	99 802
Total long-term liabilities		199 499	99 802
Total liabilities		200 955	101 391
Share capital		12 750	12 750
Statutory reserves			
– Reserves from capital contributions		105	105
– Other capital contributions		9 193	9 193
– Legal retained earnings		3 960	2 550
Voluntarily retained earnings			
– Earnings carried forward from the previous year		134 114	146 128
– Net income for the year		13 977	3 676
Total shareholders' equity		174 099	174 402
Total liabilities and shareholders' equity		375 054	275 793

Income statement of Zug Estates Holding AG

in CHF thousands	Note	2019	2018
Dividend income	2	11 750	770
Other income		2 115	2 115
Total income		13 865	2 885
Personnel expenses		-1 942	-1 834
Other operating expenses		-720	-862
Total operating expenses		-2 662	-2 696
Operating income before depreciation (EBITDA)		11 203	189
Depreciation		-63	-46
Operating income (EBIT)		11 140	143
Financial expenses		-834	-820
Financial income	7	3 913	4 730
Income before taxes (EBT)		14 219	4 053
Direct taxes		-242	-377
Net income for the year		13 977	3 676

Notes to the financial statements of Zug Estates Holding AG

General

Zug Estates Holding AG is an incorporated company; the shares have been listed on SIX Swiss Exchange, Zurich, since July 2, 2012.

Its registered offices are at Industriestrasse 12, Zug, Switzerland. Zug Estates Holding AG was registered in the Canton of Zug Commercial Register on March 1, 2012.

Financial reporting legislation and principles applied in the preparation of the present financial statements

(where these are not specified by law)

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

Receivables and liabilities

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

A breakdown of “related parties” is provided in the notes.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital and votes 31.12.2019	Share of capital and votes 31.12.2018
Hotelbusiness Zug AG	Zug, ZG	Hotel & catering operator	1 000 000	100%	100%
Zug Estates AG	Zug, ZG	Real estate company	1 500 000	100%	100%

Securities/financial assets

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

Loans to Group companies

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

Investments

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

Intangible assets

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

Bonds

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

1 Other current receivables due from Group companies

There were no other current receivables due from Group companies as at the balance sheet date (previous year: outstanding interest receivables of TCHF 11).

2 Accrued income Group companies

Dividends from subsidiaries totalling TCHF 11 750, which were distributed from the ordinary profits of the 2019 financial year, are recorded under “Dividend income” (previous year: TCHF 770).

3 Loans to Group companies

This position comprises long-term loans to subsidiaries to finance their operations in the amount of TCHF 347 602 (previous year: TCHF 260 300).

4 Bonds

On February 17, 2017, a TCHF 100 000 bond that matures on February 17, 2022, was issued. The coupon amounts to 0.7%. A TCHF 100 000 green bond that matures on October 2, 2025, was also issued on October 2, 2019. It has a coupon rate of 0.1%.

5 Significant shareholders

As at December 31, 2019, Zug Estates Holding AG was aware of the following significant shareholders within the meaning of article 663c of the Code of Obligations (shareholders with holdings greater than 5% of all voting rights):

Number or %	Series A registered shares	Series B registered shares	Votes	Votes previous year
Buhofer Group ¹	409 470	61 872	49.3%	49.3%
Heinz M. Buhofer	25 640	53 758	8.3%	8.3%
Johannes Stöckli	56 800	3 866	6.3%	6.2%
Werner O. Weber, indirectly held through Wemaco Invest AG	0	60 392	6.3%	6.3%

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

6 Share ownership by current members of the corporate bodies

Number of	Series A registered shares as at 31.12.2019	Series B registered shares as at 31.12.2019	Series A registered shares as at 31.12.2018	Series B registered shares as at 31.12.2018
Dr. Beat Schwab, chairman	0	10	0	10
Prof. Dr. Annelies Häcki Buhofer, member	211 206	11 001	161 206	11 001
Armin Meier, member	0	250	0	100
Johannes Stöckli, member	56 800	3 866	56 800	2 914
Martin Wipfli, member	0	266	0	266
Tobias Achermann, CEO	0	27	0	27
Mirko Käppeli, CFO	0	50	0	50

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

7 Financial income

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

8 Number of full-time equivalents

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

9 Significant events after the balance sheet date

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

Proposal for the appropriation of available earnings

in CHF	31.12.2019	31.12.2018
Retained earnings carried forward	134 114 026	146 128 078
Net income for the year	13 977 323	3 675 571
Retained earnings	148 091 349	149 803 649
Dividend	-15 810 000	-14 280 000
Special dividend	-6 630 000	0
Allocation to statutory reserves	0	-1 409 623
Retained earnings to be carried forward	125 651 349	134 114 026

The board of directors proposes the distribution of a gross dividend (subject to withholding tax) of CHF 3.10 per series A registered share and CHF 31.00 per series B registered share from ordinary earnings.

The board of directors additionally proposes the distribution of a special gross dividend (subject to withholding tax) of CHF 1.30 per series A registered share and CHF 13.00 per series B registered share from the profit after tax of the Aglaya promotional project.

Subject to approval by the general meeting of shareholders of the proposal put forward by the board of directors, distribution will be effected on Wednesday, April 15, 2020 (payment date).



To the General Meeting of Zug Estates Holding AG, Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zug Estates Holding AG, which comprise the balance sheet, income statement and notes (pages 68 to 73), for the year ended 31 December 2019.



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.



Audit opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.



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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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



Report on other legal requirements

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

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

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

Zug, March 4, 2020

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Lead auditor)

Beatrice Bieri
Licensed audit expert

Green bond report

“In 2019, Zug Estates become the first Swiss real estate company to place a green bond. We disclose information regarding the use of those funds as well as their environmental impact on an annual basis.”

On October 2, 2019, Zug Estates became the first Swiss real estate company to successfully place a fixed-income green bond in the amount of CHF 100 million. It has a term of six years and a coupon rate of 0.1%. The key figures are presented on page 56.

Use of funds

The proceeds of the bond will be used exclusively to refinance outstanding short-term loans connected to the construction of three buildings on construction site 1 of the Suurstoffi site in Rotkreuz. The buildings, including what is currently the tallest wooden high-rise in Switzerland, comprise a total of 25 000 m² rentable office and commercial space, meet the most stringent of sustainability requirements and offer measurable environmental benefits.

Reports

The specifications of the green bond require Zug Estates to prepare regular reports, not only containing descriptions of how the funds are used but also about the impact of these funds on nature and the environment.

Until the completion of construction site 1, which has an energy reference area of 29 190 m², all emissions will be calculated based on projected figures from the plan and compared to the targets defined by SIA MB 2040 and the Swiss Building Stock Model. As soon as full accounting periods are available with information about actual consumption and emission figures, these will be indicated in the report.

The key figures will be prepared by the Institute of Building Technology and Energy (IGE) of the Lucerne University of Applied Sciences and Arts. The detailed report will be published as part of Zug Estates' annual sustainability report.



The wooden high-rise Arbo, which has since been completed, is a wood hybrid construction.

Construction site 1 in figures

1060 m³

Swiss timber

964 t

CO₂ stored in the wood

742 t

CO₂ emissions saved

Calculated based on data provided by Lignum, the umbrella organization of the Swiss forestry and timber industry

Wooden structure beats conventional construction

Construction site 1 was developed using 1060 m³ of timber sourced from Switzerland, which stores a total of 964 tons of CO₂. A CO₂ sink, in other words the prevention of emissions that would have resulted from the production and transport of other building materials, reduced the site's total emissions by another 742 tons.

52%

Share of electricity required for thermal heat pumps expected to be generated on rooftops (103 000 of 196 000 kWh/year).

Environmentally friendly energy production



PV installation with 409 modules / 670 m²

=

103 000 kWh/year

Solar power generation

=



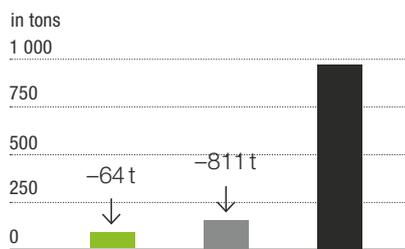
Satisfies the electricity requirements of around 20 single-family homes.

Low emission figures

Energy-efficient construction

The buildings' energy-efficient construction method and nearly complete reliance on renewable energy sources mean that the annual CO₂ emissions generated in connection with the operation of construction site 1 will be around 64 tons lower than the benchmark of the Energy Strategy 2050 and 875 tons lower compared to the benchmark of the Swiss Building Stock Model.

Comparison of greenhouse gas emissions



Figures calculated based on an energy reference area of 29 190 m² – which corresponds to construction site 1

- Value of construction site 1 project (calculated)
- SIA MB 2040 (Energy Efficiency Path)
- 2020 benchmark for the Swiss Building Stock Model – reference scenario

Swiss Building Stock Model

This is a bottom-up model that provides a path for gradually reducing energy usage in order to achieve the goals of the 2000-watt society by 2050. It maps end and primary energy demand as well as greenhouse gas emissions within the scope of building operations and makes assumptions regarding the energy efficiency of new buildings, building renovations and other energy applications for these types of buildings, especially with respect to electricity.

Ecological added value

Target min. **80%** Native plants species





Very easy access to public transportation

A footbridge financed in part by Zug Estates directly links construction site 1 to the Rotkreuz train station.

409 modules deliver 103 000 kWh of electricity per year

To be implemented in 2020

E-vehicle charging stations

Public e-vehicle charging stations are planned in the immediate vicinity of construction site 1.

350 covered bicycle parking spaces



Share information

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

	Nominal value	Number	Share of votes	Share of capital
Series A registered shares	2.50	496 600	51.9%	9.7%
Series B registered shares	25.00	460 340	48.1%	90.3%

Breakdown of shareholder structure of series B registered shares as at December 31, 2019

Applicable number of series B registered shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
> 1000	54	3.4	351 400	81.4
501–1000	33	2.1	23 121	5.4
101–500	129	8.2	31 497	7.3
51–100	112	7.1	8 677	2.0
11–50	549	34.8	13 444	3.1
1–10	702	44.4	3 555	0.8
Total	1 579	100.0	431 694	100.0
Shares pending registration of transfer			28 646	
Total series B registered shares issued			460 340	

Series B registered shares by category of holder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	1 318	83.5	214 955	49.8
Pension funds	75	4.8	49 078	11.4
Funds	45	2.8	36 474	8.5
Foundations	25	1.6	5 702	1.3
Insurers	16	1.0	9 590	2.2
Banks	18	1.1	9 605	2.2
Other legal entities	82	5.2	106 290	24.6
Total	1 579	100.0	431 694	100.0

Series B registered shares by provenance of shareholder	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	1 508	95.5	423 056	98.0
Outside Switzerland	71	4.5	8 638	2.0
Total	1 579	100.0	431 694	100.0

Performance series B registered share

in CHF



Key figures per share

Figures per series A registered share in CHF	2019	2018	Restated 2017	Restated 2016	Restated 2015
Net income ¹	14.91	7.63	6.87	9.86	13.56
Net income excluding revaluation and special effects ^{1,3}	6.15	5.63	5.22	4.90	4.79
NAV at market value ^{2,4}	192.39	179.67	174.13	171.86	161.44
Distribution ⁵	4.40	2.80	2.55	2.30	2.05
Figures per series B registered share in CHF	2019	2018	Restated 2017	Restated 2016	Restated 2015
Net income ¹	149.11	76.35	68.66	98.63	135.64
Net income excluding revaluation and special effects ^{1,3}	61.52	56.29	52.19	49.04	47.92
NAV at market value ^{2,4}	1 923.87	1 796.71	1 741.27	1 718.55	1 614.39
Distribution ⁵	44.00	28.00	25.50	23.00	20.50
Stock market price					
High	2 370	1 830	2 862	1 692	1 458
Low	1 630	1 640	1 660	1 436	1 231
At year-end	2 330	1 675	1 827	1 653	1 445
Total capitalization in CHF million	2019	2018	2017	2016	2015
Market capitalization ^{2,6}	At year-end 1 188.3	854.3	921.6	827.2	711.5

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 revaluation of investment properties (net), excluding income from the disposal of investment and promotional properties and corresponding deferred taxes as well as the effect of adjustments made to deferred tax rates (see page 58)

⁴ NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes

⁵ Proposal of the board of directors

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

Contact details and upcoming events

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Upcoming events

07.04.2020

General meeting of shareholders 2020

15.04.2020

**Distribution to shareholders
(payment date)**

28.08.2020

Publication of half-year results 2020

Exchange trading

Series B registered share Zug Estates Holding AG

Security number: 14 805 212

ISIN: CH 014 805 212 6

SIX Swiss Exchange ticker symbol: ZUGN

Bloomberg: ZUGN:SW



Online, download, short report

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

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

Notes on possible forward-looking statements:

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

Publishing information

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