

ZugEstates

2020

Annual Report

Selected key figures

Income statement		2020	2019	%
Property income	TCHF	57 782	54 481	6.1%
Operating revenue ¹	TCHF	140 394	120 378	16.6%
Operating expenses	TCHF	90 825	66 960	35.6%
Operating income before depreciation and revaluation	TCHF	49 569	53 418	-7.2%
Revaluation of investment properties (net)	TCHF	-2 224	19 552	-111.4%
Income from sale of investment properties	TCHF	0	998	-100.0%
Operating income (EBIT)	TCHF	43 749	70 549	-38.0%
Net income	TCHF	32 260	76 046	-57.6%
Net income excluding revaluation and special effects ²	TCHF	25 866	31 373	-17.6%
Result from sale of promotional properties after tax ³	TCHF	8 351	6 792	23.0%
Balance sheet		31.12.2020	31.12.2019	
Total assets	TCHF	1 626 245	1 654 946	-1.7%
Interest-bearing debt	TCHF	591 770	597 443	-0.9%
– Interest-bearing debt in % of total assets		36.4%	36.1%	
– Average rate of interest of the interest-bearing debt (period)		1.3%	1.4%	
– Average maturity of the interest-bearing debt	YEARS	4.3	5.2	
Shareholders' equity	TCHF	915 457	905 637	1.1%
– Equity ratio		56.3%	54.7%	
– Return on equity ⁴		3.5%	8.7%	
Employees		31.12.2020	31.12.2019	
Headcount	FTE	128.1	139.6	-8.2%
Share		2020	2019	
Closing price	CHF	2 030	2 330	-12.9%
Market capitalization ⁵	TCHF	1 035 300	1 188 300	-12.9%
Earnings per series B registered share ⁶	CHF	63.25	149.11	-57.6%
Earnings per series B registered share excluding revaluation and special effects ^{2, 6}	CHF	50.72	61.52	-17.6%
Distribution per series B registered share ⁸	CHF	34.00	31.00	9.7%
Special dividend promotional profit from Aglaya per series B registered share ⁸	CHF	10.00	13.00	-23.1%
NAV at market value per series B registered share ^{5, 7}	CHF	1 926.36	1 923.87	0.1%
Portfolio		31.12.2020	31.12.2019	
Investment properties	TCHF	1 534 432	1 478 364	3.8%
Investment properties under construction	TCHF	9 794	31 402	-68.8%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	TCHF	1 546 750	1 512 290	2.3%
Operating properties (market value)	TCHF	108 110	118 250	-8.6%
Total portfolio	TCHF	1 654 860	1 630 540	1.5%
Vacancy rate investment properties ⁹		5.0%	3.3%	
Gross return investment properties ¹⁰		4.1%	4.1%	
Weighted average unexpired lease term of rental contracts in portfolio (WAULT)	YEARS	6.8	6.8	
Average discount rate (nominal)		3.5%	3.6%	

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 60)

³ Corresponds to income from the sale of promotional properties less expenses incurred directly through the sale of promotional 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

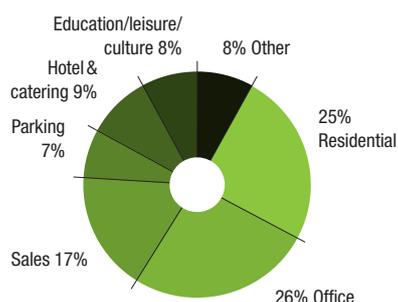
Robust business model proves successful

Dear shareholders,

In the challenging and recessionary environment that arose in 2020 as a result of the COVID-19 pandemic, our business model proved to be a successful one. Not only is the canton of Zug ranked top in Credit Suisse's Locational Quality Indicator from October and is also considered Switzerland's strongest economic region, but the expansion of the Suurstoffi portfolio and the systematic strategy of broadly diversifying types of use have made rental income more resilient. Given that the residential and office segments each account for a quarter of our total space, 17 percent in retail, and the remainder of the space used for hotel & catering, education and parking, we are well balanced in all major rental categories.

Portfolio by use

Based on projected rental income¹ as at December 31, 2020



¹ From point of view of real estate business unit

Portfolio value stable – Aglaya completed successfully

The broad diversification of our rentable space and targeted investments have increased the value of our portfolio slightly to CHF 1.65 billion, even despite the fact that 2020 was an extremely challenging year. The sale of the final condominium apartments in the Aglaya garden high-rise marked the successful conclusion of this promotional project. If a sufficient occupancy rate is achieved in advance, the board of directors will give the go-ahead to begin work on the approved construction project to develop the last available plot along the eastern edge of the Suurstoffi site.

Swift solution agreed with tenants during first lockdown

In the spring, we quickly recognized our responsibility as a real estate investor with a long-term approach and offered rent reductions of 50 to 80 percent to our retail and catering tenants for the government-mandated lockdown period. More than 90 percent of the tenants appreciated and accepted the offer. In doing so, we were able to support our business tenants during a difficult phase while also setting the stage for a balanced and attractive tenant mix at our properties going forward.

Challenging year for the hotel & catering segment

As our hotel and catering businesses are primarily focused on business customers, this is the segment that suffered most heavily from the impact of the coronavirus pandemic. Sales plummeted by more than half. However, thanks to partial closures of the City Garden, marketing measures targeting city tourists from Switzerland and systematic cost cuts, this segment still managed to generate a positive gross operating profit.

Overall dividend remains stable

In view of our robust business model, we are sticking to our previously communicated policy of gradually increasing the ordinary dividend up to a maximum of two-thirds of net income. Accordingly, the board of directors will propose to the general meeting of shareholders that the ordinary dividend be raised from CHF 31.00 to CHF 34.00 per series B registered share. Further, in keeping with the principle of prudence, the board of directors will propose leaving the total dividend constant at CHF 44.00 per series B registered share (CHF 4.40 per series A registered share) and paying a special dividend of CHF 10.00 rather than distributing the entire promotional profit generated from the sale of the condominium apartments in the Aglaya building.

Sustainability and “Metalli Living Space” on track

The Metalli complex was connected to the Circulago lake water district according to plan in April 2020. That is a major step for us and puts us much closer to implementing our zero-zero vision of operating our portfolio with renewable energy and net zero emissions. Spring 2020 also saw us present the results of our urban design competition for developing the Metalli Living Space to the general public. This project envisages a spacious square, Metalli Square, that features direct access to the train station, the renovation of existing buildings, additional stories added to some existing buildings as well as a high-rise at the intersection of Baarerstrasse and Metallstrasse. These measures will open up the Metalli Living Space outwardly, create appealing public open spaces, make the area more easily accessible and ideally interconnect it with the surrounding urban quarters. Requests for changes to the development plans were submitted to the city in fall 2020.

Our new CEO Patrik Stillhart got off to a successful start in June and has already been able to set some key priorities. While we would have liked to introduce him in person at the 2021 general meeting of shareholders, this year's meeting will not be able to take place with the physical presence of shareholders either. I still hope, though, that I will be able to welcome you in 2022 and raise a toast in person. Until then, I'd like to take this opportunity to wish you good health and thank you for both your loyalty and your support.

“Requests for changes to the development plans were submitted in the fall. The ‘Metalli Living Space’ project is on track.”

Zug, March 2021



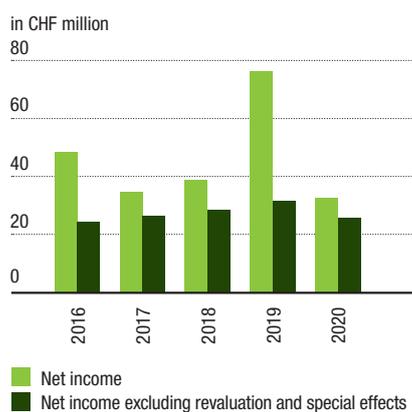
Dr. Beat Schwab

Chairman of the board of directors

Financial year report

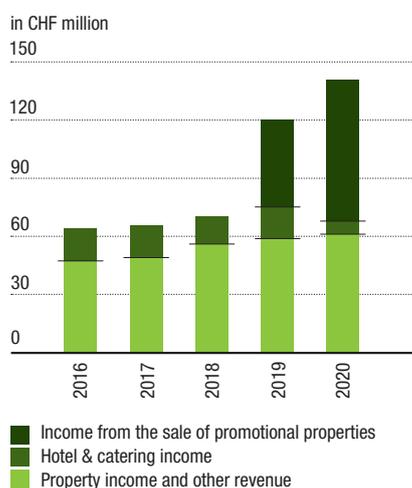
“While Zug Estates succeeded in generating additional income in the real estate segment, the pandemic resulted in substantially lower sales in the hotel & catering segment.”

Net income and net income excluding revaluation and special effects¹



¹ 2016–2017 restated

Operating revenue¹



¹ 2016–2017 restated

Dear shareholders, Ladies and gentlemen,

The 2020 financial year was shaped by the impacts of the COVID-19 pandemic, even at Zug Estates. On the one hand, the company succeeded in substantially boosting its property income, as expected, and completed the Aglaya promotional project on schedule. On the other hand, many tenants were forced to close their businesses during the government-mandated lockdown. The fact that international business travel ground to nearly a complete halt caused sales in the hotel & catering segment to decline substantially.

Net income of CHF 32.3 million was generated in the 2020 financial year as a result. This was CHF 43.7 million less than the CHF 76.0 million generated in the previous year, which not only included substantially positive revaluation effects but also several different special effects in the amount of CHF 21.3 million, such as gains on the sale of an investment property that was not in line with our strategy and a non-recurring positive tax effect from a reduction in the deferred tax rate.

Despite further strengthening of the real estate segment, the negative trend in the hotel & catering segment resulted in lower year-over-year net income excluding revaluation and special effects of CHF 25.9 million (previous year: CHF 31.4 million).

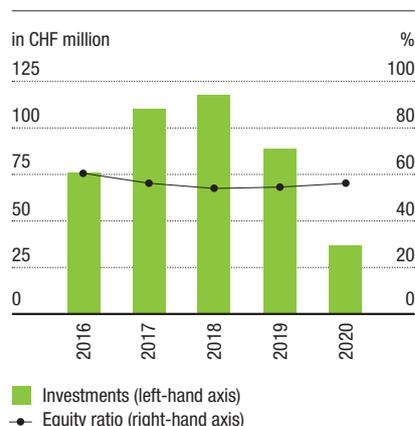
Increase in property income with a substantial decline in hotel and catering sales

The full-period effect of rental agreements as well as a few first-time rentals increased rental income by 6.1%, from CHF 54.5 million to CHF 57.8 million. This figure factors in rent reductions of CHF 0.7 million granted in connection with the government-mandated lockdown aimed at containing the COVID-19 pandemic.

The sharp, pandemic-related decline in the accommodation business led to a year-over-year drop in sales of CHF 9.6 million or 57.8% to CHF 7.0 million. Systematic cost-cutting efforts kept gross operating profit (GOP) in positive territory at 9.1% (previous year: 39.8%).

The sale of the final 49 of a total of 85 condominium apartments in the Aglaya project generated CHF 72.5 million in income and promotional profit before tax of CHF 9.5 million (previous year: income of CHF 45.6 million and promotional profit before tax of CHF 7.9 million). For the Aglaya promotional project as a whole, this translates to a return of 17.3% on our investment.

Equity and investments¹



¹ 2016–2017 restated

As expected and announced, renovation work at the Metalli complex in Zug as well as a general increase in our portfolio of properties have caused property expenses to rise by CHF 1.2 million or 15.6%, from CHF 7.8 million to CHF 9.0 million.

The effects mentioned above reduced operating income before depreciation and revaluation from CHF 53.4 million to CHF 49.6 million, a CHF 3.8 million decline.

The average 7-basis-point reduction in the discount rate triggered by the markets is offset by more conservative overall estimates of market rents and the structural vacancy rate for retail space, as well as a one-time adjustment to the construction cost forecast for the completed construction site 1 development project. Overall, this resulted in a slightly negative revaluation result of CHF 2.2 million, which is equal to 0.1% of the corresponding portfolio value. There was a positive revaluation result of CHF 19.6 million in the previous year.

EBIT subsequently declined from CHF 70.5 million to CHF 43.7 million (–38.0%).

As announced, a substantial slowdown in construction activity meant that financing costs were capitalized at a lower rate, which caused financing costs to increase from CHF 5.6 million to CHF 7.2 million, even despite another reduction in the average interest rate.

Tax expenditure amounted to CHF 4.3 million. A revision of the tax laws in the canton of Zug gave rise to a one-time release of deferred taxes in the amount of CHF 20.3 million and thus tax income of CHF 11.0 million.

Fair value of portfolio



Investments raise value of portfolio to CHF 1.65 billion

The portfolio's market value rose by 1.5%, from CHF 1.63 billion to CHF 1.65 billion. The last building on construction site 1 in Rotkreuz was commissioned in the first half of 2020, and another 2.25% co-ownership share of the Miteigentümergeinschaft (MEG) Metalli was acquired in the second half of the year. This boosted the company's co-ownership share of MEG Metalli to 74.5%. A total amount of CHF 36.7 million was invested in the portfolio's development during the reporting period.

Vacancy rate (on reference date)



Vacancy rate higher due to completions

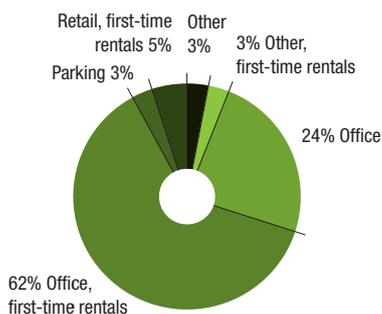
The completion of building S6 on the Suurstoffi site in Rotkreuz added another 4900m² in high-quality office space to the portfolio in mid-2020. As a result, the vacancy rate of 3.3% on December 31, 2019, rose to 5.0% on December 31, 2020. After adjustment for first-time rentals, the vacancy rate remained unchanged at 1.5%. The weighted average unexpired lease term (WAULT) of 6.8 years (6.8 years on December 31, 2019) was high for the industry.

Marketing successes despite the challenging environment

Even in the challenging market environment that has arisen as a result of the impact of the COVID-19 pandemic, the company achieved some encouraging marketing successes. While demand for large-scale office spaces is currently restrained, residential products are still in extremely high demand in both Zug and Rotkreuz and demand remains intact for both retail and catering space.

Rental contracts for space totaling more than 5700m² and rental income of more than CHF 2.6 million p. a. were renewed or extended during the year under review.

Breakdown of vacancies as at December 31, 2020, by use



While the contract extensions for the Suurstoffi site in Rotkreuz mainly related to office space, new contracts were signed with retail and catering tenants in the City Center site. One of these was a contract concluded with Familie Wiesner Gastronomie AG, which will open its second Miss Miu Korean-themed restaurant in the Metalli shopping area in summer/fall 2021.

Project development with a focus on the Metalli Living Space

Development work on the Suurstoffi site has progressed rapidly over the past few years. Following the completion of construction site 1 in the first half of 2020, the final two buildings (S43/45) featuring total rentable space of around 18 000 m² are currently waiting to be built. The board of directors has given the construction phase for these two buildings its go-ahead and the project will be worked out by the second quarter of 2021. Once the finalized construction project is ready, the decision about when to start construction will be reached taking demand and current market trends into consideration.

After the City of Zug and Zug Estates presented the results of their joint planning process for the “Metalli Living Space” in March 2020, the reference project based on that process as well as requests for changes to both development plans affected were prepared along with all relevant documents. Requests for changes to the development plans were submitted to the City of Zug in September 2020. The legally binding, modified development plans are expected to take effect in 2022/23.

Nearing the goal of carbon-free operation of the entire portfolio

Zug Estates made substantial headway again in 2020 toward its goal of operating its entire real estate portfolio carbon-free. The Metalli complex was connected to the Circulago lake water district on schedule in April 2020, meaning that the entire complex can now have its heating and cooling requirements covered nearly carbon-free by water from Lake Zug. Contracts to connect the remaining properties in the City Center site were signed in December 2019. Commissioning is to take place in stages until 2025 at the latest. From then onward, Zug Estates will be able to operate its entire portfolio nearly carbon-free.

When it comes to sustainability, Zug Estates sets high standards for other investments in its portfolio, as well. The installation of a carbon-neutral air conditioning system in the rooms of Parkhotel Zug was also completed on schedule in April 2020 and now enables guests to enjoy a considerably higher level of comfort. What’s more, customers visiting the Metalli shopping area have been able to take advantage of e-vehicle charging stations since early June. Two of the six stations are high-power, rapid charging stations, the very first to be installed in the City of Zug.

Solid capital base

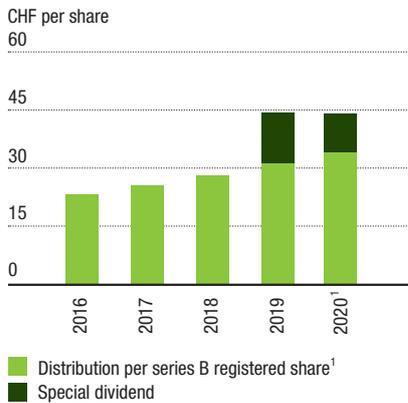
The influx of funds from the sale of the final apartments in the Aglaya building enabled the Group to reduce its interest-bearing debt from CHF 597.4 million to CHF 591.8 million, even despite payment of a special dividend. Interest-bearing debt as a percentage of total assets amounted to 36.4% compared to 36.1% in the previous year. This debt had an average maturity of 4.3 years (previous year: 5.2 years), whereby interest-bearing debt is subject to an average interest rate for the period that has

been reduced from 1.4% to 1.3%. With an equity ratio of 56.3%, 1.6 percentage points higher than in the previous year, Zug Estates still has a very solid equity base.

Ordinary dividend raised and payment of a special dividend

In line with the announced gradual increase in the ordinary dividend up to a maximum of two-thirds of net income, the board of directors will propose to the general meeting of shareholders that the dividend be increased by 9.7%, from CHF 31.00 to CHF 34.00 per series B registered share. Additionally, the company also wants shareholders to participate in this year's proceeds from the sale of the Aglaya promotional project. In light of the challenging economic environment and in keeping with the principle of prudence, the board of directors will not increase the total amount of the distribution. Instead, it will request that the general meeting of shareholders approve a special dividend of CHF 10.00 per series B registered share. The total amount of the distribution would therefore remain unchanged year over year at CHF 44.00 per series B registered share.

Distribution per series B registered share



¹ Payable in the following year; 2020: proposal of the board of directors

“We expect rental income in the real estate business unit to continue to rise in 2021.”

Outlook for 2021

In the real estate business unit, we anticipate that rental revenue will increase in 2021, as well, an assessment we arrived at based on full-year rental income, increased rents agreed in previously concluded rental agreements as well as some newly rented space. Property expenses will be lower than in the previous year due to a reduction in the amount of renovation work performed at the Metalli site.

Developments in the hotel & catering segment hinge largely on how the COVID-19 pandemic plays out and both sales and GOP are difficult to forecast in the current market environment.

For the 2021 financial year, we expect operating income before depreciation and revaluation to be lower year over year due to the absence of the special effect from the sale of the Aglaya apartments.

A definitive assessment of how this will impact net income excluding revaluation and special effects is not possible.

Zug, in March 2021

Patrik Stillhart
CEO

Mirko Käppeli
CFO

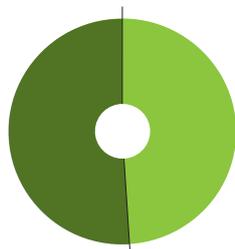
Portfolio

“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, 2020

Metalli / City Center site 50.3%



49.7%
Suurstoffi site

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.

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 25% of which is residential property, as well as development potential that can be successively exploited over the next few years.

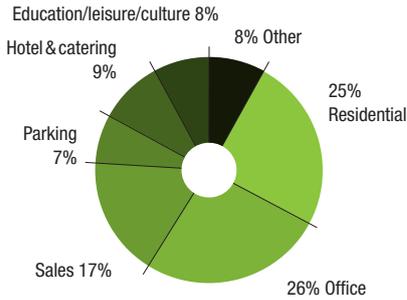
Policy of active growth

As at December 31, 2020, the portfolio had a market value of CHF 1.65 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).

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 expected to begin in 2025.

Portfolio by use

Based on projected rental income¹ as at December 31, 2020



¹ From point of view of real estate business unit

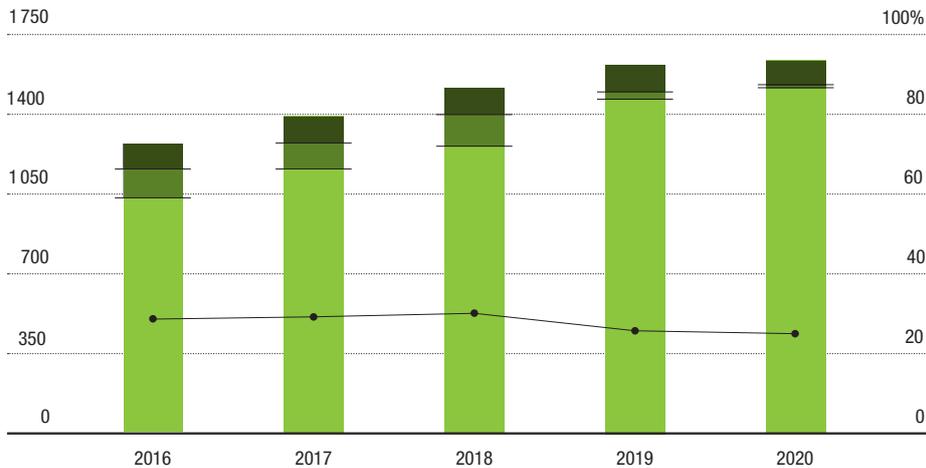
Zug Estates plans to acquire another development site as well. The evaluation process for potential sites will focus on properties in German-speaking Switzerland that are expected to be in high demand over the long term, predominantly in the corridor formed by the regions in and connecting Zurich, Zug and Lucerne. 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. That includes the Metalli shopping area with approximately 16 000 m² of customer-friendly sales space.

Value of portfolio

in CHF million



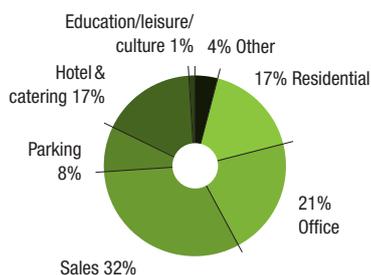
- Operating properties (market value)
- Investment properties under construction and undeveloped plots
- Investment properties
- Proportion of residential property (based on projected rental income, right-hand axis)

Two central sites

The real estate portfolio of Zug Estates is focused on two sites in Zug and Risch Rotkreuz that feature a varied, highly diverse range of uses.

Use of the Metalli/City Center site

Based on projected rental income^{1,2} as at December 31, 2020

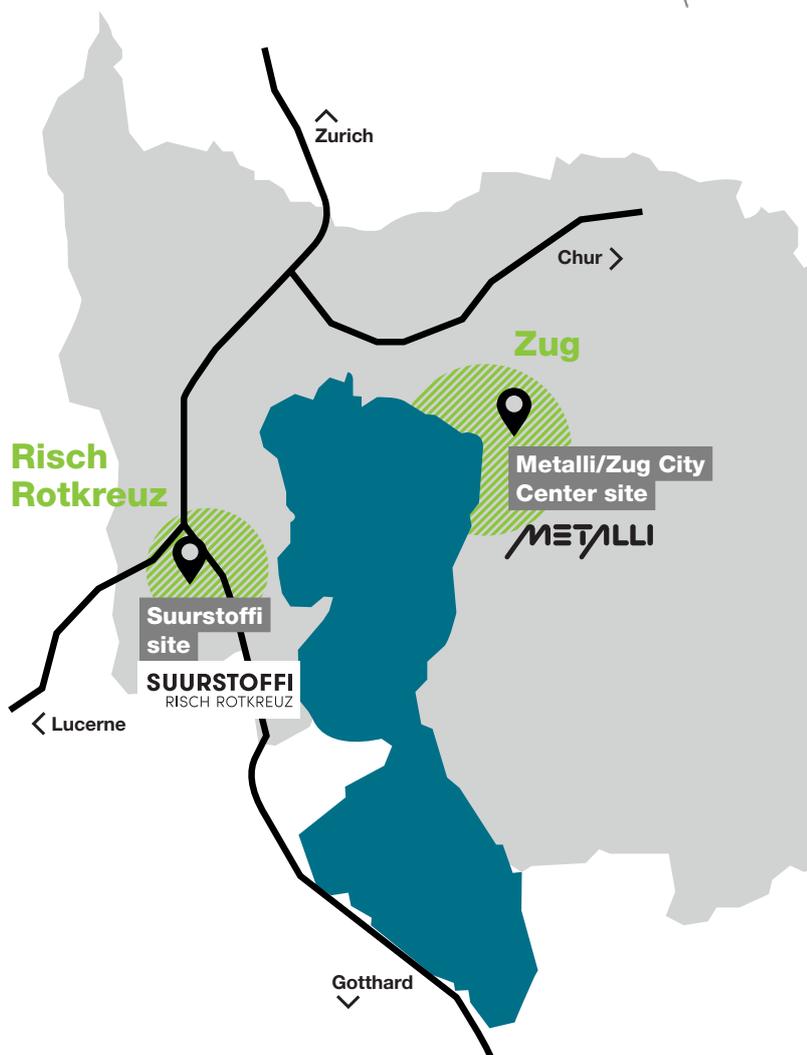
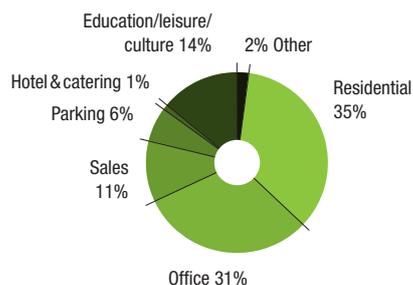


¹ Due proportion of market value and projected rental revenue for (co-owned) property at Baarerstrasse 20–22, Zug

² From point of view of real estate business unit

Suurstoffi site, Risch Rotkreuz

Based on projected rental revenue as at December 31, 2020



Suurstoffi site, Risch Rotkreuz

Key data as at December 31, 2020

Metalli/Zug City Center site

105 657 m ²	Site area	58 737 m ²
CHF 811.8 million	Market value	CHF 830.7 million ^{1,2}
CHF 811.8 million	Book value	CHF 754.6 million
9.6% (previous year: 5.3%)	Vacancy rate	1.0% (previous year: 1.0%)
CHF 33.4 million	Projected rental revenue investment properties	CHF 28.7 million ¹
4.3%	Gross return investment properties	4.0%
around 1 400	Residents	around 700
around 2 100	Workspaces	around 2 000

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

Metalli/Zug City Center site

Located close to Zug train station and with excellent transport links, the site houses the Metalli Center complex with around 60 shops, offices and residential units, the two leading business hotels Parkhotel Zug and City Garden, as well as other residential and commercial properties.



- 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

Suurstoffi site, Risch Rotkreuz

The Suurstoffi site in Risch Rotkreuz located in an integrated, traffic-free neighborhood with a combination of living, working and recreational facilities, is nearing completion. Once finished, it will accommodate some 1400 residents, almost 2000 students, and over 2500 workplaces.

Selected key portfolio figures

	2016	2017	2018	2019	2020
Value of portfolio in CHF thousands					
Investment properties	1 043 489	1 181 425	1 273 724	1 478 364	1 534 432
Investment properties under construction	128 519	106 618	140 739	31 402	9 794
Undeveloped plots	2 524	2 524	2 524	2 524	2 524
Total real estate portfolio	1 174 532	1 290 567	1 416 987	1 512 290	1 546 750
Operating properties ¹	115 976	117 296	118 705	118 250	108 110
Total portfolio	1 290 508	1 407 863	1 535 692	1 630 540	1 654 860
Performance in CHF thousands or %					
Projected rental revenue investment properties	45 194	49 028	53 716	60 597	62 163
Property income ²	43 569	45 425	50 794	54 481	57 782
Gross return investment properties ³	4.3%	4.1%	4.2%	4.1%	4.1%
Vacancy rate of investment properties ⁴	1.8%	1.5%	2.9%	3.3%	5.0%
Average discount rate (real)	3.4%	3.3%	3.2%	3.1%	3.0%

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

² Restated 2016–2017

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

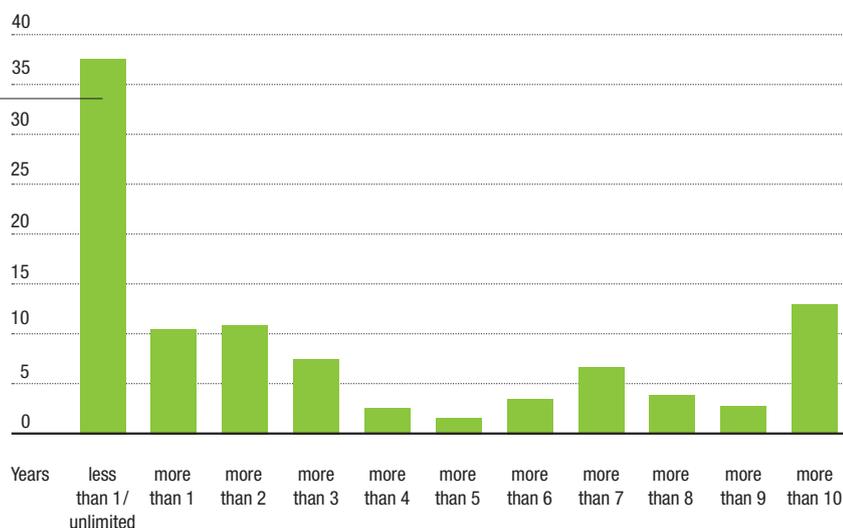
⁴ As at the balance sheet date, as a percentage of projected rental income

Contract terms

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

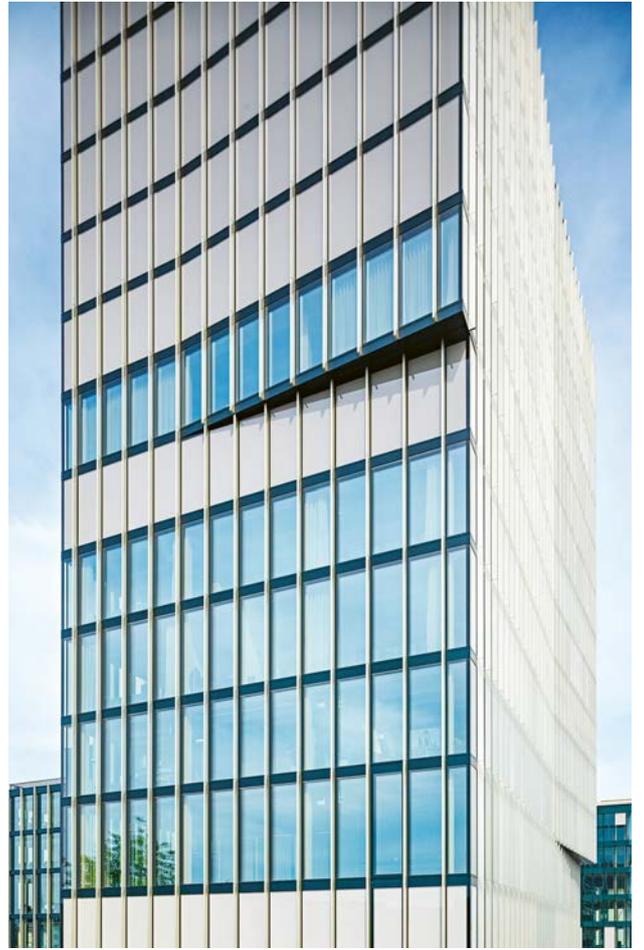
Contract terms of investment properties

Basic projected rental income as at December 31, 2020, share in %



Some 81% of the short-term and unlimited rental contracts relate to residential and parking spaces.

WAULT (weighted average unexpired lease terms): 6.8 years



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

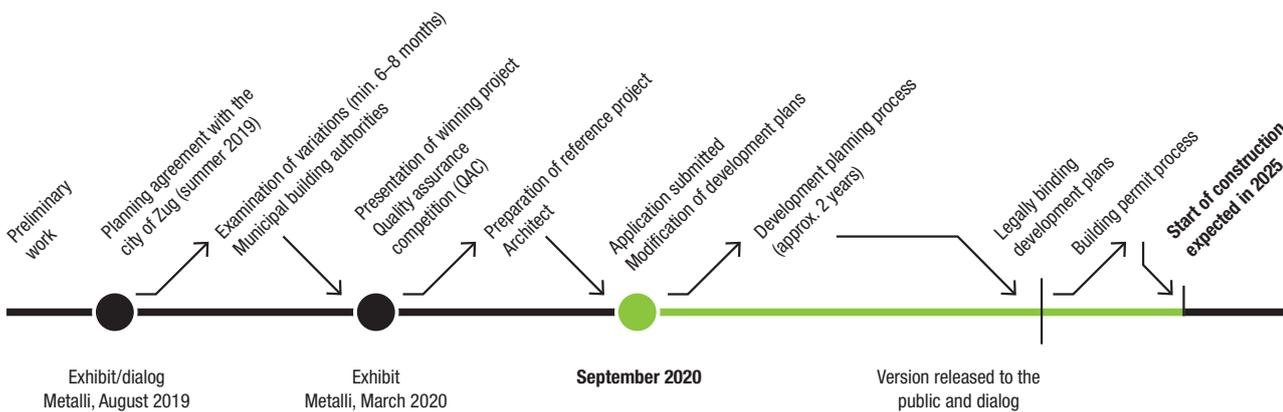
Zug Estates plans to continue the further development of the Metalli Living Space in sync with the overall development plans of the city of Zug. A planning agreement was signed to that end in 2019 that defined binding rules governing the joint undertaking between Zug Estates and the city of Zug.

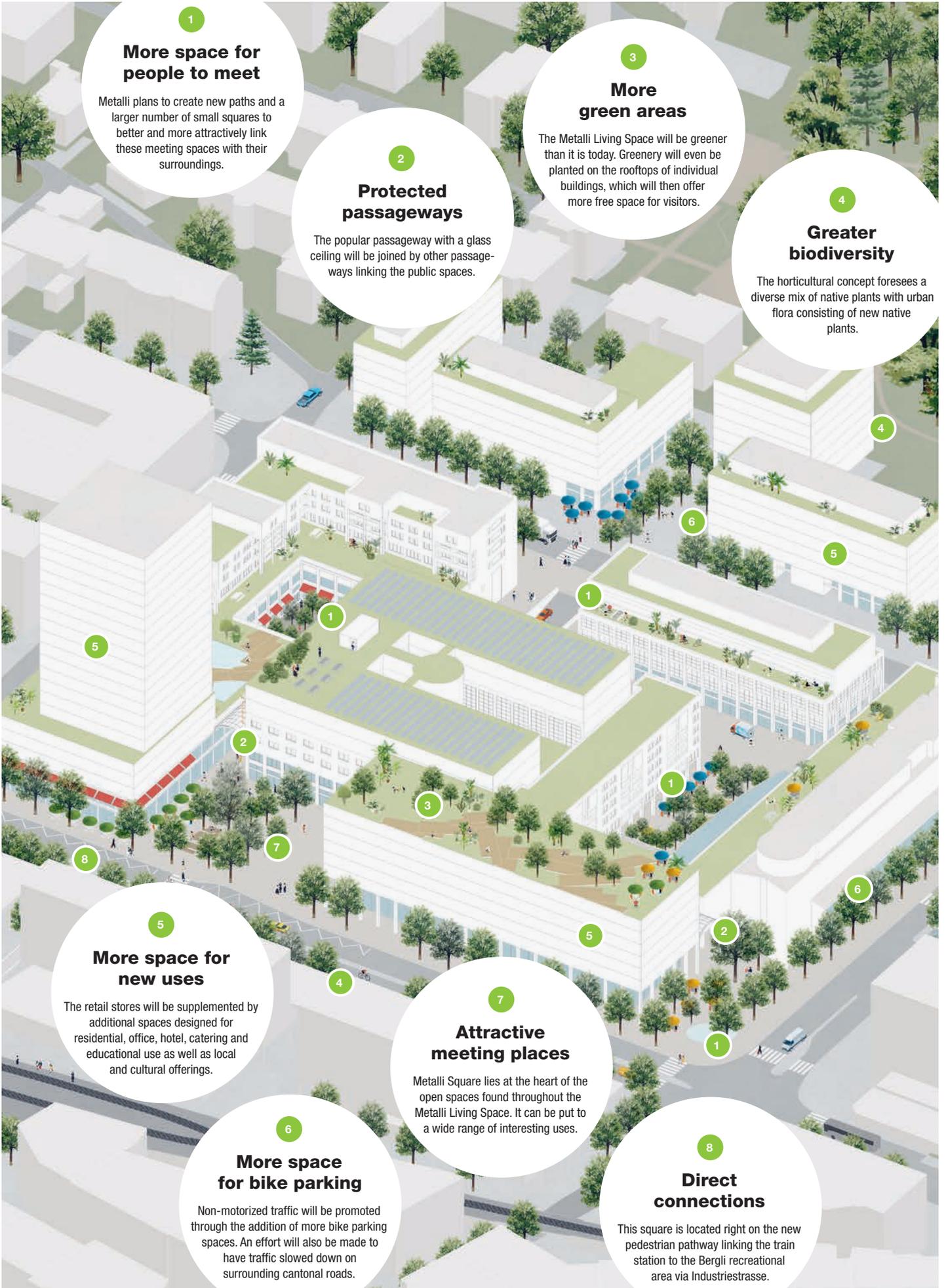
Preserving what’s tried and true while simultaneously making plenty of space for the new – in a nutshell, that’s the basic idea behind the new design for the Metalli Living Space in the heart of the city of Zug.

The outcome of the joint planning process for the Metalli Living Space presented in March 2020 was the project’s first major milestone. The jury selected the study by the planning team made up of Hosoya Schaefer Architects, NYX ARCHITECTES, Lorenz Eugster Landschaftsarchitektur und Städtebau and the Zug-based company TEAMverkehr.zug for further refinement. A reference project was prepared based on the preferred design and then submitted to the city of Zug in September 2020. That project serves as the basis for the development plan modifications currently being drafted by the city of Zug. Zug Estates expects the legally binding, updated development plans to be ready in 2022/23. Construction is expected to begin in 2025.

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

Multi-phase plan





1
More space for people to meet
 Metalli plans to create new paths and a larger number of small squares to better and more attractively link these meeting spaces with their surroundings.

2
Protected passageways
 The popular passageway with a glass ceiling will be joined by other passageways linking the public spaces.

3
More green areas
 The Metalli Living Space will be greener than it is today. Greenery will even be planted on the rooftops of individual buildings, which will then offer more free space for visitors.

4
Greater biodiversity
 The horticultural concept foresees a diverse mix of native plants with urban flora consisting of new native plants.

5
More space for new uses
 The retail stores will be supplemented by additional spaces designed for residential, office, hotel, catering and educational use as well as local and cultural offerings.

7
Attractive meeting places
 Metalli Square lies at the heart of the open spaces found throughout the Metalli Living Space. It can be put to a wide range of interesting uses.

6
More space for bike parking
 Non-motorized traffic will be promoted through the addition of more bike parking spaces. An effort will also be made to have traffic slowed down on surrounding cantonal roads.

8
Direct connections
 This square is located right on the new pedestrian pathway linking the train station to the Bergli recreational area via Industriestrasse.

List of properties

	Place	Form of ownership ¹	Ownership share in %	Year of construction	Year of refurbishment
Investment properties					
Zug City Center site					
Baarerstrasse 20–22 (Metalli I/II, Zug Estates share)	Zug	CO	74.50	1987/1991	–
Baarerstrasse 14a (Metalli III)	Zug	SO	100	1995	–
Industriestrasse 13a/c (Metalli IV)	Zug	SO	100	1995	–
Industriestrasse 16 (leasehold) ²	Zug	LHP	100	–	–
Industriestrasse 18	Zug	SO	100	1992	–
Haldenstrasse 12–16 (Haldenhof)	Zug	SO	100	2009	–
Residential development Haldenstrasse/Metallstrasse/Bleichimattweg	Zug	SO	100	1910–1991	1986–1989
Total Zug City Center site					
Suurstoffi site					
Suurstoffi 1, 2, 4, 6	Risch Rotkreuz	SO	100	2019/2020	–
Suurstoffi 5, 9, 13, 15, 17	Risch Rotkreuz	SO	100	2011/2012	–
Suurstoffi 19–35	Risch Rotkreuz	SO	100	2015	–
Suurstoffi 7, 11 (Alte Suurstoffi)	Risch Rotkreuz	SO	100	ca. 1926	2012
Suurstoffi 8, 10, 12	Risch Rotkreuz	SO	100	2013	–
Suurstoffi 14	Risch Rotkreuz	SO	100	2013	–
Suurstoffi 16, 18, 20	Risch Rotkreuz	SO	100	2017/2018	–
Suurstoffi 22	Risch Rotkreuz	SO	100	2018	–
Suurstoffi 37 (Aglaya)	Risch Rotkreuz	C	100	2019	–
Suurstoffi 41	Risch Rotkreuz	SO	100	2014	–
Total Suurstoffi site					
Total investment properties (excl. investment properties under construction)					
Investment properties under construction					
–	–	–	–	–	–
Total investment properties under construction					
Undeveloped plots					
Suurstoffi site	Risch Rotkreuz	SO	100	–	–
Total undeveloped plots					
Total real estate portfolio³					
Operating properties ^{3,4}	Zug	SO/C	100	–	–
Total portfolio					

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

² Zug Estates AG is the ground lessor

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

⁴ The following properties located in Zug serve completely or partly as operating properties:

Industriestrasse 14 (Parkhotel Zug), Industriestrasse 16 (Résidence), Metallstrasse 20 (City Garden Hotel), Haldenstrasse 9, 10, 11 (serviced city apartments), Baarerstrasse 30 (Restaurant Bären) and Industriestrasse 12 (Zug Estates offices)

Plot area m ²	Residential m ²	Office m ²	Retail m ²	Hotel/catering m ²	Leisure/ education/ culture m ²	Storage/other m ²	Total rentable space m ²	Total no. of parking spaces
16 419	8 131	10 144	17 917	923	2 261	5 172	44 548	521
4 843	352	5 503	3 056	149	–	3 046	12 106	123
2 155	1 965	1 370	381	461	264	733	5 174	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	21 900	18 480	21 354	1 533	2 625	9 293	75 185	893
8 591	–	8 025	442	–	14 613	2 191	25 271	149
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	3 432	326	14 276	306
8 359	–	8 527	–	–	–	621	9 148	52
14 098	11 851	6 182	493	–	3 099	1 136	22 761	227
7 081	–	10 360	60	547	–	520	11 487	231
7 858	–	1 809	–	258	–	37	2 104	–
3 496	–	4 192	–	–	2 044	245	6 481	4
95 320	43 560	39 181	995	1 142	23 708	5 130	113 716	1 612
141 186	65 460	57 661	22 349	2 675	26 333	14 423	188 901	2 505
–	–	–	–	–	–	–	–	–
0	0	0	0	0	0	0	0	0
10 337	–	–	–	–	–	–	–	–
10 337	0	0	0	0	0	0	0	0
151 523	65 460	57 661	22 349	2 675	26 333	14 423	188 901	2 505
12 871	1 879	873	0	13 002	0	281	16 035	200
164 394	67 339	58 534	22 349	15 677	26 333	14 704	204 936	2 705

To the Board of Directors of Zug Estates Holding AG, Zug

Report of the independent valuation expert Valuation as of December 31, 2020



Commission

Acting on behalf of Zug Estates Holding AG for purposes of accounting as of the balance sheet date of December 31, 2020, Wüest Partner AG (Wüest Partner) valued the properties and sections of properties held by the Zug Estates Group. 17 investment properties and six operating properties were valued.

Zürich,
January 15, 2021

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.

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.

Seven properties were inspected in connection with the valuation as of the balance sheet date of December 31, 2020.

COVID-19 pandemic

As a result of the second wave of the COVID 19 pandemic, with rising infection rates, drastic measures have again been put into force, have been tightened or are expected to be tightened in many countries. The consequences of these measures for the real estate market cannot yet be fully anticipated and remain difficult to quantify at the moment due to the still limited amount of available comparative transactions carried out in the context of the second wave. As a result, valuation results include currently a higher level of uncertainty.

Results

As of December 31, 2020, Wüest Partner determined the market value of the total of 23 properties. These break down into 17 investment properties and six operating properties. The market value (current value) of the properties as of the balance sheet date is assessed as follows:

in CHF	
17 Investment properties	1 534 432 000
6 Operating properties	108 110 000
Total	1 642 542 000

Changes during reporting period

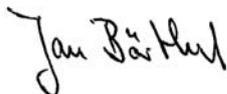
Within the review period from January 1, 2020 to December 31, 2020 the following changes took place:

- Property «Metalli I/II», Zug: Acquisition of a co-ownership share of the «co-ownershipMetalli Zug», increase of the co-ownership share by 2.25% to 74.50%;
- Property «Suurstoffi 6», Rotkreuz: Reclassification from property under construction to investment property.

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, 2021, on which the valuation was based, were received by Wüest Partner in October 2020.
- **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 2.5% to 4.4% (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.



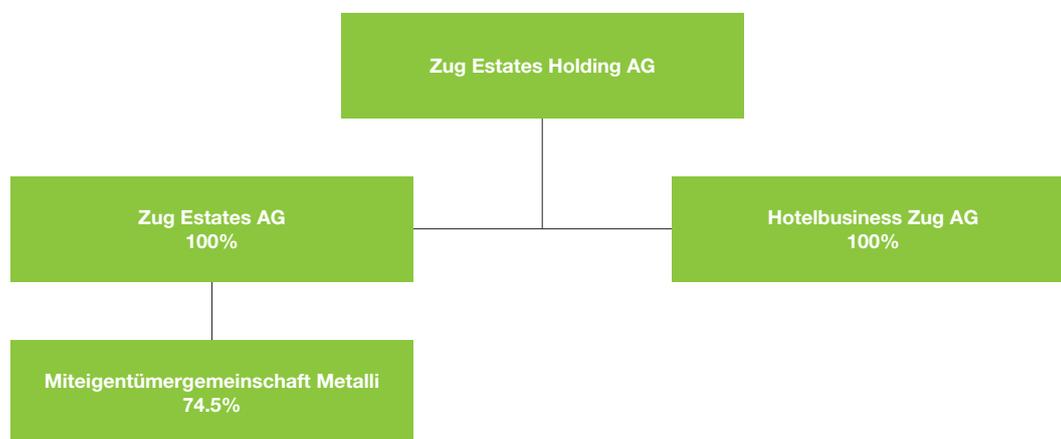
Corporate governance report

“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, 2020, or to the year under review (2020) unless stated otherwise. No material changes occurred between December 31, 2020, 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



All companies involved are unlisted. As at September 1, 2020, the share of capital belonging to Miteigentümergeinschaft Metalli rose from 72.25% to 74.5% and the share of votes (one person, one vote) increased from 7.69% to 8.33%. 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 61 (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, 2020, and December 31, 2019, 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. A shareholder pooling agreement exists between the members, under which the members of the group agree to coordinate the manner in which they exercise their voting rights. As at December 31, 2020, 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 59 (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 “Consolidated statement of changes in 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 59 (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	2021
Prof. Dr. Annelies Häcki Buhofer , CH, 1954 – Member of the board of directors (non-executive) – Member of the Audit Committee	2012	2021
Armin Meier , CH, 1958 – Member of the board of directors (non-executive) – Chairman of the Nomination and Compensation Committee	2013	2021
Johannes Stöckli , CH, 1959 – Member of the board of directors (non-executive) – Member of the Audit Committee	2018	2021
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	2021



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; member of the board of directors of V-ZUG AG, Zug, of Holima Holding 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 Schilthornbahn AG, Interlaken, and Zebrabox SA, Lausanne, 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 incorporation, 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 obligated 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 incorporation in the 2020 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

The entire board of directors usually meets six times a year. In the year under review, the board of directors held eight 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 2020. 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. Four meetings were held during the reporting year. All committee members attended the four 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 2020, 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 www.zugestates.ch/de/investor-relations/corporate-governance.html (German only). In principle, the 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-a-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

	Employed
Patrik Stillhart , CH, 1974, CEO	Since June 1, 2020
Mirko Käppeli , CH, 1979, CFO	Since May 1, 2017
Tobias Achermann , CH, 1971, CEO	From July 1, 2014, to May 31, 2020



Group management,
from left to right:
Patrik Stillhart and
Mirko Käppeli

4.2 Other activities and vested interests

Patrik Stillhart, CEO (as of June 2020)

Education

Real estate economist (EBS – European Business School); degree in mechanical engineering (Dipl. Ing.) from the Swiss Federal Institute of Technology (ETH)

Professional background

Managing director, Jones Lang LaSalle AG (JLL), Zurich, 2011–2020; senior vice president, Sal. Oppenheim jr. & Cie. Corporate Finance (Switzerland) AG, Zurich, 2005–2011; senior associate, Ernst & Young AG, Zurich, 2005; project manager, Ernst Basler + Partner AG, Zollikon, 2001–2005

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

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, Zurich, CFO from 2011; finance manager, Gravhaven Mining AG, Walchwil, 2008–2009; financial projects, Mobimo Group, Küsnacht, 2005–2008; Controlling, Livit AG, Zurich, 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

Tobias Achermann, CEO (until May 2020)

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

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

Activities on governing and supervisory bodies of the Zug Estates Group

None

Other activities on governing and supervisory bodies

None

Official functions and political offices

None

4.3 Additional mandates

Members of Group management may hold a maximum of two additional mandates, one of which may be with a listed company. The acceptance of mandates by members of Group management requires the approval of the board of directors. The Nomination and Compensation Committee reviewed and verified compliance with the relevant provisions of the articles of incorporation in the 2020 financial year.

4.4 Management contracts

There are no management contracts with companies outside the Group.

5 Compensation, shareholdings and loans

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

The general meeting of shareholders elects an independent proxy on an annual basis. Natural persons or legal entities or partnerships are eligible for election as independent proxy. The term of office ends at the closing of the next ordinary meeting of shareholders. Re-election is possible.

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.

The share register will be closed in advance of the ordinary general meeting in Zug on April 13, 2021, and no new entries can be made from April 2, 2021, to April 14, 2021.

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 et. seq. 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 obligated 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 153 (previous year: TCHF 158) 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 Metallii is audited by BDO AG. In the reporting period, BDO AG invoiced TCHF 12 (previous year: TCHF 15).

8.3 Additional fees

BDO AG did not receive any additional fees for audit-related services (previous year: no additional fees) in the reporting period. Ernst & Young AG invoiced Zug Estates Holding AG for an additional fee of CHF 20 (previous year: no additional fee) for audit-related services performed in connection with sustainability reporting in the reporting period.

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-a-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 www.zugestates.ch/en/investor-relations/ad-hoc-publicity.html. Published ad hoc and press releases can be downloaded at www.zugestates.ch/en/nc/media/press-releases.html, the corporate calendar at www.zugestates.ch/en/investor-relations/calendar.html and the half-year and annual reports at 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 82 to 84 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 incorporation). 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 2020 financial year.

Board of directors

Pursuant to article 18 of the company’s articles of incorporation, 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 2020 general meeting of shareholders

The general meeting of shareholders took a first vote 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 general meeting of shareholders on April 7, 2020.

Of this total, the sum of CHF 746 813 was effectively paid out (see detailed breakdown on the following page).

Compensation for the compensation period from

in CHF	09.04.2019–07.04.2020
Fixed compensation (net)	712 044
Var. compensation (net)	0
Pension contributions	34 769
Total compensation paid	746 813
Total amount approved	800 000
Difference	-53 187

Compensation period up to the 2021 general meeting of shareholders

The general meeting voted on compensation on April 7, 2020, 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 2021. In the 2020 financial year, the compensation paid out to the board of directors amounted to a total of CHF 748 279. Of this sum, the amount of CHF 498 851 was paid out in the period from the 2020 general meeting of shareholders to December 31, 2020. Compared to the corresponding prior-year period (CHF 497 388), this represents an increase of 0.3%.

Group management

Pursuant to article 18 of the company's articles of incorporation, 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 incorporation, it may be equivalent to a maximum of half the fixed cash compensation. The employment contracts of the members of Group management stipulate that the performance-based compensation will amount to no more than one-third of the fixed cash compensation.

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

Concerned members of Group management are, as a rule, not present at meetings of the Nomination and Compensation Committee or of the board of directors dealing with employment contracts of said 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.

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. Of this total, the sum of CHF 1 047 096 was effectively paid out (see detailed breakdown on the following page).

Compensation payments to Group Management

in CHF	Financial year 2020
Fixed compensation (net)	553 238
Var. compensation (net)	184 704
Pension contributions	309 154
Total compensation paid	1 047 096
Total amount approved	1 200 000
Difference	-152 904

2021 compensation period (financial year)

On April 7, 2020, the general meeting of shareholders approved the total amount of CHF 1 200 000 as the compensation payable to Group management for the 2021 financial year.

Shareholding programs

Pursuant to article 18 of the company's articles of incorporation, 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

No remuneration was paid by Zug Estates AG to any former members of the board of directors, former members of executive management or associated persons, neither directly nor indirectly, during the reporting period. Hannes Wüest, the former chairman of the board of directors, 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 as well as a farewell gift worth CHF 3 762.

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 2020 financial year

in CHF	Fixed compensation (net)	Var. compensation (net) ¹	Pension contributions ²	Total 2020
Dr. Beat Schwab	338 661	0	0	338 661
Prof. Dr. Annelies Häcki Buhofer	80 000	0	8 208	88 208
Armin Meier	95 000	0	14 719	109 719
Johannes Stöckli	80 000	0	12 392	92 392
Martin Wipfli	119 299	0	0	119 299
Total board of directors	712 960	0	35 319	748 279
Mirko Käppeli, CFO	228 173	75 378	129 748	433 299
Total Group Management	553 238	184 704	309 154	1 047 096

Compensation for the 2019 financial year

	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

¹ In line with the accrual principle, the variable compensation payable to the Group management for the 2020 financial year is posted in the applicable year (same method as previous year), but not paid out until April 2021. The variable compensation due to Tobias Achermann for 2020 was paid out in his month of departure

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



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 2020. 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 2020 of Zug Estates Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zug, March 3, 2021

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Beatrice Bieri
Licensed audit expert

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Consolidated balance sheet

Assets

in CHF thousands	Note	31.12.2020	31.12.2019
Cash and cash equivalents		17 199	21 352
Trade receivables	1	780	1 146
Other receivables	2	10 179	5 767
Inventories		168	189
Properties held for sale	3	10 180	10 180
Promotional properties	4	0	60 630
Prepaid expenses		1 889	2 520
Total current assets		40 395	101 784
Investment properties	5	1 534 432	1 478 364
Investment properties under construction	5	9 794	31 402
Undeveloped plots	5	2 524	2 524
Operating properties	6	31 987	32 412
Other tangible assets	7	5 971	7 146
Deferred tax assets		135	0
Financial assets		520	694
Intangible assets	8	487	620
Total fixed assets		1 585 850	1 553 162
Total assets		1 626 245	1 654 946

Liabilities and shareholders' equity

in CHF thousands	Note	31.12.2020	31.12.2019
Current financial liabilities	9	55 800	60 800
Trade payables	10	4 652	7 089
Other current liabilities	11	2 850	22 680
Accrued expenses		9 193	24 570
Current provisions	12	24	20
Total current liabilities		72 519	115 159
Long-term financial liabilities	9	535 970	536 643
Long-term provisions	12	500	0
Deferred tax liabilities	13	101 799	97 507
Total long-term liabilities		638 269	634 150
Total liabilities		710 788	749 309
Share capital	14	12 750	12 750
Capital reserves		509 491	509 491
Retained earnings		393 216	383 396
Total shareholders' equity		915 457	905 637
Total liabilities and shareholders' equity		1 626 245	1 654 946

Consolidated income statement

in CHF thousands	Note	2020	2019
Property income	16	57 782	54 481
Income from the sale of promotional properties	4	72 458	45 606
Hotel & catering income	17	6 987	16 553
Additional income from ordinary business operations	18	2 653	3 037
Net proceeds of trade payables and receivables		139 880	119 677
Other operating revenue		514	701
Total operating revenue		140 394	120 378
Property expenses		-9 023	-7 805
Expenses incurred directly through the sale of promotional properties	4	-62 968	-37 663
Cost of goods purchased for hotel & catering		-807	-1 456
Personnel expenses	19	-12 772	-14 167
Other operating expenses	20	-5 255	-5 869
Total operating expenses		-90 825	-66 960
Operating income before depreciation and revaluation		49 569	53 418
Revaluation of investment properties (net)	5	-2 224	19 552
Result from sale of investment properties	3	0	998
Operating income before depreciation (EBITDA)		47 345	73 968
Depreciation	21	-3 596	-3 419
Operating income (EBIT)		43 749	70 549
Financial result	22	-7 215	-5 551
Income before taxes (EBT)		36 534	64 998
Tax expenditure	23	-4 274	11 048
Net income		32 260	76 046
Earnings per share			
in CHF			
Earnings per series A registered share, undiluted*		6.33	14.91
Earnings per series B registered share, undiluted*		63.25	149.11

* 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	2020	2019
Net income for the period		32 260	76 046
Depreciation	6,7,8	3 596	3 419
Revaluation of investment properties (net)	5	2 224	-19 552
Earnings from sale of investment properties		0	-998
Changes in provisions/deferred tax liabilities		4 642	-12 645
Other non-cash items		-405	7 425
Cash flow before changes in working capital		42 317	53 695
Change in trade receivables		366	-37
Change in other receivables		-4 319	3 364
Change in accrued income and prepaid expenses		636	-85
Change in inventories/properties for sale		21	-7 999
Change in promotional properties		60 630	-3 265
Change in trade payables		-1 599	1 375
Change in other current liabilities		-19 920	112
Change in accrued expenses and deferred income		-2 134	1 389
Cash flow from operating activities		75 998	48 549
Investments in investment properties ¹	5	-38 212	-74 572
Acquisition of investment properties ²		-12 255	0
Investments in operating properties	6	-1 380	-117
Investments in other tangible assets		-293	-897
Disinvestments of other tangible assets		0	100
Investments in financial assets		0	-246
Disinvestments of financial assets		193	142
Investments in intangible assets	8	-190	-609
Cash flow from investing activities		-52 137	-76 199
Increase in current financial liabilities		40 000	102 000
Repayment of current financial liabilities		-45 800	-158 800
Increase from bond issues	9	0	99 618
Distribution to shareholders		-22 440	-14 280
Cash flow from financing activities		-28 240	28 538
Change in cash and cash equivalents		-4 379	888
Composition of net cash and cash equivalents			
Net cash and cash equivalents at the beginning of reporting period		21 352	20 464
Cash and cash equivalents from acquisitions		226	0
Net cash and cash equivalents at the end of reporting period		17 199	21 352
Change in cash and cash equivalents		-4 379	888

¹ 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

² The acquisition of a 2.25% share of the joint venture Miteigentümergeinschaft Metall is largely made up of investment properties

Consolidated statement of changes in equity

in CHF thousands	Share capital	Capital reserve	Retained earnings	Total shareholders' equity
Balance on 01.01.2019	12 750	509 491	321 630	843 871
Distribution from retained earnings carried forward (dividends)	0	0	-14 280	-14 280
Net income	0	0	76 046	76 046
Balance on 31.12.2019	12 750	509 491	383 396	905 637
Balance on 01.01.2020	12 750	509 491	383 396	905 637
Distribution from retained earnings carried forward (dividends)	0	0	-22 440	-22 440
Net income	0	0	32 260	32 260
Balance on 31.12.2020	12 750	509 491	393 216	915 457

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, 2020, 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 3, 2021.

List of investments

Company	Domicile	Business	Share capital in CHF	Share of capital 31.12.2020	Share of capital 31.12.2019	Share of votes 31.12.2020	Share of votes 31.12.2019
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	74.50%	72.25%	8.33%	7.69%

Zug Estates AG was able to acquire a 2.25% share of Miteigentümergeinschaft Metalli on September 1, 2020, thereby increasing its stake from 72.25% to 74.50% as of December 31, 2020.

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. This is done using the acquisition method.

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 written up 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 taxes

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 collection

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

The real estate segment operates primarily in the areas of product development and management. The project development department develops and oversees its own construction projects, mainly for the Group portfolio. The management department provides property management services for third parties and the Group portfolio. The main source of revenue is "Property income", which is made up of net rental income after deduction of vacancy losses and losses from receivables. 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 recognized 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.

Impact of the COVID-19 pandemic**Real estate segment**

Most retail and catering tenants were forced to close their businesses during the government-mandated lockdown from March 16 to May 11, 2020. As a way of supporting those business tenants during this difficult phase and to ensure that the tenant mix remains balanced over the long term, Zug Estates made them an offer of its own accord in mid-May that entailed a reduction of their rent payments.

The offer made by Zug Estates included a rent reduction of at least 50% during the government-mandated lockdown period for all retail and catering tenants that were directly impacted by the lockdown. Smaller tenants received a reduction of up to 80%.

More than 90% of the tenants accepted this proposed solution. The agreements negatively impacted property income by TCHF 671 during the 2020 financial year. Outstanding rent receivables related to the lockdown amounted to TCHF 14 on the balance sheet date.

Our properties' market values were calculated on the basis of general market and property assessments as well as insights and conclusions drawn from the COVID-19 pandemic. These values can be affected in particular by expectations regarding potential rents, absorption periods in the case of tenant changes or first-time rentals, or even discount rates. Corresponding effects were factored into both the book value and revaluation result of the investment properties. Since operating properties are recognized at acquisition cost less accumulated depreciation and no impairments were necessary, the COVID-19 pandemic is not having any direct impact on the presentation of these properties. Since the NAV per share of operating properties was calculated at market value, the effects of the pandemic will have a corresponding impact on these key figures.

The pandemic did not have any other immediate financial impact on the real estate segment.

Hotel & catering segment

The pandemic brought our regular customers' international business travel to a halt and caused sales to plummet as a result; this had the largest negative impact on the income statement positions "Hotel & catering income" and "Additional income from ordinary business operations".

At the same time, pared-down operations still made it possible to provide a basic offer of accommodations. This resulted in corresponding cost savings in the income statement positions "Cost of goods purchased for hotel & catering" and "Other operating expenses".

Short-time working was introduced for most of the employees in the hotel & catering segment. Personnel expenses were reduced by short-time working compensation of TCHF 1 311.

With respect to depreciation and amortization, no changes were made to useful life estimates nor the rates applied for these.

The loss that resulted in this segment led to deferred tax assets of TCHF 140.

The segment report contains an intercompany rent reduction of TCHF 3 801 in favor of the hotel & catering segment, however this has no impact on consolidated property income.

Use of government financial aid

The Zug Estates Group did not take advantage of any COVID-19 loans.

1 Trade receivables

in CHF thousands	31.12.2020	31.12.2019
Rent receivables	430	321
Trade receivables from hotel & catering activities	219	746
Other trade receivables	198	133
Provisions for doubtful receivables	-67	-54
Total trade receivables	780	1 146

2 Other receivables

in CHF thousands	31.12.2020	31.12.2019
Withholding tax credits	2	15
Accounts for heating and service charge settlement	1 605	3 792
Other receivables	8 572	1 960
Total other receivables	10 179	5 767

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

3 Properties held for sale

in CHF thousands	2020	2019
Acquisition value at the beginning of reporting period	10 180	2 193
Additions	0	10 180
Disposals	0	-2 193
Acquisition value at the end of reporting period	10 180	10 180

Investment properties available for sale include the property at Hofstrasse 1 a/b, Zug, which was reclassified in the previous year. Two condominiums with corresponding parking spaces at Rote Trotte 14–16, Baar, were sold for a pre-tax profit of TCHF 998.

4 Promotional properties

in CHF thousands	2020	2019
Acquisition value at the beginning of reporting period	60 630	57 365
Additions	2 338	40 928
Disposals	-62 968	-37 663
Acquisition value at the end of reporting period	0	60 630

Promotional properties include the available-for-sale part of the Suurstoffi 37 property (Aglaya residential tower block), Risch Rotkreuz. The remaining 49 of the total of 85 condominium apartments with corresponding secondary-use properties (parking spaces and all-purpose rooms) were sold in 2020; these generated TCHF 72 458 in revenue and a profit before taxes of TCHF 9 490. 36 condominium apartments with corresponding secondary-use properties were sold in 2019 at a profit before taxes of TCHF 7 943.

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 01.01.2019	689 926	573 328
Investments ³	2 300	9 369
Acquisitions	0	25
Reclassification of properties under construction to investment properties ⁴	0	183 006
Reclassification to properties held for sale ⁵	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
Balance on 01.01.2020	704 784	773 580
Investments ³	2 584	3 587
Acquisitions	12 255	0
Reclassification of properties under construction to investment properties ⁶	0	39 866
Revaluation (net)	3 009	–5 233
Balance on 31.12.2020	722 632	811 800
Accumulated acquisition values as at 01.01.2020	347 983	669 011
Accumulated acquisition values as at 31.12.2020	362 822	715 317
Difference market values/acquisition values as at 01.01.2020	356 801	104 569
Difference market values/acquisition values as at 31.12.2020	359 810	96 483

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

⁵ Reclassification of the property at Hofstrasse 1 a/b, Zug, to properties held for sale

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

Other investment properties	Total investment properties	Total investment properties under construction ¹	Undeveloped plots ²	Total
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
0	1 478 364	31 402	2 524	1 512 290
0	6 171	18 258	0	24 429
0	12 255	0	0	12 255
0	39 866	-39 866	0	0
0	-2 224	0	0	-2 224
0	1 534 432	9 794	2 524	1 546 750
0	1 016 994	34 255	2 524	1 053 773
0	1 078 139	9 794	2 524	1 090 457
0	461 370	-2 853	0	458 517
0	456 293	0	0	456 293

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 2.5% to 3.4% (previous year: 2.7% to 3.4%).

The average weighted discount rate was 2.98% in real terms and 3.49% in nominal terms (December 31, 2019: 3.05% in real terms and 3.57% in nominal terms).

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

6 Operating Properties

in CHF thousands	2020	2019
Acquisition value at the beginning of reporting period	63 514	63 397
Additions	1 380	117
Acquisition value at the end of reporting period	64 894	63 514
Accumulated depreciation at the beginning of reporting period	-31 102	-29 430
Depreciation in the reporting period	-1 805	-1 672
Accumulated depreciation at the end of reporting period	-32 907	-31 102
Net book value at the beginning of reporting period	32 412	33 967
Net book value at the end of reporting period	31 987	32 412

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 of the balance sheet date was TCHF 108 110 (previous year: TCHF 118 250) and was determined by the independent real estate expert Wüest Partner AG using the DCF method. For the valuation as at December 31, 2020, discount rates within a range of 3.1% to 4.4% (previous year: 3.2% to 4.3%) were applied.

7 Other tangible assets

in CHF thousands	2020	2019
Acquisition value at the beginning of reporting period	20 805	20 226
Additions	293	897
Disposals	-194	-318
Acquisition value at the end of reporting period	20 904	20 805
Accumulated depreciation at the beginning of reporting period	-13 659	-12 368
Disposals	194	238
Depreciation in the reporting period	-1 468	-1 529
Accumulated depreciation at the end of reporting period	-14 933	-13 659
Net book value at the beginning of reporting period	7 146	7 858
Net book value at the end of reporting period	5 971	7 146

The disposals relate to write-offs of tangible assets no longer in use. The previous year also included disposals related to sales of furnishings.

8 Intangible assets

in CHF thousands	2020	2019
Acquisition value at the beginning of reporting period	1 234	625
Additions	190	609
Disposals	-22	0
Acquisition value at the end of reporting period	1 402	1 234
Accumulated depreciation at the beginning of reporting period	-614	-396
Disposals	22	0
Depreciation in the reporting period	-323	-218
Accumulated depreciation at the end of reporting period	-915	-614
Net book value at the beginning of reporting period	620	229
Net book value at the end of reporting period	487	620

Intangible assets comprise software utilized in the business units. The disposals relate to write-offs of intangible assets no longer in use.

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	31.12.2020	31.12.2019
Under 1 year	55 800	60 800
1 to 3 years	141 529	101 465
3 to 5 years	241 297	131 600
5 to 10 years	153 144	237 378
Over 10 years	0	66 200
Total financial liabilities	591 770	597 443
Of which current	55 800	60 800
Of which long-term	535 970	536 643

The average residual term of the interest-bearing debt was 4.3 years (previous year: 5.2 years). The average capital-weighted interest rate on all interest-bearing financial liabilities was 1.3% (previous year: 1.4%). The long-term loans were taken out at fixed interest rates.

On February 17, 2017, a TCHF 100000 bond that matures on February 17, 2022, was paid up. A TCHF 100000 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 written up on a straight-line basis over the term and amounts to TCHF 374 as of December 31, 2020 (previous year: TCHF 501).

CHF thousands	0.7% bond (2017–2022)	0.1% green bond (2019–2025)	Total
Issue proceeds	99 684	99 618	199 302
Accumulated amortization of issue costs	181	16	197
Balance on 01.01.2020	99 865	99 634	199 499
Amortization of issue costs	64	63	127
Balance on 31.12.2020	99 929	99 697	199 626

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 896 416 (previous year: TCHF 875 629) have been encumbered.

10 Trade payables

in CHF thousands	31.12.2020	31.12.2019
Advance payments from tenants	2 975	2 848
Liabilities to third parties	1 677	4 241
Total trade payables	4 652	7 089

The reduction in liabilities to third parties is directly related to a decline in the amount of construction activity over the course of the previous year.

11 Other current liabilities

in CHF thousands	31.12.2020	31.12.2019
Advance payments on account for flat-rate heating and service charges	1 997	4 436
Prepayments for promotional properties	0	17 338
Liabilities to social security institutions and public authorities	293	132
Liabilities to pension schemes	64	9
Remaining other current liabilities	496	765
Total other current liabilities	2 850	22 680

12 Provisions

in CHF thousands	2020	2019
Provisions at the beginning of reporting period	20	17
Increase	504	3
Reclassification	0	0
Provisions at the end of reporting period	524	20
Of which current at the end of reporting period	24	20
Of which long-term at the end of reporting period	500	0

Long-term provisions cover construction risks within the scope of two- and five-year warranties from the sale of apartments and promotional properties.

13 Deferred tax liabilities

in CHF thousands	2020	2019
Deferred tax liabilities at the beginning of reporting period	97 507	110 155
Net creation/release recognized in the income statement in the reporting period	4 274	-12 648
Increase due to acquisition	18	0
Deferred tax liabilities at the end of reporting period	101 799	97 507

Deferred tax assets arising from losses carried forward were capitalized if it was deemed likely that they could be offset against future gains. The hotel & catering segment had deferred tax assets of TCHF 140 on December 31, 2020 (there were no deferred tax assets in the previous year).

Net creation recognized in the income statement in the real estate segment for the reporting period includes deferred tax assets of TCHF 333 (previous year: TCHF 0) as a result of unused tax losses carried forward.

Deferred income taxes were calculated using an average tax rate of 12.0% (previous year: 12.0%). A revision of the tax law of the canton of Zug that entered into effect on January 1, 2020, led to a reduction in the average deferred tax rate for ordinary taxed legal entities from 14.5% to 12.0% in 2019. Viewed in isolation, this reduction resulted in a positive profit contribution of TCHF 20311 in the previous year.

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

As was the case last year, Zug Estates Holding AG did not sell any registered shares during the reporting period.

As was the case last year, Zug Estates Holding AG did not hold any registered treasury shares as at the balance sheet date.

Non-distributable statutory reserves as at December 31, 2020, amounted to TCHF 7 625 (previous year: TCHF 7 625).

Shareholders' equity per share

in CHF	31.12.2020	31.12.2019
Shareholders' equity (in CHF thousands)	915 457	905 637
Deferred tax liabilities (in CHF thousands)	101 799	97 507
Shareholders' equity before deferred taxes (in CHF thousands)	1 017 256	1 003 144
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	1 994.62	1 966.95
Shareholders' equity per outstanding series B registered share, after deferred taxes	1 795.01	1 775.76

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	31.12.2020	31.12.2019
Shareholders' equity (in CHF thousands)	915 457	905 637
Difference market value/acquisition value operating properties (in CHF thousands)	76 123	85 838
Deferred taxes on difference market value/acquisition value operating properties (in CHF thousands)	-9 135	-10 301
NAV at market value (in CHF thousands)	982 445	981 174
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	1 926.36	1 923.87

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 includes properties used for operational purposes at market value.

Net income excluding revaluation and special effects

in CHF thousands	2020	2019
Net income	32 260	76 046
Income from the sale of promotional properties	-72 458	-45 606
Expenses incurred directly through the sale of promotional properties	62 968	37 663
Taxes attributable to changes in the result from sale of promotional properties	1 139	1 151
Revaluation of investment properties (net)	2 224	-19 552
Taxes attributable to the revaluation of investment properties (net)	-267	2 835
Result from sale of investment properties	0	-998
Taxes attributable to the result from sale of investment properties	0	145
Effect of tax rate change on deferred taxes	0	-20 311
Net income excluding revaluation and special effects	25 866	31 373

Earnings per share

Information on series A registered shares		2020	2019
Series A registered shares issued on 01.01.	Number	496 600	496 600
Series A registered shares issued on 31.12.	Number	496 600	496 600
Series A registered shares issued (weighted average)	Number	496 600	496 600
Average outstanding series A registered shares		496 600	496 600
Share in net income attributable to series A registered shares	TCHF	3 141	7 405
Share in net income excluding revaluation and special effects, attributable to series A registered shares	TCHF	2 519	3 055
Applicable number of series A registered shares	Number	496 600	496 600
Earnings per series A registered share, undiluted	CHF	6.33	14.91
Earnings per series A registered share excluding revaluation and special effects, undiluted¹	CHF	5.07	6.15

Information on series B registered shares		2020	2019
Series B registered shares issued on 01.01.	Number	460 340	460 340
Series B registered shares issued on 31.12.	Number	460 340	460 340
Series B registered shares issued (weighted average)	Number	460 340	460 340
Average outstanding series B registered shares		460 340	460 340
Share in net income attributable to series B registered shares	TCHF	29 119	68 641
Share in net income excluding revaluation and special effects, attributable to series B registered shares	TCHF	23 347	28 318
Applicable number of series B registered shares	Number	460 340	460 340
Earnings per series B registered share, undiluted	CHF	63.25	149.11
Earnings per series B registered share excluding revaluation and special effects, undiluted¹	CHF	50.72	61.52

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, 2020, 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	25 780	53 770	8.3%	8.3%
Johannes Stöckli	56 800	3 866	6.3%	6.3%
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 74.

16 Property income

The reported property income of TCHF 57 782 (previous year: 54 481) comprises actual rental income.

This position contains rental revenue from all properties.

in CHF thousands	2020	2019
Rental income Zug City Center site	28 326	28 962
Rental income Suurstoffi	29 310	25 205
Income from other properties	146	314
Total property income	57 782	54 481

The individual contractual relationships with external tenants had the following terms on the balance sheet date:

Term, share in %	31.12.2020	31.12.2019
Under 1 year, including unlimited rental contracts	37.5	39.2
Over 1 year	10.3	3.7
Over 2 years	10.8	11.5
Over 3 years	7.5	9.7
Over 4 years	2.5	6.2
Over 5 years	1.6	1.2
Over 6 years	3.5	1.5
Over 7 years	6.7	3.2
Over 8 years	3.9	6.5
Over 9 years	2.8	2.2
Over 10 years	12.9	15.1
Total	100.0	100.0

On December 31, 2020, the five largest tenant groups together generated 27.5% (previous year: 27.5%) of rental revenue. They can be broken down as follows:

Tenants, share in %	31.12.2020	Tenants, share in %	31.12.2019
Lucerne University of Applied Sciences and Arts	9.5	Lucerne University of Applied Sciences and Arts	9.5
Novartis	5.9	Novartis	5.9
Migros ¹	5.6	Migros ¹	5.6
UBS	3.8	UBS	3.8
Dosenbach-Ochsner AG	2.7	Nord Stream	2.7

¹ Various companies of the Migros Group

17 Hotel & catering income

in CHF thousands	2020	2019
Accommodation	4 334	11 319
Catering	2 628	5 184
Ancillary services	34	52
Increase/release of provisions for doubtful receivables	-9	-2
Total hotel & catering income	6 987	16 553

18 Additional income from ordinary business operations

in CHF thousands	2020	2019
Revenue from services	984	1 032
Revenue from own work	211	721
Revenue from leasing of personnel	815	691
Other revenue	643	593
Total additional income from ordinary business operations	2 653	3 037

19 Personnel expenses

in CHF thousands	2020	2019
Wages and salaries	-10 498	-11 740
Pension expenses	-1 850	-1 784
Other personnel expenses	-424	-643
Total personnel expenses	-12 772	-14 167

20 Other operating expenses

in CHF thousands	2020	2019
Marketing/sales promotion	-1 457	-1 866
Maintenance and repair	-492	-548
Administrative expenses	-445	-680
IT/software	-783	-608
Legal and consultancy costs	-762	-715
Other costs	-1 316	-1 452
Total other operating expenses	-5 255	-5 869

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	2020	2019
Depreciation of operating properties	-1 805	-1 672
Depreciation of other tangible assets	-1 468	-1 529
Amortization of intangible assets	-323	-218
Total depreciation	-3 596	-3 419

22 Financial result

in CHF thousands	2020	2019
Other financial incomes	16	20
Securities income	7	44
Total financial income	23	64
Interest expense mortgage loans and bonds	-7 188	-5 577
Other financial expenses	-50	-38
Total financial expenses	-7 238	-5 615
Financial result	-7 215	-5 551

Borrowing costs in the amount of TCHF 321 (previous year: TCHF 3 097) were capitalized in the reporting period.

23 Taxes

in CHF thousands	2020	2019
Income taxes	-130	-1 598
Deferred taxes	-4 144	12 646
Total taxes	-4 274	11 048

Average weighted tax rate

in CHF thousands or %	2020	2019
Income before taxes (EBT)	36 534	64 998
Average tax rate	11.70%	14.25%
Income taxes at average tax rate	-4 274	-9 263
Change of tax rate	0	20 311
Total income taxes	-4 274	11 048

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

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 construction of the city tunnel.

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	31.12.2020	31.12.2019
Up to 1 year	87	110
Up to 3 years	40	17
Over 3 years	6	3
Total	133	130

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, 2020, there were no employer's contribution reserves (unchanged to prior period).

in CHF thousands	Deficit/ surplus of pension plans 31.12.2020	Economic share of company 31.12.2020	Economic share of company 31.12.2019	Change or impact on net income in financial period	Contributions for the period	Pension expenses in personnel expenses 2020	Pension expenses in personnel expenses 2019
Patronage funds/pension schemes	0	0	0	0	0	0	0
Pension plans without surplus/deficit	0	0	0	0	824	824	781
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	824	824	781

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	2020	2019
Pension contributions at the company's expense	824	781
Contributions to pension plans from employer's contribution reserves	0	0
Total contributions	824	781
Change in ECR due to asset development, value adjustments, discounting, interest payments, etc.	0	0
Total contributions and changes in employer's contribution reserves	824	781
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	824	781

Total pension expenses in personnel expenses in the period under review amounted to TCHF 824 (previous year: TCHF 781). 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.

2020 in CHF thousands	Real estate	Hotel & catering	Corporate & eliminations ¹	Total
Operating revenue	135 437	7 435	-2 484	140 388
Operating expenses	-84 685	-8 265	2 125	-90 825
Revaluation of investment properties (net)	-2 224	0	0	-2 224
Result from sale of investment properties	0	0	0	0
Operating income before depreciation (EBITDA)	48 528	-830	-359	47 339
Operating income (EBIT)	45 745	-1 557	-445	43 743

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

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

All revenues in 2020 and the previous year were generated in the canton of Zug.

In the 2020 financial year, the segment elimination of operating revenue and operating expense includes a rent reduction of TCHF 3801 in favor of the hotel & catering segment (no rent reduction in the previous year).

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 -2.0 million (previous year: CHF 4.1 million) and an annualized EBITDA return of -0.4% (previous year: 5.7%) on the market values of these properties.

28 Transactions with related parties

There were no transactions with related parties during the reporting period. In the previous year, a purchase agreement for an apartment in the amount of TCHF 1 323 was entered into with a member of the board of directors. 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 previous year.

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, 2020, 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, 2020, 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 67), for the year ended 31 December 2020.



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 2020 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

Risk

The market valuation of investment properties was considered a key audit matter, since this process features significant areas of estimates and the assets valued in this way, at TCHF 1 534 432, 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 (page 48) as well as under "5 Investment properties, investment properties under construction and undeveloped plots" (pages 54-55), 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. Furthermore, for a sample we performed own calculations of the market values.

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



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 3, 2021

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Beatrice Bieri
Licensed audit expert

Balance sheet of Zug Estates Holding AG

Assets

in CHF thousands	Note	31.12.2020	31.12.2019
Cash and cash equivalents		5 285	1 552
Other receivables due from third parties		47	53
Expenses prepaid to third parties		52	43
Accrued income Group companies	1	21	11 750
Total current assets		5 405	13 398
Loans to Group companies	2	335 700	347 602
Financial		50	50
Investments		13 892	13 892
Intangible assets		142	112
Total fixed assets		349 784	361 656
Total assets		355 189	375 054
Liabilities and shareholders' equity			
Trade payables to third parties		0	24
Trade payables to Group companies		0	2
Other current liabilities to third parties		24	20
Accrued expenses due to third parties		1 091	1 410
Total current liabilities		1 115	1 456
Bonds	3	199 626	199 499
Total long-term liabilities		199 626	199 499
Total liabilities		200 741	200 955
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	3 960
Voluntarily retained earnings			
– Earnings carried forward from the previous year		125 651	134 114
– Net income for the year		2 789	13 977
Total shareholders' equity		154 448	174 099
Total liabilities and shareholders' equity		355 189	375 054

Income statement of Zug Estates Holding AG

in CHF thousands	Note	2020	2019
Dividend income	1	0	11 750
Other income		2 115	2 115
Total income		2 115	13 865
Personnel expenses		-1 806	-1 942
Other operating expenses		-666	-720
Total operating expenses		-2 472	-2 662
Operating income before depreciation (EBITDA)		-357	11 203
Depreciation		-86	-63
Operating income (EBIT)		-443	11 140
Financial expenses		-965	-834
Financial income	6	4 458	3 913
Income before taxes (EBT)		3 050	14 219
Direct taxes		-261	-242
Net income for the year		2 789	13 977

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). 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 31.12.2020	Share of capital and votes 31.12.2019
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. Financial assets for which no quoted price is available are carried at cost less impairments, if any.

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 written up on a straight-line basis over the term.

1 Accrued income Group companies

In the previous year, accrued income of Group companies included dividends from subsidiaries totaling TCHF 11 750, which were distributed from the ordinary profits of the 2019 financial year and recorded under “Dividend income” in the income statement.

2 Loans to Group companies

This position comprises long-term loans to subsidiaries to finance their operations in the amount of TCHF 335 700 (previous year: TCHF 347 602).

3 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%.

4 Significant shareholders

As at December 31, 2020, 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	25 780	53 770	8.3%	8.3%
Johannes Stöckli	56 800	3 866	6.3%	6.3%
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 31.12.2020	Series B registered shares as at 31.12.2020	Series A registered shares as at 31.12.2019	Series B registered shares as at 31.12.2019
Dr. Beat Schwab, chairman	0	10	0	10
Prof. Dr. Annelies Häcki Buhofer, member	211 252	11 039	211 206	11 001
Armin Meier, member	0	270	0	250
Johannes Stöckli, member	56 800	3 866	56 800	3 866
Martin Wipfli, member	0	300	0	266
Patrik Stillhart, CEO from 01.05.2020	0	0	n/a	n/a
Tobias Achermann, CEO until 30.04.2020	n/a	n/a	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.

6 Financial income

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

7 Number of full-time equivalents

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

8 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	31.12.2020	31.12.2019
Retained earnings carried forward	125 651 349	134 114 026
Net income for the year	2 788 737	13 977 323
Retained earnings	128 440 086	148 091 349
Dividend	-17 340 000	-15 810 000
Special dividend	-5 100 000	-6 630 000
Allocation to statutory reserves	0	0
Retained earnings to be carried forward	106 000 086	125 651 349

The board of directors proposes the distribution of a gross dividend (subject to withholding tax) of CHF 3.40 per series A registered share and CHF 34.00 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 1.00 per series A registered share and CHF 10.00 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 19, 2021 (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 70 to 75), for the year ended 31 December 2020.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2020 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 3, 2021

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Beatrice Bieri
Licensed audit expert

Sustainability

“Our goal is to take an integral approach toward site and neighborhood development and to operate them sustainably in order to create attractive and future-oriented locations for residents and businesses.”

Previously, sustainability reporting at Zug Estates has largely focused on environmental issues, more specifically on reducing carbon emissions in connection with building operations. Not only has Zug Estates already made great strides in this area over the past few years, but issues related to social and corporate responsibility are currently playing an increasingly important role in society alongside environmental issues. As a result, Zug Estates has decided to include the entire ESG spectrum in its sustainability reporting from now on. To that end, the sustainability report of Zug Estates will be prepared and published in accordance with the GRI standards from 2021 onward. This change will help us improve the transparency and the comparability of our accomplishments in the area of sustainability. Not only that, but it will boost the company's appeal in the eyes of sustainability-minded investors.

The chart to the right shows the sustainability-related topics from the ESG realm that will serve as the focus of Zug Estates' reporting.



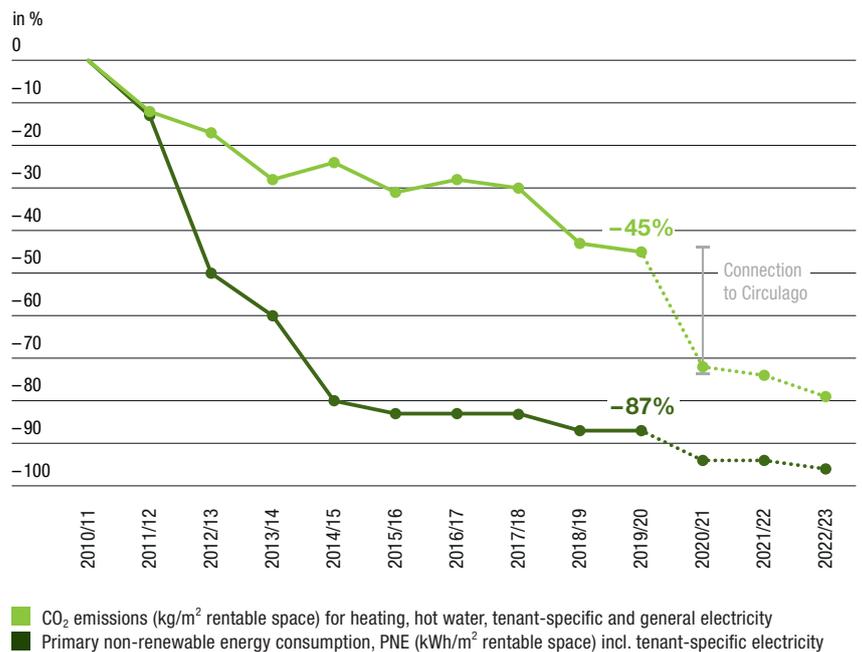
What we have accomplished in 2020

Both primary non-renewable energy consumption (–3.6 percent) as well as greenhouse gas emissions (–3.5 percent) for heating and hot water per square meter of rentable space were reduced year over year. By 2023, emissions for the overall portfolio will see yet another substantial reduction.

Substantial reduction in energy consumption and emissions per square meter of rentable space for operation of the overall portfolio

–87%

Reduction in non-renewable primary energy consumption since measurements first began



Circulago

The project to connect the Metalli complex in downtown Zug to the Circulago lake water district in April 2020 went smoothly. The energy required to meet the heating and cooling requirements of the Metalli shopping area are now being obtained nearly carbon-free from Lake Zug. At least another nine buildings from the City Center site will be connected in 2021 and nearly the entire City Center site should be connected by 2025.

Electromobility

With Energie 360°, Zug Estates has found a capable e-mobility partner for both sites. June 2020 marked the commissioning of the first public e-vehicle charging station on one of our sites. The station also features the first two high-power, rapid charging stations ever installed in the city of Zug. Further parking spaces with e-vehicle charging stations will be created in line with demand for tenants at both sites.

Sustainable journey

“We’ve spent the past 10+ years developing our sites in line with sustainable principles. During that time, we’ve been setting trends throughout Switzerland and putting our money where our mouth is.”

2010

Cornerstone ceremony on the Suurstoffi site

2014



Completion of Central Switzerland’s largest residential complex constructed of wood



First wooden high-rise in Switzerland

2018

Setup of the Suurstoffi merger for own consumption

2019

First green bond issued by a Swiss real estate company



Tallest wooden high-rise in Switzerland



Completion of the Aglaya garden high-rise

2020

Metalli connected to the Circulago lake water energy distribution network



First high-power, rapid charging stations in the city of Zug

2021

2022

Nearly carbon-free operation of the entire portfolio

2023

Future



Metalli Living Space: focus on sustainable further development

Sustainability Forum

Since 2015, Zug Estates has been holding a Sustainability Forum geared toward special-interest groups from the areas of business, research and politics as well as investors. There, speakers from different fields and industries offer detailed insights from their own, personal perspective on a current issue related to the topic of sustainability. Around 250 people attend the event year after year.

At the most recent Forum held in the fall of 2019, Andreas Widmer, CEO of WWZ Group, Curdin Derungs, Senior Research Fellow at the Lucerne University of Applied Sciences and Arts (see photo below), and Martin Jöri, Head of Building Technology and Energy at Zug Estates, presented pioneering projects from Central Switzerland that were dedicated to reaching sustainable objectives.

Unfortunately, the 2020 Forum had to be canceled due to the pandemic. The next Sustainability Forum is scheduled for September 29, 2021.

[🔗 zugestates.ch/nachhaltigkeitsforum](https://zugestates.ch/nachhaltigkeitsforum)



Zug Estates' 2019 Sustainability Forum was the largest event hosted to date on the newly opened campus of the Lucerne University of Applied Sciences and Arts.

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, 2020

Applicable number of series B registered shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
> 1000	52	3.1	343 221	80.8
501–1000	32	1.9	22 061	5.2
101–500	136	8.2	33 538	7.9
51–100	102	6.1	7 764	1.8
11–50	588	35.4	14 421	3.4
1–10	752	45.3	3 831	0.9
Total	1 662	100.0	424 836	100.0
Shares pending registration of transfer			35 504	
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	1 391	83.7	207 455	48.8
Pension funds	79	4.8	44 752	10.5
Funds	49	2.9	36 469	8.6
Foundations	23	1.4	5 642	1.3
Insurers	13	0.8	9 419	2.2
Banks	18	1.1	15 158	3.6
Other legal entities	89	5.3	105 941	24.9
Total	1 662	100.0	424 836	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	1 575	94.8	416 772	98.1
Outside Switzerland	87	5.2	8 064	1.9
Total	1 662	100.0	424 836	100.0

Performance series B registered share



Key figures per share

Figures per series A registered share in CHF	2020	2019	2018	Restated 2017	Restated 2016
Net income ¹	6.33	14.91	7.63	6.87	9.86
Net income excluding revaluation and special effects ^{1,3}	5.07	6.15	5.63	5.22	4.90
NAV at market value ^{2,4}	192.64	192.39	179.67	174.13	171.86
Distribution ⁵	4.40	4.40	2.80	2.55	2.30
Figures per series B registered share in CHF					
	2020	2019	2018	Restated 2017	Restated 2016
Net income ¹	63.25	149.11	76.35	68.66	98.63
Net income excluding revaluation and special effects ^{1,3}	50.72	61.52	56.29	52.19	49.04
NAV at market value ^{2,4}	1 926.36	1 923.87	1 796.71	1 741.27	1 718.55
Distribution ⁵	44.00	44.00	28.00	25.50	23.00
Stock market price					
High	2 410	2 370	1 830	2 862	1 692
Low	1 795	1 630	1 640	1 660	1 436
At year-end	2 030	2 330	1 675	1 827	1 653
Total capitalization in CHF million					
	2020	2019	2018	2017	2016
Market capitalization ^{2,6}	At year-end 1 035.3	1 188.3	854.3	921.6	827.2

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 60)

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

⁵ Proposed by 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

April 13, 2021

General meeting of shareholders 2021

April 19, 2021

**Distribution to shareholders
(payment date)**

August 27, 2021

Publication of half-year results 2021

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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