

Ad hoc announcement pursuant to article 53 Listing Rules Zug, 26 August 2022

Zug Estates achieves increase in net profit thanks to successes in both operating segments

- *Net income excluding revaluation and special effects rises by 8.6% to CHF 16.8 million, up from CHF 15.4 million in the previous year*
- *Net income comes to CHF 27.9 million, compared with CHF 32.7 million in the previous year*
- *Increase in property income of 2.3% in the first half of the year*
- *Market value of the portfolio as a whole goes up by 0.8% to CHF 1.71 billion*
- *Vacancy rate falls from 4.0% as at 31 December 2021 to 3.8% as at 30 June 2022*
- *Further reduction in greenhouse gas emissions to just 0.9 kg CO_{2eq} per m² of the energy reference area*

The first half of 2022 was shaped by the Ukraine crisis and its impact on the economic environment: sharply increasing commodity and energy prices, as well as rising inflation and interest rates. At the same time, many sectors experienced a strong recovery once coronavirus restrictions were lifted, leading to robust demand – particularly for office and commercial space – as well as rising sales in the hotel & catering segment.

Rental income went up in the first half of 2022 and the vacancy rate fell further. In the hotel & catering segment, sales increased noticeably from April 2022 onwards, reaching a level in May and June that was comparable with sales before the COVID-19 pandemic.

At CHF 27.9 million, net income was CHF 4.8 million – or 14.6% – below the previous year's level of CHF 32.7 million, which included a gain on sale before tax of CHF 7.3 million resulting from the sale of the property at Hofstrasse 1a/b in Zug. After adjustment for revaluation and special effects, net profit rose by CHF 1.4 million, or 8.6%, from CHF 15.4 million to CHF 16.8 million. The main reasons for this strong performance were the higher property income, increased income from the hotel & catering segment, and lower property expenses.

Increase in operating profit thanks to successes in both segments

Property income went up by CHF 0.6 million, or 2.3%, from CHF 29.8 million to CHF 30.4 million. Income from new rental agreements concluded in the previous year was incorporated into the result throughout the period. Unlike in the corresponding period of the previous year, there were no COVID-19-related lockdowns. As a result, income from parking at the Metalli Living Space complex also improved in line with the increase in retail customers.

Income generated by the hotel & catering segment went up considerably – by CHF 3.8 million, or 142.0%, from CHF 2.6 million to CHF 6.4 million. While the negative effects of the COVID-19 pandemic had an impact on the whole of the corresponding period in the previous year, an encouraging recovery began in 2022 following a mixed first quarter. As a result, gross operating profit (GOP) also increased – from 8.1% to 38.0%. In addition, the economic losses sustained during the pandemic were mitigated somewhat in the first half of the 2021 by the one-off payment of a non-returnable COVID-19 grant in the amount of CHF 2.1 million.

In all, operating revenue rose by CHF 2.4 million, or 6.5%, from CHF 36.1 million to CHF 38.5 million.

At CHF 3.2 million, property expenses were down CHF 0.8 million, or 19.9%, on the prior-year figure of CHF 4.0 million. For individual, larger maintenance measures that are planned – such as the partial renovation of the facade at the Metalli Living Space complex – the more expensive work will not be carried out until the second half of the year.

Staff costs went up by CHF 1.0 million, or 16.1%, from CHF 6.0 million to CHF 7.0 million. This was because of increasing activities in the hotel & catering segment, as well as lower short-time working compensation.

Portfolio value slightly up

The market value of the portfolio as a whole increased slightly – by CHF 13.3 million, or 0.8%, from CHF 1701.0 million as at 31 December 2021 to CHF 1714.3 million as at 30 June 2022. This was primarily due to revaluation effects. Revaluation gains of CHF 12.7 million can be attributed on the one hand to the successful letting of property S6 at Suurstoffi and on the other hand to a slight reduction in the discount rates for individual properties used for residential purposes. At CHF 12.3 million, revaluation gains were at a comparable level in the corresponding period a year earlier.

Significant reduction in the vacancy rate up to the end of 2022

Some new letting resulted in a reduction in the vacancy rate in the first half of 2022 – to 3.8% as at 30 June 2022 (4.0% as at 31 December 2021). The weighted average unexpired lease term (WAULT) of 6.0 years (6.5 years as at 31 December 2021) came to rest at a very high level for the industry.

The conclusion of a ten-year rental agreement with Utopia Music AG for property S6 at Suurstoffi will mean another significant reduction in the vacancy rate in the second half of the year. It will be below 2% at the end of 2022. In July 2022, the company – which is currently based in Zug – began renting the whole of property S6 with 4,500 m² of rentable space.

Overall, demand for space proved to be robust in the first half of 2022. Rental agreements for a total of 10,500 m² and with rental income of around CHF 4.6 million p.a. were extended or concluded for the first time in the first half of the year. The agreements concluded concern both office space at Suurstoffi and the City Center site, as well as retail space at the Metalli complex. Demand for residential space remains extremely robust.

Solid equity ratio

At CHF 559.6 million, interest-bearing debt was virtually unchanged in the first half of 2022 from 31 December 2021 (CHF 561.1 million), despite the payment of a dividend of CHF 19.1 million. This was due to continued low investment activity. At 58.6%, the equity ratio is still very solid (58.4% as at 31 December 2021).

At the beginning of the year, a maturing conventional bond of CHF 100.0 million was replaced with another green bond in an interest rate environment that at the time was still much more attractive. The term is slightly longer than seven years with a coupon of 0.75%. Zug Estates is thus the first listed Swiss real estate company to switch its entire bond portfolio to sustainable financial products.

As a result, the average financing term increased from 3.6 years as at 31 December 2021 to 4.4 years as at 30 June 2022, with the average interest rate unchanged at 1.3%.

Project development with a focus on the Metalli Living Space complex

Work on the Metalli Living Space complex continued apace in the first half of 2022. The draft development plans are available for both Metalli and Bergli, and the environmental impact assessment is well advanced. The cantonal preliminary review of the two development plans is due to be launched in September 2022. Based on the current schedule of the City of Zug for the subsequent approval process, we now expect the development plans to be approved in summer 2024 and construction to start in 2026 at the earliest.

Further reduction in carbon emissions and replacement of the last oil heating system in the portfolio

Together with the Half-Year Report 2022, Zug Estates is publishing its Sustainability Report in accordance with GRI standards. We were again able to reduce our greenhouse gas emissions compared with the previous year, halving them from 1.8 kg to 0.9 kg CO₂eq per m² of the energy reference area. This was made possible by the conversion of nine other buildings at the City Center site. In connection with this, Zug Estates removed the last oil heating system in its portfolio in June 2022.

In future, we will be placing more of a focus on increasing production of our own energy, as well as consuming regional, renewable energy. Between 1 April 2021 and 31 March 2022, the solar panels at Suurstoffi produced 1,140 MWh of energy, equivalent to the average consumption of 250 houses. The installation of solar panels at the City Center site will further increase production of our own energy. The first step will be taken in autumn 2022 when six houses in the Haldenhof area will be equipped with solar panels, with the energy generated being shared by the residents of those houses (under a so-called ZEV arrangement).

Sustainable goals will play an important role in the further development of the Metalli Living Space complex in the centre of Zug. Thanks to Circulago, business is already virtually carbon-free. We are therefore focusing on the areas of biodiversity and recycling. However, social topics such as creating a diverse range of cultural and leisure activities and building affordable residential space are also at the heart of our plans.

Full details of our sustainability strategy can be found at <https://zugestates.ch/en/sustainability>.

Positive outlook for 2022

We also expect rising rental income for the year as a whole in the real estate business unit. The effects on earnings from the newly completed rental agreement for property S6 will not be felt until 2023. However, we expect the vacancy rate to be below 2% at the end of 2022. We expect property expenses to be slightly higher in the second half of the year than in the first.

In the hotel & catering segment, we are cautiously optimistic for the second half of the year and expect a further recovery provided there is no repeat of the negative effects on international business travel associated with a rise in COVID-19 cases and the geopolitical situation does not change.

We still expect net income excluding revaluation and special effects to exceed CHF 30 million.

Report of 26 August 2022

The detailed report on the first half of 2022 can be found on our website:

<https://zugestates.ch/en/downloads>

A video conference will be held in German at 10 a.m. today. CEO Patrik Stillhart and CFO Mirko Käppeli will present the half-year results for 2022 and then respond to questions. The associated presentation will be available on our website from 9 a.m. at:

<https://zugestates.ch/en/downloads>

Please register for the conference via the link below. We look forward to your participation.

<https://zugestates.ch/en/stories/registration-media-conference>

Important dates:

30/08/2022	Sustainability Forum
24/02/2023	Publication of Annual Report 2022
06/04/2023	Ordinary General Meeting

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About Zug Estates

The Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites that are suitable for a wide range of uses and allow sustainable development. The real estate portfolio comprises the two sites in Zug and Risch Rotkreuz. The Group also runs a city resort in Zug incorporating the leading business hotels Parkhotel Zug and City Garden and a comprehensive range of restaurants. The total value of the portfolio came to CHF 1.71 billion on 30 June 2022. Zug Estates Holding AG is listed on the SIX Swiss Exchange, Zurich (ticker symbol: ZUGN, security number: 14 805 212).

Selected key figures

Income statement		H1 2022	H1 2021	
Property income	TCHF	30 443	29 765	2.3%
Operating revenue ¹	TCHF	38 499	36 140	6.5%
Operating expenses	TCHF	14 015	13 322	5.2%
Operating income before depreciation and revaluation	TCHF	24 484	22 818	7.3%
Revaluation of investment properties (net)	TCHF	12 662	12 269	3.2%
Income from the sale of investment properties	TCHF	0	7 317	n/a
Operating income (EBIT)	TCHF	35 402	40 639	–12.9%
Net income	TCHF	27 900	32 663	–14.6%
Net income excluding revaluation and special effects ²	TCHF	16 757	15 427	8.6%
Balance Sheet		30.06.2022	31.12.2021	
Total assets	TCHF	1 667 699	1 658 283	0.6%
Interest-bearing debt	TCHF	559 572	561 097	–0.3%
– Interest-bearing debt in % of total assets		33.6%	33.8%	
– Average rate of interest of the interest-bearing debt (period)		1.3%	1.3%	
– Average maturity of the interest-bearing debt	YEARS	4.4	3.6	
Shareholders' equity	TCHF	977 353	968 578	0.9%
– Equity ratio		58.6%	58.4%	
Employees		30.06.2022	31.12.2021	
Headcount	FTE	130.5	119.4	9.3%
Share		H1 2022	H1 2021	
Closing price	CHF	1 990	1 990	0.0%
Market capitalization ³	TCHF	1 014 900	1 014 900	0.0%
Earnings per series B registered share ⁴	CHF	54.7	64.0	–14.6%
Earnings per series B registered share excl. revaluation and special effects ^{2,4}	CHF	32.9	30.2	8.6%
NAV at market value per series B registered share ^{3,5}	CHF	2 042.9	1 947.9	4.9%
Portfolio		30.06.2022	31.12.2021	
Investment properties	TCHF	1 597 030	1 583 985	0.8%
Investment properties under construction	TCHF	11 547	11 274	2.4%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	TCHF	1 611 101	1 597 783	0.8%
Operating properties (market value) ⁶	TCHF	103 230	103 230	0.0%
Total portfolio	TCHF	1 714 331	1 701 013	0.8%
Vacancy rate investment properties ⁷		3.8%	4.0%	
Gross return investment properties ⁸		3.9%	4.0%	
Weighted average unexpired lease term of rental contracts in portfolio (WAULT)	YEARS	6.0	6.5	
Average discount rate (nominal)		3.8%	3.3%	

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 sale of investment properties and corresponding deferred taxes (see page 16).

³ In relation to number of shares outstanding on cut-off date (series A registered shares converted).

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

⁵ NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes.

⁶ Operating properties are revalued once a year at year-end.

⁷ As at the balance sheet date, as a percentage of projected rental income.

⁸ Projected rental income (annualized) as a percentage of the market value on the balance sheet date.