ZugEstates

Ad hoc announcement pursuant to Art. 53 LR
Zug, 24 February 2023

Zug Estates Group records very pleasing annual results

Thanks to a broadly diversified portfolio in terms of uses and the major recovery in the hotel and catering sector, the last financial year was very positive for the Zug Estates Group.

- Excluding revaluation and special effects, the Group's net income increased by 6.3% to CHF 33.8 million (up from CHF 31.8 million in the previous year).
- The vacancy rate dropped considerably from 4.0% to 1.6%.
- The real estate portfolio was expanded through a strategically interesting acquisition.
- The market value of the portfolio rose by 7.6% from CHF 1.70 billion to CHF 1.83 billion.
- The board of directors will propose a 9.3% increase in the ordinary dividend, from CHF 37.50 to CHF 41.00 per series B registered share, to the general meeting of shareholders.
- Armin Meier is stepping down from the board of directors. At the upcoming general meeting of shareholders, the board of directors will also propose that Joëlle Zimmerli is elected to the board of directors.

The economic environment changed considerably in 2022. Sharply increasing prices for raw materials and energy, rising inflation and higher interest rates prompted uncertainty. At the same time, many sectors experienced a highly dynamic development following the lifting of coronavirus restrictions. This led to a strong recovery in demand for leased space, particularly for office and commercial space, as well as strong growth in revenues at properties with hotels and catering operations.

Zug Estates generated very encouraging results in this market environment. Property income rose and the vacancy rate was reduced substantially. Revenues in the hotel & catering segment recovered markedly over the previous year, which had still been shaped strongly by the repercussions of the COVID-19 pandemic.

Net income of CHF 39.8 million was generated in the 2022 financial year. This was CHF 35.8 million or 47.3% below the prior-year figure of CHF 75.6 million, with the decline attributable in full to higher revaluation effects as well as the sale of the property at Hofstrasse 1a/b in Zug in the previous year. At CHF 33.8 million, net income excluding revaluation and special effects was up by 6.3% or CHF 2.0 million compared to CHF 31.8 million in the previous year.

Encouraging increase in operating revenue and key operating indicators
Property income of the Zug Estates Group rose by CHF 2.2 million or 3.7%, from CHF 60.0 million to CHF 62.2 million in 2022. Improvements to the bottom line were mainly achieved through further reductions in vacancies as well as additional revenue from the acquisition of the Renggli Group in the fourth quarter.

Hotel & catering income rose substantially from CHF 8.4 million in the previous year to CHF 14.7 million, a year-on-year increase of CHF 6.3 million or 75.3%. Whereas international travel restrictions connected to the COVID-19 pandemic had a major impact on the two previous years, the last six months of the reporting period brought a recovery that was better than expected. This produced year-end results that were nearly back to pre-pandemic levels. Gross operating profit (GOP) amounted to 37.9% compared to 25.8% in the previous year.

Operating revenue increased by CHF 5.9 million or 7.9%, from CHF 74.2 million to CHF 80.1 million.

Despite the increase in income, property expenses remained nearly on a par with the previous year, increasing just slightly by CHF 0.2 million or 2.2%, from CHF 7.6 million to CHF 7.8 million.

Operating income before depreciation and revaluation rose by 6.0% or CHF 2.8 million, from CHF 46.9 million to CHF 49.7 million.

The high occupancy rate meant that a revaluation gain of CHF 6.8 million could be booked again in 2022; this corresponds to around 0.4% of the value of all of all investment properties in the portfolio as at 31 December 2022. A flattening of the market trend due to a higher interest rate environment did not lead to any further reductions in the discount rate. As a result, the revaluation gain amounted to CHF 35.6 million, which was 84.0% below the previous year's high figure of CHF 42.4 million.

The sale of a property outside our two sites in the previous year also generated a non-recurring gain on sale before tax of CHF 7.3 million.

Due to the revaluation and special effects mentioned, EBIT was down by CHF 40.2 million or 43.1%, from CHF 93.2 million to CHF 53.0 million.

With average interest rates remaining unchanged, financial expense rose slightly as a result of acquisitions from CHF 7.5 million to CHF 7.8 million, an increase of CHF 0.3 million or 3.5% over the previous year.

Portfolio expanded through the acquisition of Renggli Holding AG
On 2 November 2022, Zug Estates acquired 100% of the shares of Renggli Holding AG, domiciled in Zug, which owns a real estate portfolio valued at around CHF 110 million. The portfolio with a residential property share of nearly 50% includes a business property in Zug as well as a 19'000 m^2 development site with residential and commercial properties in Rotkreuz that is directly adjacent to the Suurstoffi site. The acquired properties perfectly supplement the Zug Estates portfolio, which focuses on central, well-connected locations in the Canton of Zug. The site acquired in Rotkreuz, in particular, has attractive development potential.

The Group was also able to acquire another 0.75% co-ownership share of the Miteigentümer-gemeinschaft (MEG) Metalli in the second half of 2022. This increased the company's co-ownership share of MEG Metalli to 75.25%. A total of CHF 123.2 million was invested in the portfolio's ex-pansion and development during the reporting period (previous year: CHF 8.6 million). The portfolio's market value rose by 7.6%, from CHF 1.70 billion to CHF 1.83 billion, due to investments made and revaluation effects.

Vacancy rate down substantially to 1.6%
The market for leased space saw dynamic development in 2022. Commercial leases for space totalling around 18'000 m^2 and involving rental income of more than CHF 7.2 million p. a. were extended or concluded in 2022. This greatly reduced the vacancy rate from 4.0% as at 31 December

2021 to 1.6% as at 31 December 2022. At 6.3 years as at 31 December 2022 (previous year: 6.5 years), the weighted average unexpired lease term (WAULT) was still at a very high level for the industry.

The vast majority of new leases related to office space at the Suurstoffi site. One of these was the S6 property with 4’500 m^2 of rentable space, which was leased to Utopia Music AG in the first half of 2022. In the second half of 2022, Amgen extended its lease by five years for two of four storeys, or around 2’000 m^2 of space, at the S22 property. Follow-up leases have already been concluded with Gambit Consulting AG and Axians Informa Schweiz AG for the two storeys that Amgen relinquished as at 31 January 2023. Additionally, one floor of the S14 property was leased to GSK Consumer Healthcare Schweiz AG and space totalling around 2’300 m^2 at the S2 and S41 sites was leased to the Lucerne University of Applied Sciences and Arts.

Further key steps in the implementation of the sustainability strategy
Zug Estates can look back on a successful year in terms of sustainability as well. Compared to the previous year, the Group reduced its greenhouse gas emissions by another 50%, from 1.8 kg to 0.9 kg CO_{2eq} per square metre of energy reference area (measurement period until 31 March 2022). All but one property at the City Centre site have now been connected to the Circulago lake water district. That puts us another big step closer to our goal of being able to operate our entire portfolio free of greenhouse gas emissions. The acquisition of Renggli Holding AG will result in another slight temporary year-on-year increase in greenhouse gas emissions, yet in absolute terms, this figure will still stay at a very low level.

In addition to reducing its operational greenhouse gas emissions, Zug Estates has also set its sights on increasing the amount of self-generated electricity even further. During the period under review from 1 April 2021 to 31 March 2022, the solar panels at the Suurstoffi site produced 1’140 MWh of energy, equivalent to the average consumption of 250 single-family homes. The first six houses at the City Centre site in Zug were also equipped with a solar installation in autumn 2022, which increased the installed photovoltaic capacity from 1’531 to 1’672 kWp.

Further development of the Metalli Living Space and the S43/45 construction project
Project development work on the Metalli Living Space complex continued during the 2022 financial year. Draft versions of the development plans for both the Metalli and Bergli sites are available and an initial review by the cantonal authorities on the basis of those plans began in late October 2022. Preparations for the architectural competition have begun and dialogue with the public will continue. The Greater Municipal Council (GGR) of the City of Zug plans to address the construction plans by holding a first reading in mid-2023. Based on the current schedule of the City of Zug, we expect the development plans to be approved in 2024 and construction to start in 2026 at the earliest.

The construction project for the S43/45 site in Rotkreuz is currently being revised. Drawing on the findings of leasing activities in the past two years and the change in tenant needs triggered by the COVID-19 pandemic, this revision is largely about increasing the flexibility of use. We currently plan to submit a project change request to the municipality of Risch Rotkreuz in the summer of 2023. Independent of the project revision work, an ongoing effort is being made to market those spaces.

Equity ratio remains solid
Financing of the acquisition made in the year under review caused the return on equity to drop from 58.4% to 55.2%, which is still a solid value.

Interest-bearing debt, on the other hand, rose by CHF 99.4 million or 17.7%, from CHF 561.1 million to CHF 660.5 million. Interest-bearing debt as a percentage of total assets therefore amounted to 36.9% compared to 33.8% in the previous year. The average maturity of this debt declined slightly to 3.4 years (previous year: 3.6 years), whereby the average interest rate for the period for interest-bearing debt remained unchanged at 1.3%.

A bond in the amount of CHF 100.0 million that was due to expire was replaced by another green bond on 17 February 2022. After becoming the first listed real estate company in Switzerland to issue a green bond in 2019, another issue has made Zug Estates the first listed real estate company in Switzerland to switch to green financing products for its entire bond portfolio. With a maturity of just over seven years and a coupon of 0.75%, the new bond was concluded in a very favourable interest rate environment.

Dividend increase and change in the board of directors

In line with the announced gradual increase in the dividend up to a maximum of two-thirds of net operating income, the board of directors will propose to the general meeting of shareholders that the dividend be increased by 9.3%, from CHF 3.75 to CHF 4.10 per series A registered share and from CHF 37.50 to CHF 41.00 per series B registered share.

After serving on the board of directors for ten years, Armin Meier will not stand for re-election at the general meeting of shareholders. Drawing on his extensive strategic and operational leadership experience in a variety of sectors, he made a very valuable contribution toward the Zug Estates Group’s successful and long-term development. We are very grateful to him for this. The board of directors proposes to the annual general meeting of shareholders that Joëlle Zimmerli be elected as a new member. With PhDs in sociology and planning, she deals intensively with topics related to urban development and frequently sits on the juries of architectural competitions. Among other things, she is a member of the board of directors in the Green Building Association Switzerland and she ideally complements the board with her skills and knowledge.

Outlook for 2023

Due to the acquisition of the Renggli Group in the 2022 financial year, the reduced vacancy rate and increases in rents for index leases, we expect property income in the real estate business unit to be higher in 2023. The higher earnings are offset by higher financing costs as well as renovation-related vacancies and investment costs incurred in connection with a few of the rentable spaces in the Metalli shopping mall.

In the hotel & catering segment, we expect the recovery seen in the second half of 2022 to continue. However due to the overall refurbishment project scheduled to start at the Bären site in April 2023 as well as the renovation of all catering and conference spaces at Parkhotel, which is scheduled to take place from June to October 2023, we expect income to fall slightly short of that of the previous year. Since reconstruction work in 2023 will have a noticeably negative impact on the GOP margin and electricity costs will be considerably higher, we assume that the results from this segment will be much lower.

All in all, we expect net income excluding revaluation and special effects to be slightly lower in the 2023 financial year.

Reporting from 24 February 2023
You can access the detailed report on the 2022 financial year by visiting our website: https://zugestates.ch/en/downloads

A press conference on our annual results is being held in German at 11:00 a.m. today at the Parkhotel Zug. Patrik Stillhart (CEO) and Mirko Käppeli (CFO) will be presenting the annual results for 2022 and answering questions afterwards. For the first time, we have arranged this press conference as a hybrid event, which means you can access it via Zoom if you can’t make it in person. Online attendees will also be able to ask questions.

Please register for the press conference via the link below. We look forward to welcoming you to the press conference – in person or online.
https://zugestates.ch/en/stories/balance-sheet-press-conference-2023

Important dates:

6 April 2023	11th ordinary general meeting
14 April 2023	Distribution to shareholders (payment day)
25 August 2023	Publication of Half-Year Report 2023

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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 is comprised mainly of 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 1.83 billion on 31 December 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		2022	2021	%
Property income	TCHF	62 221	60 024	3.7%
Operating revenue[1]	TCHF	80 130	74 229	7.9%
Operating expenses	TCHF	30 398	27 328	11.2%
Operating income before depreciation and revaluation	TCHF	49 732	46 901	6.0%
Revaluation of investment properties (net)	TCHF	6 793	42 400	–84.0%
Result from sale of investment properties	TCHF	0	7 317	n/a
Operating income (EBIT)	TCHF	52 978	93 157	–43.1%
Net income	TCHF	39 800	75 561	–47.3%
Net income excluding revaluation and special effects[2]	TCHF	33 822	31 810	6.3%
Balance sheet		31.12.2022	31.12.2021	
Total assets	TCHF	1 792 074	1 658 283	8.1%
Interest-bearing debt	TCHF	660 470	561 097	17.7%
– Interest-bearing debt in % of total assets		36.9%	33.8%	
– Average rate of interest of the interest-bearing debt (period)		1.3%	1.3%	
– Average maturity of the interest-bearing debt	Years	3.4	3.6	
Shareholders' equity	TCHF	989 253	968 578	2.1%
– Equity ratio		55.2%	58.4%	
– Return on equity[3]		4.1%	8.0%	
Employees		31.12.2022	31.12.2021	
Headcount	FTE	137.7	119.4	15.3%
Share		2022	2021	
Closing price	CHF	1 770	1 980	–10.6%
Market capitalisation[4]	TCHF	902 700	1 009 800	–10.6%
Earnings per series B registered share[5]	CHF	78.04	148.16	–47.3%
Earnings per series B registered share excluding revaluation and special effects[2, 5]	CHF	66.32	62.37	6.3%
Distribution per series B registered share[7]	CHF	41.00	37.50	9.3%
NAV at market value per series B registered share[4, 6]	CHF	2 065.29	2 024.90	2.0%
Portfolio		31.12.2022	31.12.2021	
Investment properties	TCHF	1 713 445	1 583 985	8.2%
Investment properties under construction	TCHF	11 758	11 274	4.3%
Undeveloped plots	TCHF	2 524	2 524	0.0%
Total real estate portfolio	**TCHF**	**1 727 727**	**1 597 783**	**8.1%**
Operating properties (market value)	TCHF	102 890	103 230	–0.3%
Total portfolio	**TCHF**	**1 830 617**	**1 701 013**	**7.6%**
Vacancy rate investment properties[8]		1.6%	4.0%	
Gross return investment properties[9]		3.9%	4.0%	
Weighted average unexpired lease term of rental contracts in portfolio (WAULT)	Years	6.3	6.5	
Average discount rate (real)		2.8%	2.8%	

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 properties and corresponding deferred taxes as well as the effect of adjustments made to deferred tax rates (see page 61)
3 In relation to average shareholders' equity (net income relative to median shareholder's equity at the start and end of the period under review)
4 In relation to number of shares outstanding (series A registered shares converted)
5 In relation to number of shares on average outstanding (series A registered shares converted)
6 NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes
7 Proposed by the board of directors
8 As at the balance sheet date, as a percentage of projected rental income
9 Projected rental income (annualised) as a percentage of the market value on the balance sheet date