

Foreword

Dear shareholders,

Zug Estates achieved a strong operating result once again in 2014 and further strengthened its position as a focused real estate company. Dynamic growth saw the portfolio reach CHF 1.1 billion – twice its value six years ago. We shall continue to strive for further growth in the future, especially at the Suurstoffi site, where a number of investment projects of more than CHF 400 million are successively being brought to construction readiness; they will be implemented as the right market opportunities present themselves.

Why is Zug Estates so determined to pursue dynamic portfolio expansion at a time when real estate companies are about to become even more exposed to a market environment which – while still robust at the moment – will become increasingly fragile in the medium term? What are the strategic principles and guidelines of Zug Estates as regards the spatial and functional focus of these further investments?

A portfolio consisting of an entire urban district

First of all, Zug Estates is consistently committed to a small number of high-quality integral real estate products of a particular market size. Zug Estates believes that adopting this strategy will enable it to adapt more efficiently to future changes in demand caused by demographic and structural developments, instead of focusing on a large number of geographically dispersed individual properties each with its own specific micro market environment.

The Metalli site in Zug and the Suurstoffi site in Risch Rotkreuz are two areas or districts offering a diverse and versatile range of homes, services and retailers with high-quality infrastructure. Both districts have further potential for expansion alongside the existing building stock under the terms of the current planning rules. If these development reserves are realized, they will each provide space for homes and jobs for around 5 000 people. As its name suggests, Zug Estates is therefore committed to developing integral real estate products. Its business is urban management.

Accessibility is vital

Secondly, the spatial focus of Zug Estates is based on high quality accessibility, which ensures that the investment sites are easy to reach and have good public access. The mobility requirements of society and the economy are not expected to decline in the future, but they may well become more complex. Physical connections to the public transport infrastructure, as well as the provision of adequate infrastructure for private transport, will become increasingly important. This prerequisite for the locations is admirably fulfilled thanks to the excellent, high-quality accessibility of the Suurstoffi and Metalli sites – they have the best access in the canton of Zug and Central Switzerland. A mobility management scheme is also being tried out at the two locations with the aim of making accessibility even better.

Zug Estates also regards virtual access as just as important as physical access. In addition to the installation of a high-performance communications infrastructure, user-friendly local services are being implemented – a first in the context of site amenities. Zug Estates believes that this strategic focus on optimum accessibility will also ensure that the Group continues to be attractively positioned over the longer term.

Growth is a market opportunity

The question still arises – and has been emphasized by the recent decisions of the Swiss National Bank – whether an unequal allocation of funds in sub-markets of the real estate sector is connected with market distortions. The warning signals are not going away. In this context, it is therefore necessary to give very thorough consideration to investments in construction projects.

Although Zug Estates has substantial development reserves in its portfolio, the board of directors is careful not to press ahead with development too fast. Nor is there any time pressure with regards to utilizing these development reserves, since they have been priced in at favorable costs. Realizing construction projects for the Group's own portfolio also incurs less risk exposure to market price changes. Zug Estates remains committed to the principle of achieving profitable growth from the market opportunities available.

Responsibility is a brand hallmark

Real estate is more than a commodity. The Suurstoffi and Metalli brands are well known far beyond Zug. This is one reason why Zug Estates lays great emphasis on strengthening the portfolio as an attractive residential and business location of the future. The usability and facilities of the rental spaces, the structural variety of the properties on offer, the high aesthetic and functional quality of the public and private exterior spaces, the impressive urban design and distinctive architecture, the productive debate with social developments, the suitability of the infrastructure and local services, plus of course efficient management: these are all key elements of the phased development and appropriate positioning of the districts.

Another key element is the aspiration to design the buildings to operate without emissions and with the smallest possible amount of external energy. This zero-zero vision is being implemented competitively in the Suurstoffi district and is expected to be a key feature of all Zug Estates properties in the future. In summer 2015, we intend to publish a separate sustainability report on this topic for the first time.

Ladies and gentlemen, with these strategic priorities Zug Estates, a listed company since 2012, stands on solid ground and is well prepared for the challenges ahead. Given our track record over recent years, we are confident that we shall be able to boost the company's value again in 2015 through rigorous management of the real estate portfolio, which is spatially concentrated but diversified in terms of use, and drive profitable growth.

The board of directors proposes to the general meeting of shareholders that the dividend be increased by another 12% to CHF 18.50. Moreover, it confirms the business target of gradually improving the payout to shareholders while continuing to pursue a high level of investment activity and making cautious use of borrowed funds.

I would like to thank you, our shareholders, for the trust you place in Zug Estates.

Zug, March 2015



Hannes Wüest
Chairman of the board of directors