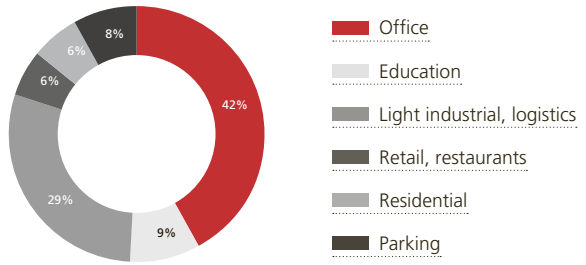


Summary 2017



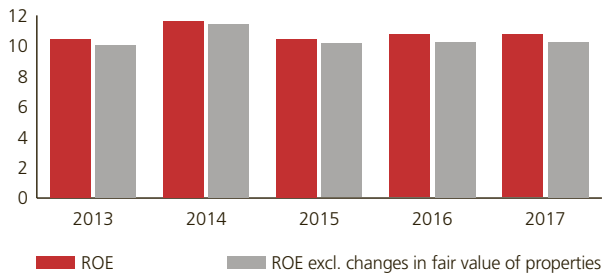
Portfolio by use

(in CHF)



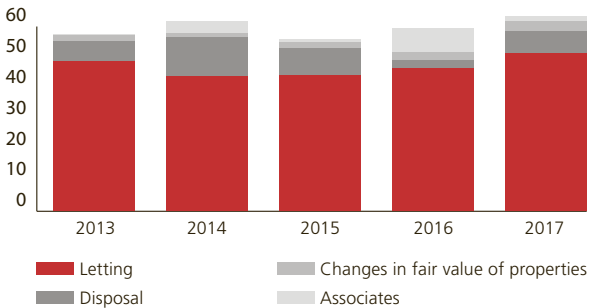
Return on equity

(in %)



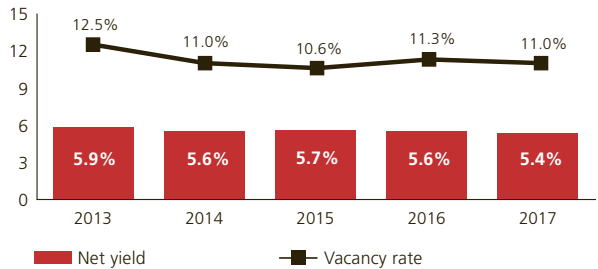
Net income

(in CHF m)



Net yield and vacancy rate

(in %)



Key figures Intershop Group

2017 2016

Financials

Net rental income	m CHF	79.3	75.1
Net gains from property disposal	m CHF	9.9	4.0
Changes in fair value of properties	m CHF	4.2	3.6
Operating result (EBIT)	m CHF	84.8	74.4
Earnings before taxes (EBT)	m CHF	74.9	68.5
Net income	m CHF	63.5	59.5
<hr/>			
Cash flow from operations	m CHF	50.1	48.9
Investment in properties	m CHF	17.4	122.9
<hr/>			
Total assets	m CHF	1,413.0	1,397.0
Total properties	m CHF	1,362.9	1,362.0
Financial liabilities	m CHF	607.0	620.4
Shareholders' equity	m CHF	619.2	590.9
<hr/>			
Return on equity ¹⁾		10.7%	10.7%
Return on equity excluding changes in fair value of properties ^{1) 5)}		10.2%	10.2%

Portfolio

Number of investment properties		47	49
Number of development properties ⁶⁾		9	9
Lettable area	in m ²	585,141	593,608
Gross yield ^{2) 3)}		6.3%	6.4%
Net yield ^{2) 4)}		5.4%	5.6%
Vacancy rate ²⁾		11.0%	11.3%

Personnel

Number of employees		68	69
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Share

Earnings per share	CHF	31.76	29.77
Earnings per share excluding changes in fair value of properties ⁵⁾	CHF	30.16	28.42
Net asset value per share (NAV)	CHF	309.93	295.47
Share price at balance sheet date	CHF	487.00	501.00
Dividend per share ⁷⁾	CHF	22.00	20.00

1) Based on the average shareholders' equity during the period

2) Figures relate to investment properties at the balance sheet date

3) Effective annual gross rental income in proportion to the market value of the properties at the balance sheet date

4) Effective annual gross rental income less directly attributable property costs (excluding interest expense) in proportion to the market value of the properties at the balance sheet date

5) After deducting of changes in fair value of properties and the associated deferred tax

6) Including promotional properties

7) 2017: Proposal of the Board of Directors to the AGM

Letter to shareholders

Dear shareholders, business partners and employees

We are pleased to be able to inform you of an outstanding result:

- Net income for the Group came to CHF 63.5 million, or CHF 31.76 per share, which represents a return on equity of 10.7%. This corresponds to an increase of 6.7% on the previous year.
- Equity rose to CHF 619 million and now amounts to CHF 310 per share.
- The yield on investment properties remained high with a net yield of 5.4%.
- The vacancy rate of the investment property portfolio went down slightly to 11.0%.
- After several excellent years, the total performance of the Intershop share was only just positive in the reporting year at 1.2%.
- At the forthcoming Annual General Meeting the Board of Directors proposes to increase the dividend by 10% to CHF 22 per share. Based on the share price at the end of the reporting year of CHF 487 this represents a divided yield of 4.5%.

Intershop continues to pursue a strategy of acquiring properties with development potential in Switzerland, capitalising on this potential and realising it by selling properties in the medium to long term. This is intended to generate an above-average return on equity. The following operating targets were derived from this strategy for the reporting year:

1. Acquire new properties with development potential
2. Reduce the vacancy rate
3. Realise added value by selling developed properties

Although dozens of acquisition opportunities were reviewed in the reporting year, Intershop refrained from purchasing new properties. None of the potential transactions had a sufficiently attractive risk-return profile. In line with the strategy, no acquisitions were made as a result and the focus was set on developing opportunities within the existing portfolio. In a very demanding letting environment the vacancy rate for the investment properties was reduced slightly to 11.0%. The sale of two investment properties resulted in a profit of more than CHF 9 million. Thanks to the World Trade Center Lausanne (WTC) acquired in late 2016, rental income increased by some 6%, despite the sale of several investment properties in the previous year and in the reporting year. Property expenses went up slightly more than income, despite strict cost controls. The ratio of property expenses to property income was nevertheless still comparatively low at 11.1%. Intershop again achieved very attrac-

tive yields on the investment properties in the reporting year. Based on current market values, the gross yield came to 6.3% and the net yield to 5.4%. The market valuation of the property portfolio resulted in a net increase of CHF 4.2 million or 0.3%, whereby the result was reduced by planning costs of more than CHF 3 million in Au-Wädenswil, Basel and Baden.

The takeover of the operating company for the WTC increased both staff costs and administrative expenses. By contrast, income from services invoiced to third parties climbed by almost 50%.

The negative interest rates set by the Swiss National Bank again caused significant additional financial expenses. Fortunately, this extra expense was offset by additional financial income in the reporting year. The sale of our investment in Corestate Capital Holding S.A. in 2016 generated an earn-out payment of some CHF 1.7 million in the reporting period. The transaction has now been definitively completed. Deferred taxes fell by a good CHF 3 million due to the tax reduction adopted by the canton of Vaud, resulting in an overall net profit of CHF 63.5 million.

Business review

The world economy performed well in the financial year, which led to positive economic growth in the USA, Europe and Switzerland. Despite the euro's significant appreciation against the Swiss franc, the Swiss National Bank continues to align itself with the expansive monetary policy of the ECB and has maintained negative interest rates as a result. This exceptionally low interest rate environment again influenced the property market in the reporting year. Many investors are seeking investment opportunities with predictable cash flows and lower volatility than equities. Under these circumstances it was very difficult to make acquisitions on attractive terms.

Construction and development projects progressing on schedule

The «eden7» project to build 17 commonhold apartments and three commercial units advanced smoothly. They can even be handed over to buyers rather earlier than originally planned at the beginning of the second quarter 2018. Intershop reached a key milestone in the planned conversion of «AuPark» in the reporting year. The Government Council of the Canton of Zurich selected «AuPark» as the site of its secondary school «Zimmerberg» and a conditional sale and purchase agreement was signed. The application for planning permission to increase construction density on

«Albanteich-Promenade» in Basel was filed in December as scheduled. Planning was driven forward for the conversion of «Römerstrasse» in Baden as well as the refurbishment and extension of the property in Rue de Lausanne in Geneva.

Letting commercial space is demanding

As expected, letting commercial space proved to be demanding, despite the strong economy. There is still a lot of planning and construction work going on, since low interest rates mean advantageous funding costs for property developers. Existing and upcoming capacities prevent a substantial reduction in vacancy rates. Intershop's concentration on the mid-market price segment has been successful to date, but price pressure is relentless in this segment too. Property owners are therefore continually faced with the question of whether further concessions on rental terms make economic sense. The answer cannot be framed in general terms, but only in relation to a specific property. The slight decline in the vacancy rate to 11% is not wholly satisfactory. Any analysis must nevertheless consider the fact that Intershop signed a number of new contracts in the reporting year, some for very long periods, and that these are not yet reflected in the vacancy rate as of year-end 2017. Furthermore, some bigger tenancy agreements were extended in advance, which led to a significant increase in the weighted average rental term.

Uncertainties at the political level have not been dispelled. The Federal Justice Office is expected to decide in 2018 whether to pursue the introduction of stricter approval requirements for the purchase of real estate by foreigners (Lex Koller). Rejection of the 3rd Corporation Tax Reform in 2017 was a missed opportunity to ensure that Switzerland stays competitive as a place to do business. From the perspective of property owners too, it is essential to find and implement alternative solutions soon.

Organisation

Dr. Michael Dober will not stand for re-candidacy at the 55th Annual General Meeting. Intershop thanks him for his great commitment and his contribution to the success of the company. Ernst Schaufelberger is proposed for the election. Mr. Schaufelberger is a notary and has been working for AXA Investment Managers Schweiz AG since 2005. As a member of the Board of Directors and Deputy Managing Director, he is responsible for the Real Assets division.

Outlook

Intershop is confident about the current year. Although the sales of investment properties will reduce rental income by more than CHF 1 million compared with 2017, Intershop expects its rental income to be slightly down to stable, not including any transactions. Letting will remain demanding and will also be a focus area, with the aim of compensating for the rental income lost due to the sales of properties and achieving further reductions in the vacancy rate. Over the course of the year Intershop expects the vacancy rate for the investment properties to go down by 0.5 to 1.0 percentage points. Signs are multiplying that interest rates have past their low point. Despite this, the negative interest rate environment seems likely to persist for the time being. For this reason, Intershop is again expecting additional net interest expense due to negative interest rates of around CHF 1 million in the current year. Interest income at the same level as prior years is unlikely. The sale of the units in the promotion project «eden7», which are to be transferred to buyers in the second quarter 2018, is expected to generate a pre-tax profit of a high single-digit million amount for Intershop. Attractive sales and acquisition opportunities will be seized as they arise, provided they help to realise or generate sustainable added value. At present, it is not possible to forecast the result of market valuations for the properties and their effect on the financial statements for 2018.

We would like to take this opportunity to thank you for your trust in Intershop. We also thank all the employees of the Intershop group for their commitment, without which this outstanding result would not have been possible.



Dieter Marmet
Chairman of the
Board of Directors

Cyrill Schneuwly
Chief Executive Officer

Zurich, 22nd February 2018

Consolidated balance sheet

(in CHF 1,000)

Assets	2017	2016
Current assets		
Cash	46,148	15,236
Securities and short term deposits	0	15,104
Trade receivables	370	1,151
Other receivables	463	547
Promotional properties	16,975	7,607
Accrued income and prepaid expenses	1,498	1,039
Total current assets	65,454	40,684
Non-current assets		
Investment properties	1,232,859	1,239,067
Development properties	113,056	115,277
Other equipment	172	121
Intangible assets	101	150
Deferred tax assets	113	147
Assets from pension benefits	1,255	1,568
Total non-current assets	1,347,556	1,356,330
Total assets	1,413,010	1,397,014
Shareholders' equity and liabilities		
Current liabilities		
Short term financial liabilities	23,850	78,350
Trade payables	12,474	5,776
Tax liabilities	7,931	5,970
Derivative financial instruments	0	804
Short term provisions	1,278	1,543
Accrued expenses and deferred income	25,382	23,638
Total current liabilities	70,915	116,081
Non-current liabilities		
Long term financial liabilities	583,179	542,036
Derivative financial instruments	14,875	21,347
Deferred tax liabilities	122,171	123,932
Long term provisions	2,637	2,712
Total non-current liabilities	722,862	690,027
Total liabilities	793,777	806,108
Shareholders' equity		
Share capital	20,000	20,000
Capital reserves	6,047	6,058
Retained earnings	593,186	564,848
Total shareholders' equity	619,233	590,906
Total shareholders' equity and liabilities	1,413,010	1,397,014

Consolidated income statement

(in CHF 1,000)

	2017	2016
Rental income	89,182	84,042
Net gains from property disposal	9,867	4,036
Other income	4,158	2,846
Total operating income	103,207	90,924
Property expense	9,872	8,901
Personnel expense	10,080	9,258
Administrative expense	2,633	1,920
Total operating expense	22,585	20,079
Changes in fair value of properties	4,172	3,573
Operating result (EBIT)	84,794	74,418
Financial income	1,976	2,346
Financial expense	-13,618	-15,934
Result from associated company	1,711	7,624
Profit before taxes	74,863	68,454
Tax expense	-11,356	-8,930
Net income	63,507	59,524
Earnings per share (CHF)	31.76	29.77

Contact

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Annual General Meeting 2018

Wednesday, 28th March 2018
Cigarettenfabrik Eventhalle 268
Sihlquai 268, CH-8005 Zurich

Reporting

Presentation of Annual Report	28 th February 2018
Presentation of Half-Year Report 2018	29 th August 2018

Investment products

Registered share
1.5% bond 2014 – 2019
1.125% bond 2015 – 2023

Security number

27 377 479
23 483 367
27 577 643

Ticker

ISN
ISH14
ISH15

Tax value

CHF 487.00
101.64
103.90

Investor Relations

Cyryll Schneuwly
Thomas Kaul

This Summary is a translation of the German Summary of the Annual Report. Only the Annual Report 2017 in German which is available on www.intershop.ch is legally binding.