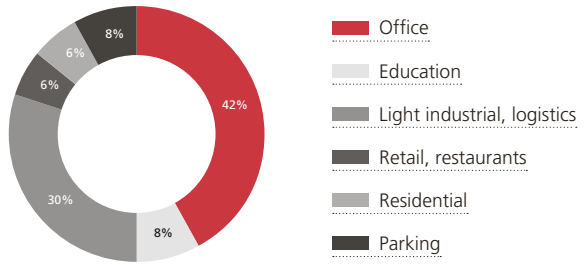


Summary 2018



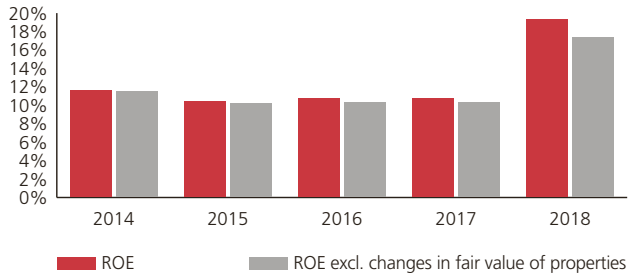
Portfolio by use

(in CHF)



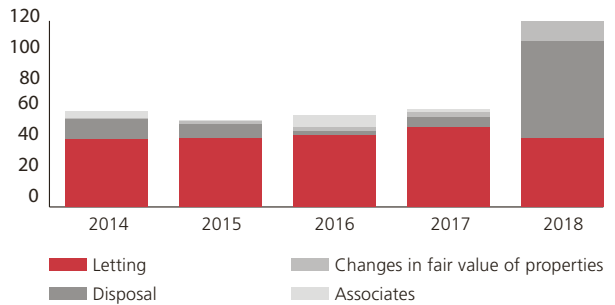
Return on equity

(in %)



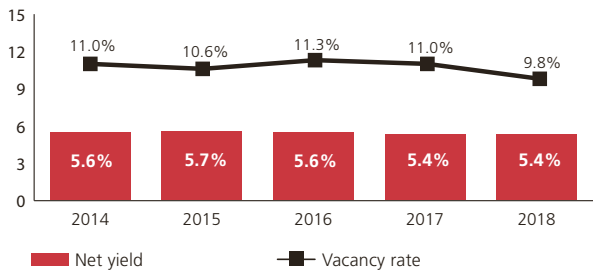
Net income

(in CHF m)



Net yield and vacancy rate

(in %)



Key figures Intershop Group

		2018	2017
Financials			
Net rental income	m CHF	78.2	79.3
Net gains from property disposal	m CHF	82.0	9.9
Changes in fair value of properties	m CHF	16.2	4.2
Operating result (EBIT)	m CHF	166.7	84.8
Earnings before taxes (EBT)	m CHF	154.4	74.9
Net income	m CHF	119.6	63.5
Cash flow from operations	m CHF	23.1	50.1
Investment in properties	m CHF	37.1	17.4
Total assets	m CHF	1,454.5	1,413.0
Total properties	m CHF	1,302.7	1,362.9
Financial liabilities	m CHF	589.0	607.0
Shareholders' equity	m CHF	690.1	619.2
Return on equity ¹⁾		19.3%	10.7%
Return on equity excluding changes in fair value of properties ^{1) 5)}		17.3%	10.2%
Portfolio			
Number of investment properties		43	47
Number of development properties ⁶⁾		11	9
Lettable area	in m ²	578,127	585,141
Gross yield ^{2) 3)}		6.3%	6.3%
Net yield ^{2) 4)}		5.4%	5.4%
Vacancy rate ²⁾		9.8%	11.0%
Personnel			
Number of employees		70	68
Share			
Earnings per share	CHF	59.84	31.76
Earnings per share excluding changes in fair value of properties ⁵⁾	CHF	53.60	30.16
Net asset value per share (NAV)	CHF	347.69	309.93
Share price at balance sheet date	CHF	488.00	487.00
Dividend per share ⁷⁾	CHF	22.00	22.00

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) 2018: Proposal of the Board of Directors to the AGM

Letter to shareholders

Dear shareholders, business partners and employees

It is a great pleasure for us to be able to inform you of our outstanding result:

- Net income for the group rose to CHF 119.6 million, or CHF 59.84 per share, which represents a return on equity of 19.3%. Net income thus stands at almost 90% above the already good result for the previous year.
- Shareholders' equity increased to CHF 690 million and amounts to CHF 348 per share.
- The net yield of the investment property portfolio remained high at 5.4%.
- The vacancy rate for the investment property portfolio fell to 9.8%.
- The total performance of Intershop shares was positive in a difficult stock market environment and achieved 4.7%.
- The Board of Directors will propose a dividend of CHF 22 at the forthcoming Annual General Meeting. This equates to a dividend return of 4.5%, based on the share price of CHF 488 at the end of the reporting year.

The strategy pursued by Intershop has once again proved successful and will be maintained. It envisages acquiring Swiss real estate with potential added value, developing and realising their potential through disposal in the medium to long term. The objective is to achieve a sustainable and above-average return on equity. The operational targets have hence remained unchanged during the reporting period:

1. Acquiring new properties with development potential
2. Reducing the vacancy rate
3. Realising value added through the sale of developed properties

Intershop once again examined a large number of proposals in the reporting year. However, only one smaller commercial plot in Wohlen met the requirements and was acquired. The focus of operational activity was once more placed on reducing vacancies, in-house development projects and the realisation of added value through disposals. The vacancy rate of the investment property portfolio fell by 1.2 percentage points to 9.8% in a challenging rental environment. The promotional project «eden7» was completed in the spring and the commonhold apartments and commercial units were subsequently handed over to the new owners. This resulted in a profit of almost CHF 12 million. At the end of the second semester, Intershop sold two developed core properties at a profit significantly above CHF 60 million, which in turn had a decisive impact on the outstanding financial result. These properties were mostly vacant when acquired by Intershop, and, following on from

comprehensive refurbishment, where subsequently let on long-term leases. These properties therefore met the investment criteria of many institutional investors.

Due to the disposals of properties in 2017, the rental income from the investment property portfolio fell by around 1% in the reporting year. As expected, earnings from the development property portfolio also fell due to the planned conversions. Thanks to continued strict cost control, property expenditure reduced, slightly disproportionately, by 1.6%. Compared to the industry as a whole, the ratio of property expenditure to income continues to stand at a very low 11% level. The gross and net yield on the investment portfolio remained attractive at 6.3% and 5.4% respectively. The valuation of the portfolio by KPMG resulted in a net upward valuation of CHF 16.2 million or 1.3%. Since development projects can only be included in the valuation once valid building permits have been obtained, the valuation result was also adversely impacted by CHF 3.7 million.

Interest costs fell by 9%. The additional costs due to the negative interest rate once again came to more than CHF 1 million. In contrast to the previous year, no significant financial income resulted in the reporting year. The significant rise in tax expense is attributable, on the one hand, to the high level of profits from sales, which were also subject to capital gains tax; and on the other hand from the reversal of deferred taxes in the previous year in connection with the reduced tax rate in the Canton of Waadt. Bottom line, this resulted in an exceptionally high net income of nearly CHF 120 million, which is 88% above the previous year's figure.

Business review

The extremely low interest rate level also had a strong impact on the property market in the reporting year. Institutional investors, in particular, continued to look for investment opportunities with predictable cash flows and low levels of volatility. Since bonds appeared less attractive with regard to possible interest rate increases, the demand for supposedly secure property investments rose, in particular for core properties with long-term leases. Yields fell back further as a result. Intershop took advantage of this situation and disposed of two larger, fully developed properties. The sale of a further property was registered in the reporting year; however, the property was only transferred to the buyer once the refurbishment had been completed at the end of January 2019. The acquisition of new properties, on the other hand, proved once again to be difficult. Only one of the properties offered met the internal criteria. In addition to disposals, Intershop continued to concentrate on project developments within its own portfolio.

Building works and development projects are progressing

The last promotional project on the «Giesshübel site» in Zurich included the creation of 17 commonhold apartments and three commercial units. The «eden7» units were handed over to the buyers at the beginning of the second quarter of 2018. Together with the disposals of additional parking spaces, this resulted in a very pleasing profit of CHF 12 million. At the beginning of November, the town council of Wädenswil recommended the «AuPark» design plan for approval to the municipal council, thus achieving one further milestone in this conversion project. Shortly before the end of the year, Intershop received planning permission for the creation of 30 commonhold apartments on Gellerstrasse in Basel. Planning permission to increase the construction density of the high-rise buildings at «Albanteich Promenade» in Basel was still outstanding at the end of 2018. Extensive additional work has also been carried out on the plans for the conversion of the property at Römerstrasse in Baden and the refurbishment and addition of extra stories to the building at Rue de Lausanne 42+44 in Geneva.

Commercial space letting is benefiting from the economic growth

Commercial space letting remained challenging, while the positive economic development influenced the labour market and in turn the market for office space. The availability of spaces has reduced somewhat, which has also reduced the pressure on rents. The decrease in the vacancy rate to 9.8% is satisfactory in this environment. Without the two aforementioned disposals, the vacancy rate would have reduced by a further 0.4 percentage points.

Organisation

At the 2018 Annual General Meeting, both Dieter Marmet and Charles Stettler were confirmed as directors for a further year and Mr. Marmet was once again elected as chairman. In addition, Ernst Schaufelberger was newly elected to the Board of Directors. With great sadness, the Group was informed of the death of its long-standing board member Charles Stettler on 1st October 2018. He had helped shape the success of the group with his great experience and deep knowledge since 2011. The Board of Directors is proposing Kurt Ritz as his successor at the forthcoming shareholders' meeting.

Share buyback planned to reduce share capital

The outstanding result has led to a further increase of the already comfortable equity position. In the prevail-

ing interest rate environment, it is rather unlikely that additional acquisitions will be made. As a result, the Board of Directors has decided to undertake a share buyback of up to 5% of the outstanding shares by way of a fixed price offer of CHF 515 per share. The Board recommends to the Annual General Meeting that the repurchased shares be subsequently cancelled. Following the reduction of the share capital, the annual dividend amount will be reduced by up to CHF 2.2 million.

Outlook

Intershop is optimistic for the current year, with net income expected to «normalise» again after the outstanding result for 2018. Due to the disposals and the intended termination of lettings for several development properties, Intershop expects a fall in rental income in the current year in the order of 10%. The key focus for operational activity in 2019 will remain the marketing of the vacant space. Over the course of the year, Intershop expects a vacancy rate for the investment property portfolio at the same level as today's.

No promotional project will be completed in the current year. Intershop is continuing to follow the transaction market closely and will recognise attractive opportunities both in acquisitions and disposals. The sale of the company's former headquarters in Winterthur, which was registered in the reporting year, was completed in January 2019.

The CHF 125 million bond that matured on 14 February 2019 has been repaid, which will further reduce finance costs somewhat in the current year. However, the negative interest environment is also expected to have a significant impact on interest expense in 2019. The development of property market values and their influence on the financial statement for 2019 remain unpredictable from today's perspective. Intershop continues to assume that it will achieve a return on equity equivalent to the average yearly rate of at least 8%.

Dear shareholders, we would like to thank you for placing your trust in Intershop! We would also like to thank all the employees of the Intershop Group, without whose excellent work the outstanding result would not have been possible.



Dieter Marmet
Chairman of the
Board of Directors

Cyrill Schneuwly
Chief Executive Officer

Zurich, 21st February 2019

Consolidated balance sheet

(in CHF 1,000)

Assets	2018	2017
Current assets		
Cash	133,784	46,148
Securities and short term deposits	8,274	0
Trade receivables	750	370
Other receivables	6,403	463
Investment properties for disposal	42,486	0
Promotional properties	8,823	16,975
Accrued income and prepaid expenses	798	1,498
Total current assets	201,318	65,454
Non-current assets		
Investment properties	1,112,004	1,232,859
Development properties	139,380	113,056
Other equipment	268	172
Intangible assets	26	101
Deferred tax assets	138	113
Assets from pension benefits	1,330	1,255
Total non-current assets	1,253,146	1,347,556
Total assets	1,454,464	1,413,010
Shareholders' equity and liabilities		
Current liabilities		
Short term financial liabilities	160,846	23,850
Trade payables	2,493	12,474
Tax liabilities	6,877	7,931
Derivative financial instruments	335	0
Short term provisions	1,836	1,278
Accrued expenses and deferred income	26,991	25,382
Total current liabilities	199,378	70,915
Non-current liabilities		
Long term financial liabilities	428,176	583,179
Derivative financial instruments	12,256	14,875
Deferred tax liabilities	117,190	122,171
Long term provisions	7,396	2,637
Total non-current liabilities	565,018	722,862
Total liabilities	764,396	793,777
Shareholders' equity		
Share capital	20,000	20,000
Capital reserves	6,035	6,047
Retained earnings	664,033	593,186
Total shareholders' equity	690,068	619,233
Total shareholders' equity and liabilities	1,454,464	1,413,010

Consolidated income statement

(in CHF 1,000)

	2018	2017
Rental income	87,955	89,182
Net gains from property disposal	81,982	9,867
Other income	4,543	4,158
Total operating income	174,480	103,207
Property expense	9,713	9,872
Personnel expense	11,441	10,080
Administrative expense	2,807	2,633
Total operating expense	23,961	22,585
Changes in fair value of properties	16,177	4,172
Operating result (EBIT)	166,696	84,794
Financial income	144	1,976
Financial expense	-12,456	-13,618
Result from associated company	0	1,711
Profit before taxes	154,384	74,863
Tax expense	-34,784	-11,356
Net income	119,600	63,507
Earnings per share (CHF)	59.84	31.76

Contact

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Annual General Meeting 2019

Thursday, 4th April 2019
Cigarettenfabrik Eventhalle 268
Sihlquai 268, CH-8005 Zurich

Reporting

Presentation of Annual Report	28 th February 2019
Presentation of Half-Year Report 2019	29 th August 2019

Investment products

	Security number	Ticker	Tax value
Registered share	27 377 479	ISN	CHF 488.00
1.5% bond 2014 – 2019	23 483 367	ISH14	100.17
1.125% bond 2015 – 2023	27 577 643	ISH15	100.05

Investor Relations

Cyryll Schneuwly
Thomas Kaul

This Summary is a translation of the German Summary of the Annual Report 2018.
Only the Annual Report 2018 in German which is available on www.intershop.ch is legally binding.