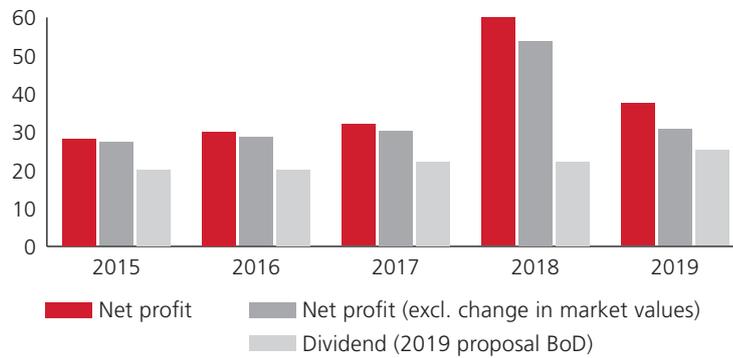


Annual report 2019

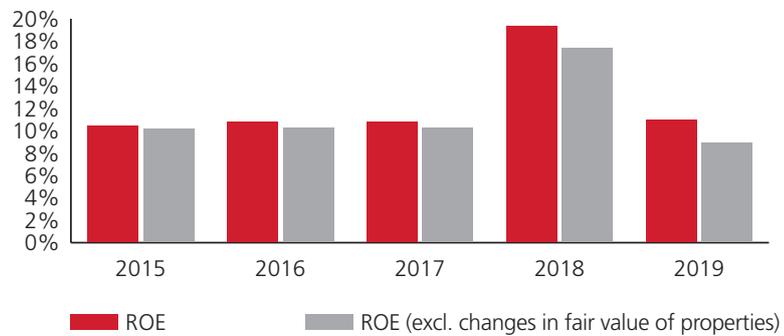
Earnings per share

(in CHF)



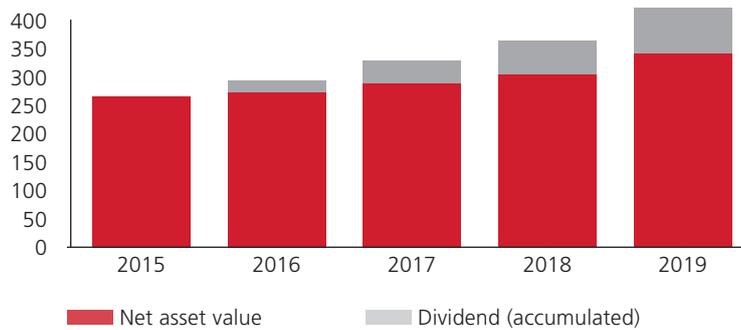
Return on equity

(in percent)



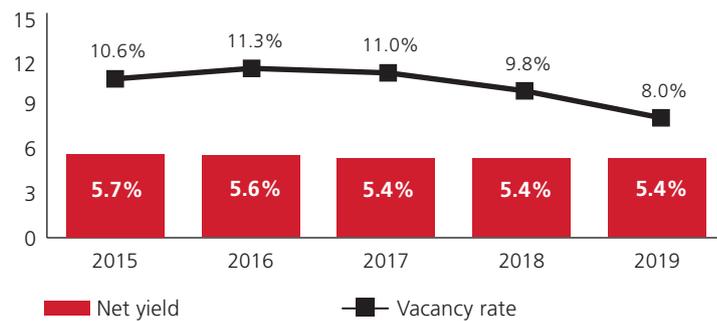
NAV per share

(in CHF)



Net yield and vacancy rate

(in percent)



Key figures Intershop Group

		2019	2018	
Financials	Net rental income	m CHF	73.9	78.2
	Net gains from property disposals	m CHF	7.4	82.0
	Changes in fair value of properties	m CHF	16.6	16.2
	Operating result (EBIT)	m CHF	88.9	166.7
	Earnings before tax (EBT)	m CHF	79.1	154.4
	Net income	m CHF	71.0	119.6
	Net cash from operations	m CHF	36.0	23.1
	Investments in real estate	m CHF	35.3	37.1
	Total assets	m CHF	1,343.0	1,454.5
	Total value of property portfolio	m CHF	1,312.8	1,302.7
	Financial liabilities	m CHF	504.0	589.0
	Shareholders' equity	m CHF	666.1	690.1
	Return on equity ¹⁾		10.9%	19.3%
	Return on equity excl. changes in fair value of properties ¹⁾		8.9%	17.3%
Portfolio	Number of investment properties		42	43
	Number of development properties ³⁾		12	11
	Lettable area	in m ²	565,880	578,127
	Gross yield ^{2) 4)}		6.2%	6.3%
	Net yield ^{2) 5)}		5.4%	5.4%
	Vacancy rate ²⁾		8.0%	9.8%
Personnel	Number of employees		72	70
Share	Earnings per share ⁶⁾	CHF	37.33	59.84
	Earnings per share excl. change in fair value of properties ⁷⁾	CHF	30.45	53.60
	Net asset value per share (NAV) ⁸⁾	CHF	354.33	347.69
	Share price at balance sheet date	CHF	567.00	488.00
	Dividend per share ⁹⁾	CHF	25.00	22.00

1) Based on the average shareholders' equity during the period, see «Alternative performance measures», Annual report 2019, p 118

2) Figures relate to investment property portfolio as at the balance sheet date

3) Including promotional properties

4) Effective annual gross rental income in proportion to the market value of the properties at the balance sheet date, see «Alternative performance measures», Annual report 2019, p 118

5) 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, see «Alternative performance measures», Annual report 2019, p 118

6) See «Earnings per share», Annual report 2019, p 81

7) After deducting changes in fair value of properties and associated deferred tax, see «Earnings per share», Annual report, p 81

8) See «Net asset value per share», Annual report 2019, p 81

9) 2019: Proposal of the Board of Directors

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Letter to shareholders

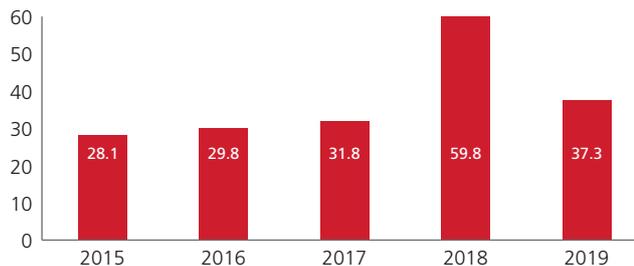
Overview

Dear shareholders, valued business partners and employees

It is with great pleasure that we are able to inform you about another positive financial year:

- Group profit reached CHF 71.0 million or CHF 37.33 per share, representing a return on equity of 10.9%. The result is thus 41% below the exceptional prior year's result.
- Equity fell to CHF 666 million as a result of the share buyback and now stands at CHF 354.33 per share.
- Profitability on the investment property portfolio remained high with a net yield of 5.4%.
- The vacancy rate on the investment property portfolio fell to 8.0%.
- The overall performance of Intershop shares reached 20.7%.
- The Board of Directors proposes to the Annual General Meeting an increase in dividend of CHF 3, to CHF 25.

Earnings per share in CHF



Once again, the focus on return rather than growth has proved its worth, as reflected in the above-average return on equity. Intershop aims to acquire real estate in Switzerland with value added potential, to develop this potential and realise it in the medium to long term through disposals. Derived from this, the unchanged operating objectives for the year under review were:

1. Acquisition of new properties with value added potential
2. A reduction of the vacancy rate
3. Driving forward developments in our own portfolio
4. Realisation of added value through the disposal of developed property

The transaction market in Switzerland remained liquid, and Intershop has been able to review a large number of offers. In most cases however, the submitted offers were significantly outbid, so that only two smaller consolidating purchases could be completed. The main focus of operating activities continued to be the reduction of vacancy rates and the further development of the Group's portfolio. The vacancy rate on the investment property portfolio fell pleasingly by some 1.8 percentage points to 8.0%. On a like-for-like basis (excluding transactions), the reduction amounted to 2.0 percentage points. Development projects were pushed ahead and are on schedule. On the disposals side, the sale of the «Werkhaus» in Winterthur was successfully completed and two further disposals are under contract. Overall, this resulted in a sales profit of CHF 7.4 million, which is significantly lower than the CHF 82.0 million of the previous year.

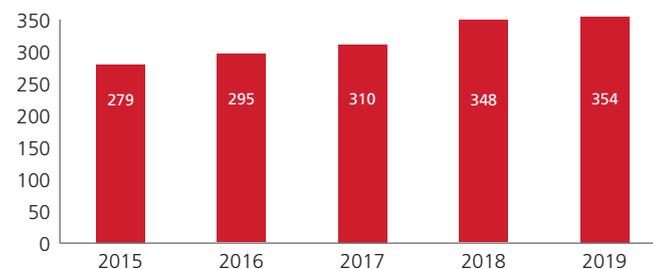
As anticipated, rental income in the year under review fell to CHF 82.8 million a result of the disposals and the termination of a lease of a large development property. Thanks to strict cost controls, property expenses continued to remain low and in the year under review amounted to less than 11%. The gross and net yield on the investment property portfolio remained an attractive 6.2% and 5.4% respectively. The valuation of the investment and development properties by KPMG resulted in a revaluation surplus of 1.3% or CHF 16.6 million. As in previous years, the revaluation surplus was reduced by planning costs in the low, single-digit million range.

Financial expense fell significantly by 20%. Once again, this included an additional expense of more than CHF 1 million as a result of negative interest rates. The sharp decline in the tax expense was due to the tax reform (TRAF), which reduced the deferred tax liability by approximately CHF 8 million. The resulting Group profit amounted to a very encouraging CHF 71.0 million. Once again, the return on equity exceeded 10%.

In consideration of the continuing good business performance, the Board of Directors has decided to propose to the Annual General Meeting an increase in dividend of CHF 3, to CHF 25 per share.

As at the balance sheet date, the Group's equity amounted to some CHF 666 million and was thus just over 3% below the previous year's level, despite a dividend payment of CHF 41.3 million and a share buyback of CHF 51.5 million. Net asset value (NAV) amounted to CHF 354 per share.

Net asset value per (NAV) in CHF



With the 2019 Annual report, Intershop is publishing its first comprehensive sustainability report in accordance with the Standards of the GRI (Global Reporting Initiative).

Business review

The global economy slowed down during the course of the year under review, with only the USA among the major economic nations showing a comparatively robust trend. The sword of Damocles trade war between the USA and China continued to hover over the heads, whilst in the case of Brexit, the results of the December elections led to a much clearer position. This environment prompted central banks to keep key interest rates low or, in the case of the USA, to reduce them further, and continue to supply the market with substantial liquidity. The persistently low level of interest rates affected not only the capital, but also the property markets. Investors continued to look for investment opportunities with predictable cash flows and low volatility. Hence, demand for real estate remained at a high level, in particular for those with long-term leases. Intershop took advantage of this situation and sold its former headquarters in

Winterthur. Sale agreements were also signed for the residential development in Kilchberg and for approximately one third of a land plot in Oberwinterthur. It is expected that these transactions will be completed in 2020. On the other hand, the acquisition of new property with value added potential continued to prove difficult in this environment. Only two small transactions were carried out to compliment the portfolio.

Development progress

The start of construction on the promotional project «Gellertstrasse» in Basel took place in June, and the sale of the 30 commonhold apartments began shortly afterwards. As at the balance sheet date, 15 apartments were already under contract and further three were reserved. Planning approval has also been obtained for the construction of around 80 commonhold apartments in Baden as well as the two high-rise extensions in Basel. An important milestone was achieved in Wädenswil, where voters agreed by a clear majority to the private design plan «AuPark». The renovation of, and addition of extra stories to, a property in Geneva and the construction of an access road in Oberwinterthur-Neuhegi are also proceeding according to plan.

Rising demand for rental space in the large cities

Despite the slight slowdown in the economy, demand for commercial space in the major centres, particularly in Zurich, has significantly improved. The imbalance that can be clearly seen in the residential sector - a tendency towards an undersupply of affordable space in the inner-cities as opposed to an increasing oversupply in peripheral and rural areas - is now also evident in the office market. Intershop was able to benefit from this rising demand and significantly reduced the vacancy rate from 9.8% to 8.0% in the year under review.

On 9 February 2020, the Swiss electorate voted on the popular initiative «Affordable Housing», which required that at least 10% of all newly-built homes must be owned by non-profit housing associations. Their failure to achieve a majority at both federal and state levels, meant that the so-called «free» rental housing market would not be affected by any state regulations, which is to be welcomed, both from an economic point of view and from the perspective of «normal» tenants.

Annual General Meeting and Board of Directors

At the 2019 Annual General Meeting Dieter Marmet and Ernst Schaufelberger were re-elected as members of the Board of Directors for a further year, the former being re-elected as Chairman. Kurt Ritz was newly elected to the Board of Directors.

Share buyback

Due to the exceptionally good result in 2018, Intershop made an offer to buy back a maximum of 100,000 of its own shares at a price of CHF 515 earlier last year. The share buyback was successfully completed and, at the 2019 Annual General Meeting approval was obtained for the cancellation of the shares. The capital reduction was subsequently entered in the commercial register in June 2019.

Outlook

Intershop is confident about the current financial year. Following the significant decline in rental income in 2019, Intershop predicts only a slight decline, excluding the effects of any transactions. This despite losing more than CHF 2 million in income on the development projects in Baden, Pfäffikon/SZ and Biel. In addition to the ongoing development projects, the reduction of

vacancy rates will remain a key focus of operating activities. As the largest tenant in the World Trade Centre in Lausanne will leave the building during the course of the year, Intershop expects the vacancy rate for the investment property portfolio to reach approximately 10% by the end of 2020.

The construction of the promotional project «Gellertstrasse» should be completed by the end of 2020 and Intershop expects to achieve a profit in the low double-digit million range from the sale of all apartments. However, it is currently unclear how many of these apartments will be transferred to their owners by the end of the current financial year. The transactions market will continue to be closely monitored and attractive opportunities will be exploited in both acquisitions and disposals.

Financing costs are expected to remain stable, while the tax expense, which benefited from the tax reform in the year under review, is expected to stabilise. The development of market values of the property portfolio and their impact on the 2020 annual accounts cannot be estimated at this time. Intershop continues to expect a multi-year average return on equity of at least 8%.

Thanks

We would like to thank you, valued shareholders, for the trust you have placed in Intershop. Our thanks also go to all our customers and employees without whose commitment and skills such a good result would not have been possible.



Dieter Marmet
Chairman of the Board of Directors



Cyrill Schneuwly
Chief Executive Officer

Zurich, 18 February 2020

Real estate portfolio

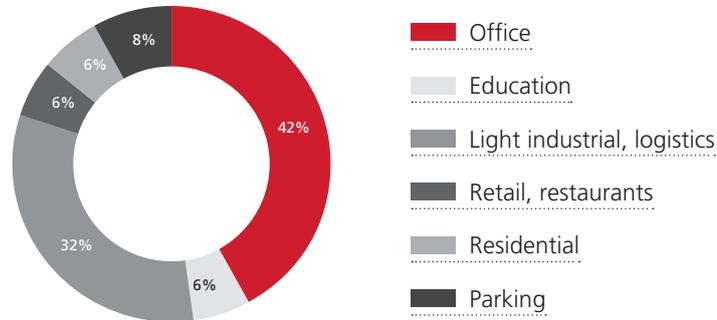
The environment for real estate companies has hardly changed in the year under review. Interest rates are at historical lows and the number of investors affected by negative interest rates is tending to rise. Since the SNB is maintaining negative interest rates irrespective of the consequences of its monetary policy, interest in real values has continued to grow. Properties with predictable cash flows, historically low volatility and partial protection against inflation remain in high demand. Above all, commercial core properties and supposedly low-risk residential properties are at the top of the shopping lists of many institutional investors. In addition, and in the market that is most interesting for Intershop, less experienced investors are increasingly acquiring Core Plus real estate and properties with added value potential, whose development require a corresponding amount of expertise and experience. As we believe that the prices of such properties do not adequately compensate for the risks involved, we have refrained from making major purchases during the year under review. However, two smaller purchases were completed which complement the existing portfolio. In Rombach, Intershop was able to acquire the remaining 10% and an older, smaller property in Oststrasse, St. Gallen was also purchased. It borders onto Oststrasse 25, which Intershop already owns and increases the flexibility for the future development of this location.

The former headquarters at Zürcherstrasse in Winterthur was sold in the year under review. Although the sale and purchase agreement was already signed at the end of 2018, the transfer of ownership did not take place until the renovation works were completed. An agreement was also signed for the disposal of the residential complex in Kilchberg, which Intershop built a good three years ago. As there is a right of first refusal, the transfer of ownership will not take place until 2020. In addition, Intershop has signed a conditional agreement for the disposal of approximately 16,500 m² of a land in Oberwinterthur. The potential buyer has also been granted a purchase option on a further approximately 11,500 m².

Although the economy flattened out during the year under review, demand for office space in the major centres increased noticeably. This contrasts with the peripheral locations, where there is still a noticeable excess of supply. Although demand is losing momentum, mirrored by the decline in construction of new space - the amount of planned investment in office space has fallen to its lowest level in more than 10 years - absorption also appears to be well supported in the medium term. The more regionally oriented market for commercial and industrial space continued to develop steadily. By contrast, the retail sector continues to face major challenges, although the situation has improved steadily since 2015, when the minimum conversion rate of the euro was abandoned. As in previous years, the food sector developed better than the non-food sector and the clothing industry in particular continued to lose sales to online retailers.

Intershop has been indicating for several years that the residential segment could develop negatively. The vacancy rate published by the FSO reached 1.66% in mid-2019, the highest level since the real estate crisis at the end of the 1990s. However, the oversupply is not present everywhere. In the lower and mid-range price segment in major metropolitan centres, a segment which is relevant for Intershop, apartments are still in demand. The surplus of supply is largely located in peripheral locations and in the high-price segment.

Portfolio by type of use (rental income in the year under review)

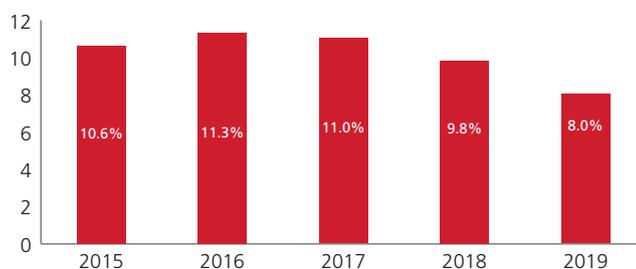


Sales-related decline in rental income and lower vacancy rate

As a consequence of the disposals in recent years - in the last three years, properties with a target rent of around CHF 9 million have been sold, rental income has receded. Despite several encouraging letting successes, these disposals could only be partially compensated. As a result, rental income fell by CHF 5.1 million or 5.8% to CHF 82.8 million. Rent adjustments to current contracts were only possible in individual cases. On a like-for-like basis, (excluding transactions), the rental income from the investment property portfolio developed positively with an increase of 1.2%. In accordance with their contract, the tenant of the development property in Baden vacated the buildings at the end of May 2019, resulting in a reduction of almost CHF 1 million in rental income compared to the prior year.

The vacancy rate of the investment property portfolio fell by around 18% to 8.0% in the year under review. When assessing the vacancy rate, it should be borne in mind that the relatively high level of vacancies is a direct consequence of the strategy of acquiring and developing difficult properties, often with large initial vacancy rates, and then selling them in rented form at the end of their development cycle. In the year under review, vacancies were significantly reduced, particularly in modern, centrally located office properties. Both the «Patio» on Uetlibergstrasse and the «Puls 5» in Zurich, are now almost fully let.

Development of the vacancy rate in %



Investment properties

After completion of the renovation work, the property at Zürcherstrasse 15-21 in Winterthur was handed over to its new owner at the end of January. On the acquisitions side, Intershop completed the purchase of the remaining 10% of the property in Rombach. The building application for the expansion to the high-rise residential buildings in Basel «Albanteich-Promenade»

was approved. Intershop plans to begin construction of the two high-rise extensions with a total of 64 additional apartments in autumn 2020 whilst simultaneously renovating the facades, entrances, and external pipework of the existing high-rise buildings comprising 250 apartments. The renovation of and addition of extra stories to Rue de Lausanne 42-44 in Geneva began in the second quarter of 2019 and is scheduled for completion in the summer of 2020.

Development properties

On 8 July 2019, the local council of Wädenswil approved the partial revision of the land use plan and the associated private design plan «AuPark». Following a submission of appeal to the authorities, the project was finally submitted to the electorate of Wädenswil, and received a clear approval of over 60% of the vote. The documents were submitted to the Office for Spatial Development of the Canton of Zurich for approval in January 2020. Intershop expects the design plan to become legally binding in summer 2020.

The new access road «Fabrikstrasse», which is part of the development of the land plot in Oberwinterthur-Neuhegi, will be completed up to but not including the top surface, in the current half year. The construction of an assembly plant is planned on a part of the site measuring approximately 13,250 m². The corresponding planning application was submitted in February 2020. The plant is scheduled to be built by the end of 2021 and then leased on a long-term contract. In addition, Intershop has signed a conditional contract for the disposal of a further almost 16,500 m² on the same plot of land at a price of 750 CHF/m². The purchaser intends to build a data processing centre. Provided that all conditions are met, the transaction is expected to be completed in the current year. The buyer has also acquired an option, subject to compensation, on a further approx. 11,500 m² for a possible expansion. A small, older property at Oststrasse 23 in St. Gallen was acquired. The property is directly adjacent to an existing property and the purchase helped to improve the opportunities for future developments.

After the tenant vacated a commercial property in Pfäffikon/SZ at the end of 2019, the property will be extensively renovated and prepared for multiple-tenant usage. Construction work began at the beginning of this year.

Promotional properties

Construction of three apartment blocks comprising 30 commonhold apartments at Gellertstrasse in Basel is progressing according to plan and should be completed by the end of 2020. As at the balance sheet date, the sale of 15 apartments were already under contract and a further three were reserved.

The building permit for the construction of around 80 commonhold apartments at Römerstrasse in Baden was granted in November 2019 and Intershop was able to commence the first demolition works just before the year end. Construction work and the sales launch are then planned for spring 2020.

Financials

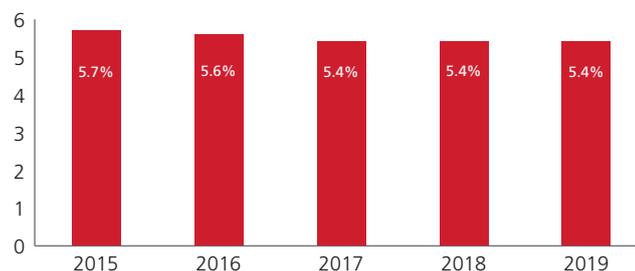
Unchanged high net yield on the portfolio

In 2019, the rental income of the Intershop Group fell by 5.8%, to CHF 82.8 million, as a result of the property disposals completed in 2018 and 2019. However, thanks to several letting successes, the decline was less than expected. The gross yield on the investment property portfolio amounted to 6.2%.

The Group was able to report a net gain from property disposals of CHF 7.4 million, mainly due to the sale of Zürcherstrasse 15-21 in Winterthur. Other income increased by 5.1% to CHF 4.8 million, primarily due to a one-off effect.

The property expense fell by 8.3% and amounted to a just 10.8% of rental income. The disproportionate decline, compared to rental income, was due to lower than expected non-recoverable service charges from previous years. The net yield on the investment property portfolio, which is based on the actual rental income generated less property-related costs, amounted to 5.4%, representing another excellent result.

Net yield on the investment property portfolio %



Despite an increase in the number of employees from 70 to 72, personnel expense fell by 4.6% due to lower performance-related bonuses. As expected, the administrative expense, which also includes capital taxes, rose slightly by 4.5% to CHF 2.9 million due to various project such as the capital reduction.

The valuation of the investment and development portfolios as at 31 December 2019 was again carried out by KPMG Real Estate. The main valuation drivers were changes in the rental situation, investments made or newly planned and lower discount rates. As in the previous year, residential and commercial property let on long-term leases tended to gain in value, while properties with larger vacancies and higher future investment requirements tended to lose value. The valuation resulted in a revaluation surplus in the year under review of CHF 16.6 million or 1.3%. The capital-weighted average nominal discount rate for investment property was 4.85% (prior year: 5.06%) and 5.56% (5.77%) for development property. The revaluation surplus was negatively influenced by project costs incurred during the year amounting to CHF 1.2 million since the effects of planning and development projects can only be considered once a legally binding building permit has been obtained. The range of nominal discount rates widened from 3.8% to 6.9% as at 31 December 2018 to 3.2% to 6.7% as at 31 December 2019.

Financial expense fell by CHF 2.5 million to CHF 9.9 million due to a net reduction of debt of CHF 85 million and lower interest rates. This despite additional costs of CHF 1.2 million (prior year: CHF 1.2 million) attributable to mortgages with interest rate hedges that included negative interest. As in the previous year, financial income of around CHF 0.1 million was achieved.

Compared to the previous year, the tax expense fell significantly from CHF 34.8 million to CHF 8.1 million. Apart from the lower profit, the most important factor was the tax rate reductions in several cantons resulting from the tax reform (TRAF). This reduced the deferred tax liability by approximately CHF 8.3 million.

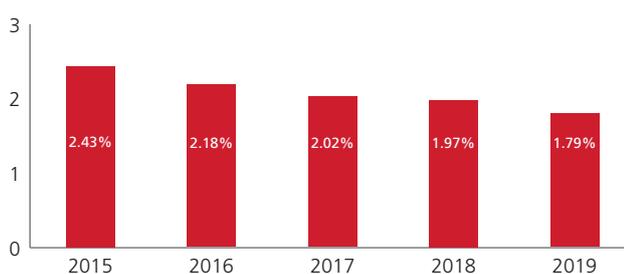
Profit after tax was 40.6% below the exceptional prior year result which was dominated by sales and amounted to CHF 71.0 million. This represents a return on equity of 10.9%.

Active balance sheet management and strong balance sheet with an equity ratio of 49.6%

The sale of the property in Winterthur led to a reduction in the balance sheet value of real estate which was offset by the investments. In February, Intershop repaid the maturing bond for CHF 125 million out of the existing cash. As a result, interest-bearing debt fell by CHF 85 million to CHF 504 million compared to 31 December 2018, and, as at the year end, the average interest rate had fallen to 1.79% from 1.97% with an average maturity of 64 months.

The equity base was optimised by the repurchase of 5% of the company's own shares amounting to CHF 51.5 million and the subsequent capital reduction. Despite the share buyback and a dividend payment of CHF 41.3 million, equity fell by only CHF 23.9 million, resulting in an equity ratio, as at the year end, of 49.6%.

Average interest rate on financial liabilities (incl. follow-up financing)

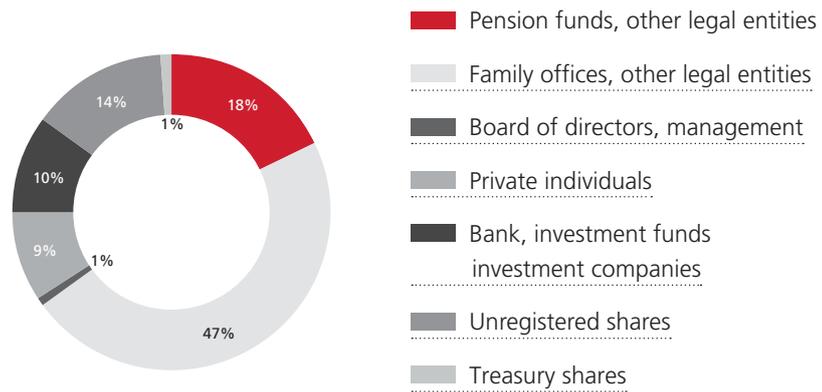


Below-average performance of Intershop shares

The total return on Intershop shares in 2019, i.e., the change in the stock market price plus the dividend paid, amounted to 20.7% and was, in contrast to the previous year, significantly below the benchmark index SXI Swiss Real Estate Shares TR of 40.2%.

Stable shareholder base

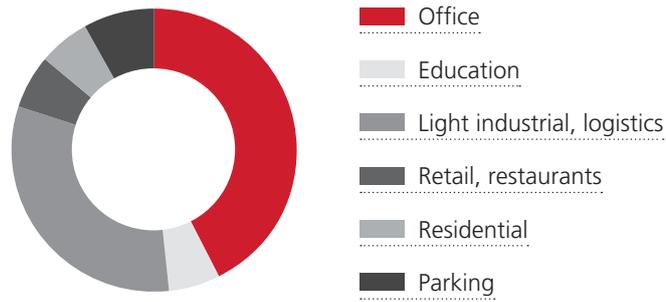
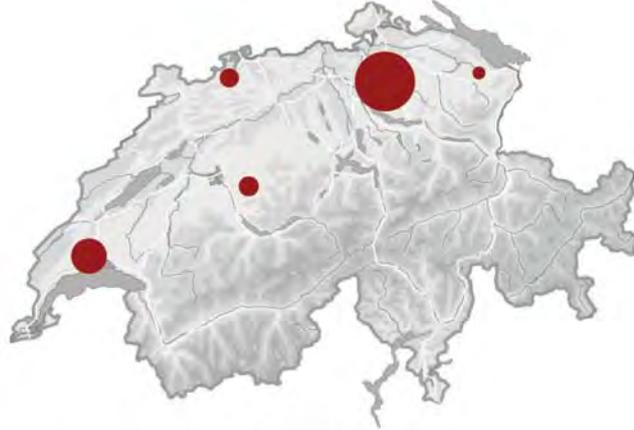
At the end of 2019 Intershop had 1,101 registered shareholders. During the year under review, AXA Leben AG reduced their shareholding below the 5% reporting threshold, whereas Grapal Holding AG increased it's holding above the 3% threshold. Since the end of the year, the unregistered shares have fallen from 16.1% to 14.0%. As in the past, approximately 98% of the shares registered with voting rights are held by shareholders domiciled in Switzerland.



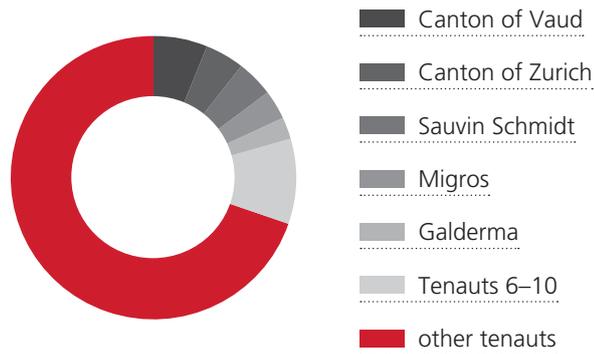
Overview 2019

Portfolio

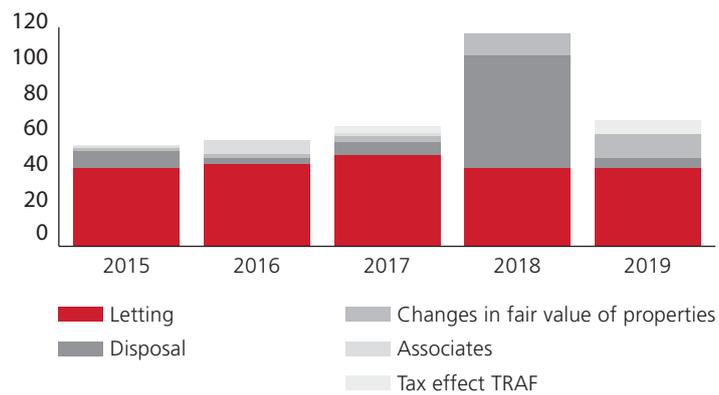
CHF 1.3 bn



Tenants



Net income (in m CHF)

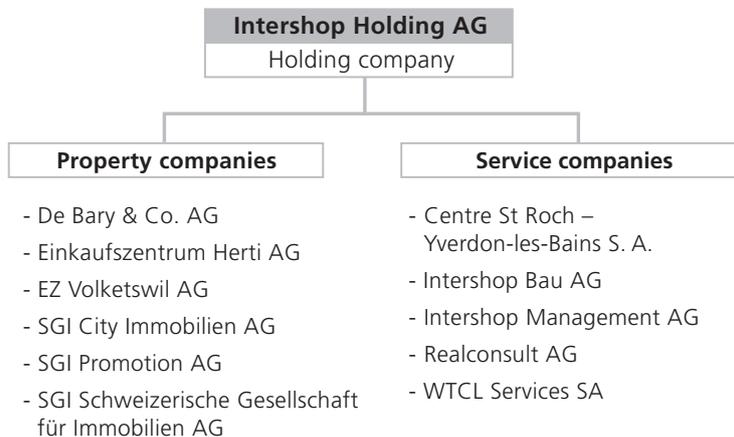


	2019	2018	
Portfolio value	CHF 1,313 m	CHF 1,303 m	Acquisitions, investments and revaluations exceed effect of disposals
Net rental income	CHF 73.9 m	CHF 78.2 m	Reduction due to property disposals in 2018 and 2019
Properties	54	54	Disposal of one investment property and purchase of one development property
Vacancy rate of investment properties	8.0%	9.8%	Vacancy rate reduced despite the disposal of almost fully let property
Net yield of investment property portfolio	5.4%	5.4%	Stable net yield on the investment property portfolio
Return on equity	10.9%	19.3%	Return on equity again significantly over the multi-year average target of 8%
Equity ratio	49.6%	47.4%	Increase due to reduction of indebtedness and shortening of the balance sheet
NAV per share	CHF 354.33	CHF 347.69	1.9% increase despite dividend distribution of CHF 22 per share and the negative effect from share buyback
Earnings per share	CHF 37.33	CHF 59.84	Reduction of 37.6% due to the exceptional high profit from property disposals in the previous year
Earnings per share excluding changes in fair value	CHF 30.45	CHF 53.60	Reduction of 43.2% due to lower profit from disposals; basis for dividend
Dividend per share	CHF 25.00 Proposal of the Board of Directors	CHF 22.00	Corresponds to an attractive return of 4.4% on the share price as at 31.12.2019
Total return per share	20.7%	4.7%	Total return is based on the dividend yield and the price gain; the SXI Swiss Real Estate shares TR of 40.2% (previous year: -2.0%) was not reached this year

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Group structure

Intershop Holding AG is a real estate company which focuses on the purchase, development and sale of real estate in Switzerland. The operational group structure can be seen in the following diagram:



Intershop Management AG is entrusted with the operational management of all companies of the Group. With 39 staff, it employs the majority of the 72 employees, including group management. A detailed overview of all Intershop Group companies can be found on pages 114 and 115. With the exception of Intershop Holding AG, no group company is listed.

Intershop Holding AG has its headquarters in Zurich, Switzerland. The company's shares are listed on the SIX Swiss Exchange (value number: 27377479; ISIN: CH0273774791). The stock exchange capitalisation as of 31 December 2019 was CHF 1,077 million.

There are no cross-holdings with other companies.

Key shareholders

The following shareholders were entered in the share register with a share of at least 3% as of 31 December 2019 or have published a disclosure according to FMIA:

(in %)	31.12.2019
Patinex AG, Wilen (Martin and Rosmarie Ebner)	35.1
AXA Leben AG, Winterthur	3.8
Relag Holding AG, Hergiswil	3.5
Hansjörg Graf, Wollerau (direct and indirect)	3.2

In accordance with the Financial Market Infrastructure Act (FMIA), AXA Leben AG announced on 3 April 2019 that it had fallen below the threshold of 5%. Hansjörg Graf reported that he, directly and indirectly through Grupal Holding AG, exceeding the threshold of 3% on 4 April 2019. All reportable transactions can be viewed at: <https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html>.

Capital structure

The share capital amounted to CHF 19 million at the end of 2019 and was made up of 1,900,000 registered shares with a nominal value of CHF 10, which are fully entitled to dividends.

There is neither approved nor conditional capital.

Shareholder structure

The structure of the shareholders registered in the share register as of 31 December 2019 in the share register is as follows:

Number of registered shares	Number of shareholders	Number of shares	in %
1 to 100	707	28,493	1.5
101 to 1'000	291	96,218	5.1
1'001 to 10'000	84	273,853	14.4
10'001 to 100'000	18	567,833	29.9
over 100'000	1	667,000	35.1
Total registered	1,101	1,633,397	86.0
Not registered		266,603	14.0
Total shares		1,900,000	100.0

Region	Number of shareholders	Registered shares	Voting rights	in %
Switzerland	1,045	1,529,630	1,507,527	97.9
Europe (without Switzerland)	44	90,150	30,176	2.0
Rest of the world	12	13,617	1,305	0.1
Total registered shares or voting rights respectively	1,101	1,633,397	1,539,008	100.0
Not registered or no voting rights respectively		266,603	360,992	
Total shares		1,900,000	1,900,000	

Capital changes of the last three financial periods

At the Annual General Meeting of 4 April 2019, the Board of Directors proposed a capital reduction from CHF 20 million to CHF 19 million by cancelling 100,000 registered shares. These had previously been acquired by the company in a public buyback offer. There have been no further changes in capital in the last three financial periods.

Limitations of transferability and nominee entries

Transferability of registered shares is not limited. Nominees are entered into the share register without voting rights. Agreements with nominees regarding the conditions of entry do not exist.

Convertible and option rights

No convertible bonds or option rights issued by the Intershop Group were outstanding on the balance sheet date.

Board of Directors

At the Annual General Meeting of 4 April 2019, Kurt Ritz was elected to the Board of Directors as successor to the late Charles Stettler. Both Dieter Marmet as Chairman and Ernst Schaufelberger as a member were re-elected.

At the same meeting, all Board members were re-elected to the Remuneration Committee. A further division of tasks within the Board of Directors is not envisaged.

In addition to the constituent meeting, the Board of Directors held four ordinary sessions in the reporting year. In addition, an extraordinary meeting and two telephone conferences were held and two circulation resolutions were drafted. Regular meetings generally lasted half a day, whereby the preparatory session for the General Meeting took about two hours. In addition, a single-day strategy workshop took place during the reporting year. Except for four absences due to the passing of Charles Stettler, the board members were present at all meetings and resolutions.

At the beginning of the regular meetings, the Board of Directors generally took approximately one hour without the participation of the Executive Board, with the CEO being consulted on individual agenda items. Then the entire Executive Board took part in the regular meetings. The Executive Board was also fully present at the strategy workshop. The Remuneration Committee held two meetings within the framework of the ordinary meetings of the Board of Directors.

All decisions of the Board of Directors are made jointly by all members, whereupon Art. 20 of the Articles of Association requires a majority of the members present. In the event of a tie, the Chairman or Chairperson has the deciding vote, while elections are decided by lot.

The composition of the Board of Directors and additional information on individual board members can be found on pages 26 and 27.

Pursuant to Art. 23 of the Articles of Association, members of the Board of Directors may no longer exercise more than four additional mandates in listed companies and no more than twelve mandates in other legal entities that require entry in the commercial register.

Every member of the Board of Directors will be newly elected each year for the duration of a further year. There are no restrictions to the term of office.

Division of authority

With the exception of the tasks listed below, the Board of Directors delegated all powers to the management:

- All non-transferable tasks pursuant to Article 716a para. 1 CO;
- Definition and modification of the strategy and investment policy of the company;
- Investment decisions in new business areas;
- Strategic investments and partnership agreements (joint ventures);
- investments and recurring obligations above a defined value;
- Investment and financial policy (in particular capital market transactions);
- Principles of financing;
- Acceptance of the budget;
- Approval of the PR concept;
- Personnel decisions and compensation at management level.

Information and control instruments

The Board of Directors receives a consolidated financial statement with notes on a monthly basis. As part of this reporting, it is also informed about important operational changes. In addition, an information tool (as part of the Group's Management Information System (MIS)) is utilised to show portfolio development at individual property level and is presented to the Board of Directors several times a year. Selected properties, any operational and financial risks and important business transactions are discussed at every regular Board meeting. The progress of the development projects and the financing and liquidity planning are also discussed in detail. In addition, the Board of Directors receives a Risk Inventory which represents the main risks and their potential influences, as well as a summary of the findings resulting from the internal control system (ICS). The Executive Board is generally fully present at all Board meetings. An internal audit does not exist due to the size of the company. Therefore, third parties or auditors are contracted for any necessary clarifications or reviews, which was not the case in the year under review.

Executive Board

The Executive Board consists of four members, details of which are disclosed on pages 28 and 29.

There are no contracts with third parties relating to management tasks.

Pursuant to Art. 31 of the Articles of Association, members of the Executive Board may no longer exercise more than two mandates in listed companies and no more than four mandates in other legal entities that require entry in the commercial register.

**Remuneration, participations
and loans**

The Board of Directors receives a fixed fee each financial period. Cash is paid in the following spring. If necessary, extraordinary services may be compensated separately.

The compensation of the members of the Executive Board consists of a basic salary, a profit-based remuneration and a performance-based remuneration. The basic salary was paid monthly in the year under review, while the profit- and performance-based remuneration are determined after financial statements are drawn up and settled in the following spring. The compensation model is described in detail in the remuneration report on pages 32 to 35.

Both the compensation of the Board of Directors and Executive Board will be stipulated by the Board of Directors upon recommendation of the Remuneration Committee and will be re-assessed yearly (incl. share programme). The involvement of an external consultant is waived. The compensation of the Board of Directors for the term of office, together with the maximum compensation for the Executive Board for the coming year, will be submitted for approval at the forthcoming General Meeting.

The compensation of the individual members of the Board of Directors remained unchanged in the reporting year. Due to the lower result compared to the previous year, compensation to the members of the Executive Board has decreased overall.

There are no loans to or sureties or security services in favour of current or former executive body members or persons close to them.

Further information on the remuneration and ownership of the Board of Directors and the Executive Board is disclosed in the remuneration report (pages 32 to 35).

Rights of participation of the shareholders

Limitation of voting rights and representation

Each share, whose owner or beneficiary is registered as shareholder with voting rights in the share register, has a vote. There are no restrictions on voting rights. Representation at the General Meeting is possible in accordance with Art. 12 of the Articles of Association with written power of attorney. Representation by the independent proxy, which is also possible by means of electronic instruction, is regulated in Art. 13 of the Articles of Association.

Statutory quora

There is no regulation deviating from law.

Convening the General Meeting

There is no regulation deviating from law.

Agenda

Shareholders who represent shares with the nominal value of one hundred and ninety thousand francs can demand in accordance with Art. 8 of the Articles of Association that an object of negotiation be put on the agenda. The corresponding application must be submitted in writing at least four weeks prior to the General Meeting, stating the subject matter of the negotiation and the applications of the shareholder.

Entry in the share register

In accordance with Art. 6a of the Articles of Association, the Board of Directors can refuse the approval of the entry as a voting shareholder or proxy in the following cases:

- a) for foreign buyers, if the entry could prevent the company from providing evidence of the composition of the group of shareholders required by federal laws;
- b) if the purchaser does not explicitly state that he has acquired the shares in his own name and on his own account, despite being requested to by the company.

The reference date for the entries in the share register with regard to participation in the General Meeting is specified in accordance with Art. 12 of the Articles of Association by the Board of Directors. This reference date will be announced to the shareholders at the latest with the invitation to the General Meeting.

Change of control and defence measures

Duty to make an offer

According to Art. 5 of the Articles of Association, there is no duty for shareholders to submit a takeover offer in accordance with FMIA (Financial Market Infrastructure Act) (opting-out) upon reaching the threshold value of 33 1/3% of the voting rights.

Change of control clauses

There is neither termination pay nor are there contracts with an unusually long term within the meaning of Art. 7.2 DCG (Directive Corporate Governance of SIX Swiss Exchange) which should protect members of the Board of Directors or the Executive Board from undesired takeovers. In the framework of the company investment programme, shares procured by the Executive Board will be given free irrespective of the agreed vesting period, if Intershop Holding AG were to be taken over.

Auditors

The auditor is PricewaterhouseCoopers AG. Its predecessor was entered as an auditor in the commercial register on 21 July 1992.

Lead auditor

Since the 2015 financial year, Sandra Böhm Uglow has been responsible as lead auditor. The senior auditor may exercise the mandate in accordance with Art. 730a CO (Swiss Code of Obligations) for a maximum of seven years.

Fees

The total audit fee for the period under review amounted to CHF 177,300. Fees paid for other services amounted to CHF 6,000 for the same period.

Supervisory and control instruments for the auditor

In connection with the audit planning in 2019, the auditor created a comprehensive report for the Board of Directors, in which the fundamental business risks and audit areas in particular were presented from the perspective of the auditors. It also included more detailed explanatory notes on the scope of the audit, requirements, expectations and fee. This report was discussed at a meeting between the company and the auditors and submitted to the Board of Directors for discussion at the subsequent Board meeting. Intershop assesses the cooperation with the auditors and their performance annually and monitors compliance with the legal limits with regard to the mandate management.

The Board of Directors meets once a year to discuss the annual financial statements together with the auditors and to obtain information on the audit procedures and findings that were brought to their attention in the comprehensive report. In the process, any changes on the legal or regulatory level and their influences on the Intershop Group will be explained in detail. If necessary, the auditor can also be consulted on further meetings.

Information policy

The company shall publish financial reporting information about the course of the business twice a year. In addition, important changes are published in the form of ad-hoc publications and can be found on the company's homepage (<https://www.intershop.ch/news>). Interested parties can register to receive information electronically using the following link on the homepage (<https://intershop.ch/unternehmen/kontakt/-anfahrtsplan/kontakt/-adressen>). Further information about the company and its properties can be found on the company's homepage «www.intershop.ch».

The contact persons for Investor Relations are Cyrill Schneuwly and Thomas Kaul, Intershop Holding AG, Giessereistrasse 18, CH-8031 Zurich, Telephone +41 44 544 10 00, info@intershop.ch.

**Members of the Board of
Directors****Dieter Marmet, 1966, Swiss citizen, Zürich**

Education	lic. oec. publ., Economist
Professional experience	<ul style="list-style-type: none"> – Corporate publicist, Zürcher Kantonalbank, 1993–1994 – Consultant, Wüest & Partner, Zurich, 1994–1998 – Partner, Wüest & Partner AG, Zurich, 1999–2005 – Managing Partner, Wüest & Partner AG, Zurich, 2005–2010 – Managing Director and owner, Senozon (Schweiz) AG, Zurich, 2012–2013
Current activities	<ul style="list-style-type: none"> – Self-employed management consultant – Chairman of the Board of Directors, Real Estate Digital AG, Wollerau – Chairman of the Board of Directors, SI Stradun Immobilien AG, Winterthur, since January 2020 – Member of the Board of Directors, Rakali AG, Zürich
Board of Directors Intershop	<ul style="list-style-type: none"> – Non-executive member since 2010 – Chairman since 2011 – Elected until General Meeting 2020

Kurt Ritz, 1963, Swiss citizen, Fehraltorf

Education	<ul style="list-style-type: none"> – Apprenticeship as structural engineering draughtsman – Study of architecture, University of Applied Sciences for Technology and Architecture, Lucerne – Studies of economics and business administration, University of Berne – Certified real estate trustee, SVIT
Professional experience	<ul style="list-style-type: none"> – Architectural office Balzani, Brig, 1979-1983 – Suter + Suter, General planning, Zurich, 1987-1989 – PricewaterhouseCoopers AG, Zurich, 1995-March 2019 <ul style="list-style-type: none"> – Management of the real estate practice PwC Switzerland, 2002 – Admission to PwC Partnership, 2004 – Real estate sector leader of PwC Switzerland, 2006 – PICO (Branch manager) Zurich, 2010 – Election as member of the Swiss Oversight Board of PwC Switzerland, 2013 – Head of «Deals Team» und member of executive board «Advisory Services», 2013
Current activities	<ul style="list-style-type: none"> – Chairman of the Board of Directors, Imufin AG, Volketswil, since July 2019 – Member of the Board of Directors, Warteck Invest AG, Basel, since May 2019 – Consultant to Investment Committee, BVK, Zurich
Board of Directors Intershop	<ul style="list-style-type: none"> – Non-executive member since April 2019 – Elected until General Meeting 2020

Ernst Schaufelberger, 1954, Swiss citizen, Au (Wädenswil)

Education	<ul style="list-style-type: none"> – Notarial apprenticeship and attending lectures at the Faculty of Law and Political Science at the University of Zurich – Holder of the certificate as notary
Professional experience	<ul style="list-style-type: none"> – Notary Zurich-Unterstrass, Deputy notary, 1981-1984 – Trust company, mandate management in inheritance, property, corporate and tax law, 1985-1990 – Intrag AG, various positions in the property fund business, 1990-1999 – Swiss Life Reals Estate Partners AG, CEO, creation and development of various real estate investment structures and associated management organization, 2000-2003 – AXA Investment Managers Schweiz AG, Head of Real Assets Switzerland and temporarily in Germany and Eastern Europe, member of the Board of Directors and Deputy Managing Director and member of various boards of foreign companies and management organisations in connection with investments of the AXA Group, 2005 until January 2019
Current activities	<ul style="list-style-type: none"> – Chairman of the Board of Directors, Zürcher Freilager AG, Zurich, since 2016 – Chairman of the Board of Trustees, Serata, Stiftung für das Alter, Thalwil, since 2013 – Vice-Chairman of the Board of Trustees and Chairman of the Investment Committee, AXA Anlagestiftung, Winterthur, since October 2018 – Member of the Board of Directors, Swisshaus AG, Lenzburg, since February 2019 – Member of the Board of Trustees, Stiftung Waldegg, Zurich, since 2014
Board of Directors Intershop	<ul style="list-style-type: none"> – Non-executive member since 2018 – Elected until General Meeting 2020

None of the members of the Board of Directors had an operational function in the Intershop Group or had a significant business relationship with the Group in the three years prior to, or during the year under review.

Members of the Executive Board **Cyrill Schneuwly, 1963, Swiss citizen, Hittnau**

Education	Business economist FH, certified auditor
Professional experience	<ul style="list-style-type: none"> – Schweizerischen Bankverein, Zurich, 1980–1987 – Audit and consulting, Zurich, 1990–1995 – Corporate Controller with an international services and trade group, Baar, 1995–1997 – Chief Financial Officer, Intershop Group, 1998–2008 – Member of the Investment Committee, Corestate Capital AG, Zug, 2013–2016 – Member of the Board of Directors, mobilezone holding ag, Regensdorf, 2009–2018
Current activities	<ul style="list-style-type: none"> – Chief Executive Officer, Intershop Group, since 2008 – Member of the Investment Committee, AFIAA Anlagestiftung für Immobilienanlagen im Ausland, Zurich, since 2018

Christian Baldinger, 1965, Swiss citizen, Freienbach/SZ

Education	Architect HTL, Business Engineer NDS FH
Professional experience	<ul style="list-style-type: none"> – Self-employed architect, 1992–1993 – Architect/project manager, current TK Architekten AG, Zurich, 1995 – Leading architect, Kamata AG, Baar, 1996–1997 – Leading architect and owner, Kamata GmbH, Zurich, 1997–1999 – Managing Director, Baldinger Architekten GmbH, Zurich, 1999–2004 – Head of Development, Intershop Group, 2004–2007
Current activities	<ul style="list-style-type: none"> – Head of Building and Development, Intershop Group, since 2008 – No activities or functions outside the Intershop Group

Thomas Kaul, 1970, Swiss citizen, Uster

Education	lic. oec., Business Economist
Professional experience	<ul style="list-style-type: none">– Corporate Finance Advisor, UBS AG, Zurich, 1996–2000– Deputy CFO, Züblin Immobilien Holding AG, Zurich, 2001–2004– Chief Financial Officer, Züblin Immobilien Holding AG, Zurich, 2005–2006– Real Estate Private Equity Investment Manager, Sal. Oppenheim jr. & Cie. Corporate Finance (Schweiz) AG, Zurich, 2007–2010– Chief Financial Officer, Gutta International AG, Zug, 2010–2012
Current activities	<ul style="list-style-type: none">– Chief Financial Officer, Intershop Group, since 2012– No activities or functions outside the Intershop Group

Andreas Wirz, 1970, Swiss citizen, Zurich

Education	Architect ETH
Professional experience	<ul style="list-style-type: none">– Self-employed architect, 1994–1997– Consultant, Wüest & Partner AG, Zurich, 1998–2006– Investment Advisor, Rossberg Capital AG, Zug, 2006–2007– Interim management for private property company, 2008– Member of the Board of Directors, Corestate Capital AG, Zug, 2013–2016– Member of the Board of Directors, Corestate Capital Holding S.A., Luxembourg, 2015–2016
Current activities	<ul style="list-style-type: none">– Head of Portfolio Management, Intershop Group, since 2008– No activities or functions outside the Intershop Group

Other management staff of the Intershop Group

Intershop Management AG

Alberto Acampora, Management, Project manager Building and development
 Christian Bianda, Management, Project manager Building and development
 Philippe Burkhard, Management, Accounting
 Marc Essig, Senior Management, Head Accounting
 Rudolf Graf, Management, Property management
 Yannick Pietro Hartmann, Management, Portfolio management
 Ian Keeble, Senior Management, Head Controlling
 Susanna Langhart, Management, Property management
 Mireille Lehmann, Management, Project manager Building and development*
 Markus Lisibach, Senior Management, Project manager Building and development
 Jasmin Nold-Eugen, Management, Property management
 Bruno Werner Rechsteiner, Management, Property management
 Pascale Uehli, Senior Management, Head Property management

Centre St Roch – Yverdon-les-Bains S.A.

Vivianne André, Head Property management Centre St Roch, Yverdon

Realconsult AG

Christian Strebel, Managing Director

WTCL Services SA

Thibault Goinère, Managing Director

* from January 2020

Remuneration report 2019	31
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32	Principles, Compensation of the Board of Directors
33	Compensation of the Executive Board
34	Compensation 2019
35	Share ownership, executive body loans
36	Report of the statutory auditors

The remuneration report is drawn up in accordance with the legal and regulatory provisions (obligatory law, ordinance against excessive remuneration with stock exchange companies (VegüV) and the listing rules of the SIX Swiss Exchange) and the Articles of Association. This remuneration report sets out the mechanisms used to determine the compensation and profit-sharing plans of the Board of Directors and Executive Board. In addition, it provides a comparison of the compensation paid together with details of shareholdings of each member.

Intershop pursues a compensation policy that is performance-based, transparent and is aligned with the long-term prosperity of the company. Accordingly, members of the Executive Board are offered the opportunity to take part of their performance-based compensation in the form of shares in Intershop Holding AG that are subject to a multi-year vesting period.

Principles

In accordance with the Articles of Association, the Board of Directors shall submit to the annual general meeting for approval its maximum total compensation for the following period of office. Should unforeseen events lead to extraordinary encumbrances on the Board of Directors, the Board may submit for approval varying or additional compensation proposals for the same or subsequent periods of office.

For the term of office from the 2019 General Meeting to the 2020 General Meeting, the Board of Directors shall receive a fixed fee in cash within the framework of the total amount of CHF 0.4 million approved at the 2019 General Meeting.

The members of the Executive Board receive a basic salary as well as a performance-based compensation. For year under review the compensation was determined by the Board of Directors upon recommendation by the Remuneration Committee based on contractual obligations and the maximum total compensation approved by the General Meeting. For this purpose, the CEO makes recommendations for the performance-based remuneration as well as possible remuneration adjustments for the other members of the Executive Board and took part in the relevant meeting of the Remuneration Committee as a guest without voting rights. The CEO was not present for the assessment of his own performance and his remuneration. The Remuneration Committee waived the involvement of an external consultant.

At the Annual General Meeting 2020, the Board of Directors will prospectively propose for approval of a remuneration framework together with the maximum compensation for the Executive Board for the financial year 2021. The maximum total compensation for the Executive Board for the financial year 2020 was determined at the 2019 Annual General Meeting and stands at an unchanged CHF 3.7 million.

Compensation of the Board of Directors

The Board of Directors consists of a minimum number of three members as required by the Articles of Association. With exception of the Remuneration Committee which is required by law, there were no other committees formed. All Board members were elected to the Remuneration Committee at the General Meeting. As a result, compensation also compensated for participation in the Remuneration Committee. The compensation paid to the Chairman was twice that of other members of the Board due to the additional involvement. There was no provision for any performance-based compensation.

Compensation of the Executive Board

The total remuneration of the Executive Board comprises the following:

- 1) Basic salary
- 2) corporate profit-based compensation
- 3) performance-based compensation

In addition to the above, other compensation included pension contributions and social security costs.

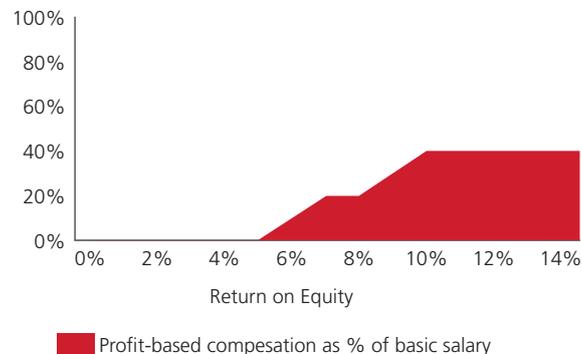
Basic salary

The basic salary is paid monthly to the members of the Executive Board and is the basis for the pension fund contributions.

Corporate profit-based compensation

The profit-based compensation is based on one or more performance indicators that are defined by the Board of Directors in advance and applies to both the year under review and the current period. It is determined based on the achieved return on equity (ROE). If this is below 5%, then there is no entitlement to any profit-based compensation. In the case of a target ROE of between 7% and 8%, then 20% of the basic salary will be paid out. This increases to a maximum of 40% should the ROE reach at least 10%. Between these levels, the compensation increases linearly. Due to the equity yield of 10.9% achieved in the year under review, the Executive Board will be entitled to receive 40% of the basic salary.

Profit-based compensation as a percentage of basic salary in relation to return on equity (ROE):



Performance-based compensation

In addition to the above, the Board of Directors can award each member of the Executive Board a performance-based compensation. This is based on the service and success of each Board member and is without written specifications or target agreements. The maximum performance-based compensation amounts to 60% of the basic salary. In the year under review, the performance-based compensation amounted between 40% and 52% of the basic salary.

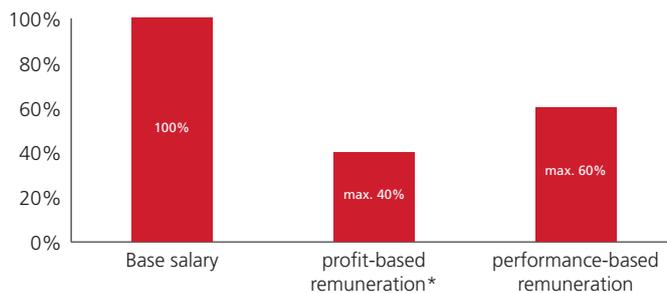
Payment of profit-based compensation in shares

The members of the Executive Board have the option of receiving the profit-based remuneration in whole or in part in shares of Intershop Holding AG, which are blocked for several years (executive share scheme). Currently, the vesting period, i.e. the duration during which the management member cannot dispose of the shares, is five years. The purchase price corresponds to the stock exchange closing rate of the date of acquisition. Depending on the return on equity achieved,

ved, the proportion of obtainable shares is increased. In the case of a return of at least 6%, the obtainable amount in shares is increased by 50%, and is doubled with a return of at least 7%.

Maximum compensation

The maximum level of compensation that a member of the Executive Board can receive in cash, based on a return of equity of at least 10%, is as follows:



*basic salary, profit-based compensation, performance-based compensation

In the event of a complete settlement of profit-based compensation in shares and a maximum performance-based payment, the total amount cannot exceed 140% of the basic salary.

Compensation 2019

For the year under review, the following remuneration was paid to the Board of Directors:

(in CHF 1,000)	Fee	Other compensation ¹⁾	Total 2019	Total 2018
Dieter Marmet, Chairman	150	10	160	159
Ernst Schaufelberger, Member	75	3	78	80
Kurt Ritz, Member	75	5	80	n/a
Charles Stettler, Member	n/a	n/a	n/a	40
Total Board of Directors²⁾	300	18	318	279

1) Employer's contribution to social and personnel insurance (OASI, DI, etc)

2) The maximum amount approved by the General Meeting was CHF 0.4 million (previous year CHF 0.4 million)

For the year under review, the following remuneration was paid to the Executive Board:

(in CHF 1,000)	Base salary	Profit-based remuneration	Performance-based remuneration	Other remuneration ¹⁾	Total 2019	Total 2018
Cyrrill Schneuwly, CEO	500	400	200	171	1,271	1,377
Total Executive Board²⁾	1,263	1,010	570	427	3,270	3,471

1) Employer's contribution to social security, social and personnel insurance (OASI, DI, etc) and benefits in kind

2) The maximum amount approved by the General Meeting was CHF 3.7 million (previous year CHF 3.7 million)

The amounts shown above for the Executive Board include certain estimates since the share-based part of the remuneration can only be decided upon once the financial statements have been published. In the year under review, the CEO received CHF 0.4 million (representing 67% of variable remuneration) and for the entire Executive Board CHF 1.0 million (representing 64% of variable remuneration).

Fixed expenses that are approved by the tax authorities are not included in the above table as they represent the reimbursement of expenses paid. In the year under review, the fixed expenses amounted to between CHF 12,240 and CHF 21,600 per member.

The employment contracts of the Executive Board are indefinite but can be terminated with a maximum of 12 months, notice. No termination pay has been agreed.

Share ownership

As at the reporting date, the Board of Directors and Executive Board held the following interests in Intershop Holding AG:

(Number of shares)	31.12.2019	31.12.2018
Dieter Marmet, Chairman	3,000	3,000
Ernst Schaufelberger, Member	200	0
Kurt Ritz, Member	100	n/a
Cyrell Schneuwly, CEO	6,392	7,092
Christian Baldinger, Head of Building and Development	2,147	2,114
Thomas Kaul, CFO	3,000	2,792
Andreas Wirz, Head of Portfolio Management	4,200	4,295
Total	19,039	19,293

The blocked shares acquired by the Executive Board within the framework of the executive share scheme are not released in the event of the departure of the member. However, the vesting period is suspended if employment is terminated due to retirement, death or disability, or the member is dismissed due to restructuring. The shares are also released in the event of a de-listing or in the event Intershop Holding AG is taken over. The restriction of disposal has no influence on the payment of dividends on the subscription rights in the case of capital increases and on the exercise of the voting rights.

Executive body loans

There are no loans, securities nor security services in favour of current or former Board members or related parties.

Report of the statutory auditor

to the General Meeting of Intershop Holding AG

Zurich

We have audited the remuneration report of Intershop Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 to 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 34 and 35 (Compensation 2019) of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

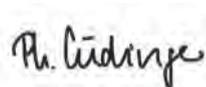
Opinion

In our opinion, the remuneration report of Intershop Holding AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Sandra Böhm
Audit expert
Auditor in charge



Philipp Gnädinger
Audit expert

Winterthur, 18 February 2020

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Preface

Dear shareholders, valued business partners and employees

Intershop is publishing its first Comprehensive Sustainability Report for the past financial year, which provides an insight into the value-creating fundamentals of the Group. However, the first time does not mean that we have not addressed the issue in the past. For many years, we have been analysing all major refurbishment and construction projects under selected sustainability criteria and implementing the knowledge gained where it is economically viable. For example, all of our promotional projects in recent years have been completed in accordance with the Minergie standard. Relevant sustainability labels were also obtained on extensive building renovations. For example, the property at Edenstrasse 20 in Zurich received LEED Platinum certification.

In addition to energy efficiency, we attach great importance to a good working atmosphere and occupational safety. This is reflected in a very low staff turnover and a very low level of sick leave caused by occupational accidents. We invest heavily in the training and development of our employees and also offer them the greatest possible flexibility through part-time employment. This is also reflected in the training of currently four apprentices.

A dedicated customer-orientated approach led us to expand the value chain several years ago, by creating more and more points of contact between our customers and our own motivated employees. Against this background, the insourcing of facility management was started more than 10 years ago. Regular exchanges with the larger tenants give us an insight into their needs and feedback on the services we offer. We always act reliably and correctly, and as a result, there have been no investigations or criminal proceedings against Intershop to date.

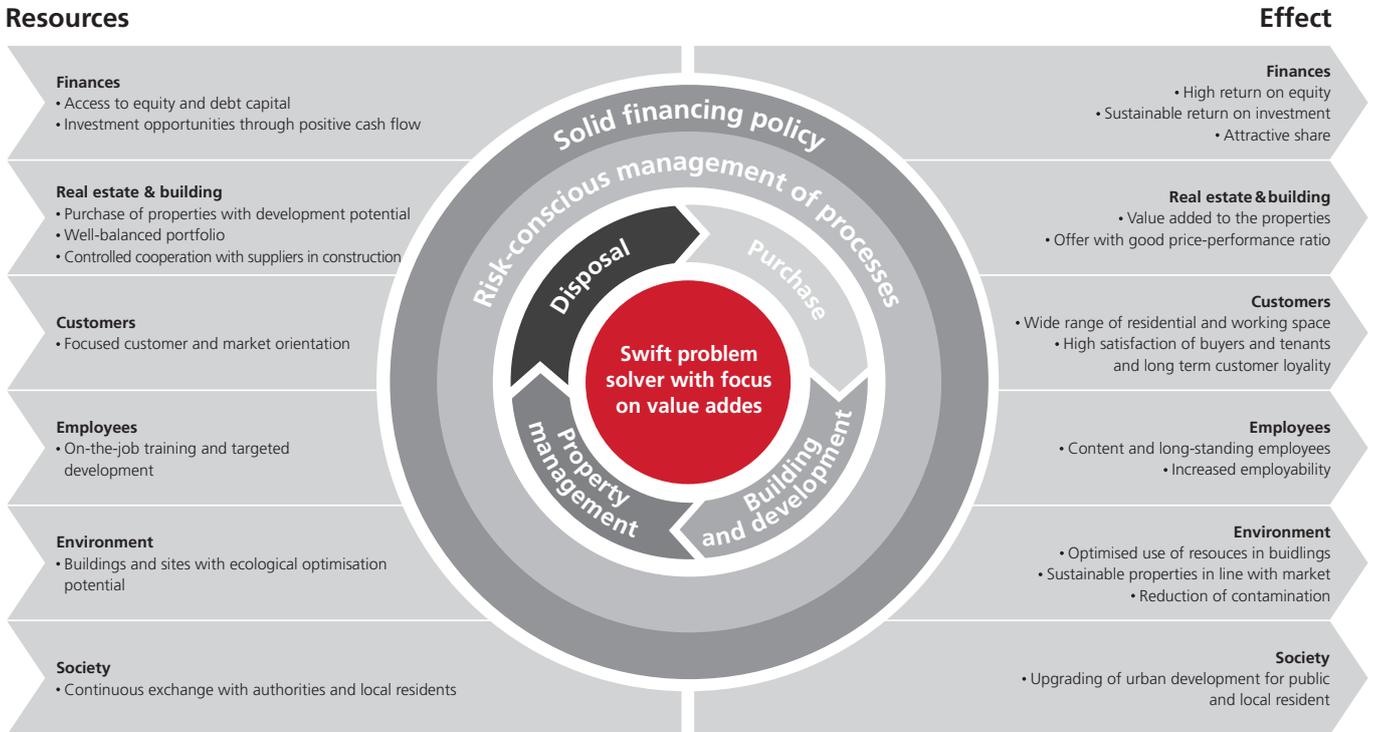
We would now like to report more about our activities and our commitment to sustainability. For this reason, we have held several workshops on this topic to clarify the standard to which Intershop intends to report in the future. In addition to the familiarity of the standard, it has been of central importance to us that we ensure that the relevant guidelines are in line with our strategy and the distinctive features of our business. With the standards of the GRI (Global Reporting Initiative), we have chosen a standard that not only focuses on ecological issues but also interprets the topic of sustainability in a comprehensive way. As Intershop's sustainability management system evolves, the report will continue to evolve in the future.

Intershop takes its environmental and social responsibilities seriously in order to ensure the long-term value creation of our business.



Cyrill Schneuwly
Chief Executive Officer

Integrated value creation with effect



A central aspect of Intershop’s business model is to increase the value of real estate through redevelopment. Development projects are often associated with specific challenges that have to be solved with a high degree of agility. This can only be achieved if all the resources that Intershop utilises in its business activities, are integrated into the business processes as effectively as possible. This includes financial resources, access to real estate on the market, a high degree of customer and market orientation, active employees with a high degree of personal responsibility, as well as the ability to deal with ecological requirements and social expectations. Simultaneously, this means that Intershop is focused on long-term value creation. Specifically, this is measured not only in terms of financial success and developed properties, but also in terms of the added value that Intershop creates for customers, employees, the environment and society. Intershop’s understanding of sustainability is summarised in the diagram above, which describes the company as an organisation focused on multidimensional value creation.

Sustainability and material topics

Sustainability covers a broad spectrum of economic, environmental and social issues. The first step in implementing the GRI standards was to identify the material topics to be reported on. In the year under review, the management, with the support of external experts, carried out a materiality analysis. External stakeholders were not explicitly consulted. Their known interests were, however, taken into account by the management in the assessment. In a workshop process, both company- and industry-specific topics as well as other topics proposed by the GRI standards were examined. These topics were then modified to fit the requirements of the company. Materiality was assessed on the basis of relevance to the long term business success, to the stakeholders and in terms of impact on the sustainable development. The result of the materiality analysis is shown in the following diagram (GRI 102-46, GRI 102-47):

These key topics mentioned above are addressed in the Sustainability Report. Applied to the GRI

standards, the following topics are considered significant (GRI 102-47): **Economic performance, procurement practices, anti-corruption, anti-competitive behaviour, energy, emissions, environmental compliance, employment, education and training, customer health and safety and compliance with socio-economic regulations.** Management approaches and indicators for the above GRI topics are also integrated into the report.

Key economic, environmental, and social topics for Intershop (GRI101)

Economic topics	Environmental topics	Social topics
<ul style="list-style-type: none"> • Profitability before growth • High attractiveness for investors • Agile problem solver with focus on properties with value added potential • Distinct customer orientation and good price-performance-ratio • Lean processes with a high level of in-house competence 	<ul style="list-style-type: none"> • Optimisation of property-related resources 	<ul style="list-style-type: none"> • Responsible business activity • Attractive employer with good development opportunities • High degree of personal responsibility of employees

Intershop's key stakeholders include tenants, buyers, employees, shareholders, government agencies, and suppliers (GRI 102-40). Stakeholders arise from the company's business activities and value chain. They are either affected by, or have a significant impact on, the business activities (GRI 102-42). Thanks to the lean corporate structure, the management and many employees are in regular contact with various interest groups. The individual business relationship with the stakeholders determines the regularity of the exchange. In addition, Intershop places emphasis on an open information culture and informs its stakeholders and the public through news, press releases, presentations, conferences, and annual general meetings, as well as through annual reports (GRI 102-43). Some of the issues from key stakeholders that are voiced repeatedly, include options such as shower facilities and electric charging stations. Intershop will encourage in-depth dialogues with authorities and other relevant stakeholders on larger development projects. For the «AuPark» project, for example, the objections relating to the traffic concept and energy supply as well as issues from nature reservists relating to the protection of moorland and light emissions have already been incorporated in the design plan. Shareholders representatives have also expressed a wish to see a comprehensive Sustainability Report. (GRI 102-44).

Responsible business activity

Values and principles

Intershop administers a social and individual responsibility and is committed to fair competition, a free market, as well as fair business relationships. Moreover, the company seeks to achieve sustainable corporate success, creating added value, not only for our shareholders, but also and stakeholders in the medium to long term. Long-term value creation is therefore the focus of our business activities. Satisfied customers - especially satisfied, long-term tenants - are the basis for long-term successful business development. Accordingly, the focus is on the respective needs of tenants, buyers or service recipients. Intershop constantly strives to offer economically attractive, sophisticated and sustainable products and services.

Intershop administers a social and individual responsibility and is committed to fair competition, a free market, as well as fair business relationships. Moreover, the company seeks to achieve sustainable corporate success, creating added value, not only for our shareholders, but also and stakeholders in the medium to long term. Long-term value creation is therefore the focus of our business activities. Satisfied customers - especially satisfied, long-term tenants - are the basis for long-term successful business development. Accordingly, the focus is on the respective needs of tenants, buyers or service recipients. Intershop constantly strives to offer economically attractive, sophisticated and sustainable products and services.

The basis for the implementation of these values and principles in everyday corporate life is an open communication and discussion culture and a flat hierarchy. The organisation and processes are geared towards risk, resource and cost-conscious management. Responsibility for compliance with the core corporate values is regulated in a code of conduct, which is publicly available on the website (www.intershop.ch/unternehmen/verhaltenskodex). Intershop pays particular attention to sustainable aspects such as environmental resources, energy consumption and emissions, interaction with various interest groups and employee satisfaction and development. They are anchored in the business processes, including the preparation, discussion and implementation of investment proposals.

Profitability before growth

Profitability is the basis for long-term value creation for shareholders and stakeholders alike. Investments in new properties and development projects must meet the requirements for value creation and, in particular, return on equity. In line with the corporate goal of achieving a return on equity of at least 8% on a multi-year average, each individual acquisition must generally meet this target. The focus on the return on equity is also promoted by the fact that the remuneration of the management depends on the success of the company, which is also linked to the return on equity. The long-term orientation of management towards the interests of shareholders is also supported by the possibility of share ownership with a five-year vesting period. One challenge for Intershop is that the current real estate market situation, combined with the strict profitability requirements on acquisitions, makes it difficult to purchase new properties. Thus, Intershop will continue to take advantage of the current sellers market to dispose of fully-developed real estate and concentrate on the development of its own portfolio.

High attractiveness for investors

The purpose of the company is to create value for shareholders through real estate investments. Intershop strives to offer shareholders an indirect real estate investment with an attractive return and to allow them to participate in its success, primarily through dividend payments. The corporate strategy is based on combining a high-yield portfolio of investment properties with the value creation potential of development properties. The conscious handling of risks on the real estate market and the financing structure are central pillars in the implementation of the strategy. In recent years, Intershop has achieved its target return on equity of 8% on a multi-year average. In each of the last ten financial years, a return on equity of more than 10% was generated, with an average of 11.6%.

Compliance and society

As a listed company, compliance with all legal requirements is of paramount importance to Intershop. Moreover, corruption is not compatible with the goals and values of the company. Company-specific corporate governance forms the basis for long-term corporate development while taking the interests of stakeholders into account. Compliance issues are implemented in daily business through guidelines, directives and training. For example, there have been anti-corruption provisions since 2006 and a code of conduct since 2012. In addition, external specialists are regularly consulted for certain legal areas such as the environment, contaminated sites and building regulations.

In 2019, as in previous years, there were no fines or non-monetary sanctions for non-compliance with laws or regulations. Intershop was also not involved in any proceedings for anti-competitive behaviour or breaches of antitrust and monopoly laws. Moreover, no cases of corruption have been registered.

Intershop is politically neutral and therefore does not support political parties. Donations to charitable organisations remained unchanged at CHF 2,500 per year. As in the previous year, Intershop did not conduct any sponsoring activities in the year under review. To better serve its own interests, Intershop is a member of VIS Verband Immobilien Schweiz, the Swiss Real Estate Association, SVIT, the Swiss Real Estate Association, the Swiss Homeowners Association, and several smaller local associations and societies.

Customer-oriented services

Swift problem solver with focus on value-adding features

Intershop is characterised by an integrated business model along the entire value chain with internal competencies in asset management, property management, construction and development, and facility management. This enables Intershop to respond swiftly to tenants' requirements on the one hand and to analyse and develop value added potential on acquisitions and development projects by forming interdisciplinary project teams on the other. Due to the relatively small size of the company, the management team knows all the properties in detail and contributes know-how and experience. The long years of service of many key employees promote the continuous implementation of value added projects, particularly important for development projects, when the planning and approval phase tends to last several years. In the year under review, progress was made on various development projects and important milestones were reached. Details of which are described in the Management Report (pages 10 to 12).

Distinct customer orientation and good price-performance ratio

Our clients include private, public and commercial tenants of real estate, private buyers of commonhold apartments and institutional and private investors as purchasers of investment properties. Intershop uses various tools, such as websites, advertisements, and brochures, to communicate with customers. However, personal contact with the customer, but also with commissioned architects, planners and brokers plays a central role.

The integrated business model, which incorporates broad in-house competence, enables fast reaction times in letting and is complemented by Intershop's strong customer-orientated property and facility management. In some properties, additional services are offered to tenants. At the World Trade Centre in Lausanne, for example, there are serviced offices, telephone and postal services, meeting and conference rooms and workplaces for tenants and employees available. In-

tershop focuses on the lower and mid-range price segment in the rental and sale of commonhold apartments. For example, a high degree of standardization in the construction of commonhold apartments leads to an attractive price-performance ratio.

Quality management for development projects also includes health and safety aspects. The requirements of the federal government, cantons, Suva, SIA, fire police, etc. as well as internal guidelines are implemented on a case-by-case basis. In addition, attention is paid to accessibility and external design. Health aspects in the working and resident area are also taken into account. In 2019, as in previous years, there were no breaches of regulations regarding the impact of products and services on the health and safety of customers.

Pragmatically controlled value chain

Lean processes with high in-house competence

Intershop's organisation is characterised by the fact that the value chain is managed with a high level of internal expertise and lean processes. With short decision paths all the way to the board of directors, swift action on the transaction market is always possible. On the other hand, the well-founded specialist knowledge enables the efficient implementation of development projects whose risk analysis and assessment requires interdisciplinary action. The close cooperation between property management, construction and development through to facility management also enables fast reaction times, for example when presenting customer-specific solutions for letting.

The efficient procedures and rapid decision-making processes are pursued through the flat hierarchy and an open discussion culture. For example, managers and project managers can address problems, present ideas and projects and discuss them in interdisciplinary weekly meetings with the management and heads of department.

An internal control system (ICS) ensures that internal processes are regularly checked for functionality and efficiency. This results in suggestions for improving processes, which are implemented in the context of employee briefing sessions and training.

Supply chain and procurement practices

Intershop's diverse group of suppliers, including contracted service providers and partners, help to determine a significant portion of the services provided to customers. These include building contractors, craftsmen, architects, planners, estate agents, property managers, utilities, building cleaners and consultants. In addition to price and quality of service, reliability and experience are also central to the selection process. Other criteria include knowledge of the area and short distances.

Due to the spectrum of the business model, which ranges from large new buildings and property developments to smaller renovations and the leasing of existing properties, the management of the respective project- and property-related supply chains are complex. On the one hand, personal, long-term relationships are of great importance. On the other hand, both the selection of suppliers and the terms of delivery must meet the strict requirements of an institutional environment. For example, for orders with a value of more than CHF 5,000, generally three offers must be obtained and submitted.

Intershop operates exclusively in Switzerland. The suppliers and service providers involved therefore mainly come from the respective geographical regions. In 2019, Intershop worked with

Property-integrated environmental protection

approximately 1,500 suppliers. The providers with the highest turnover include general contractors, planners, construction companies, utility companies and insurance companies. Of the 50 providers with the highest turnover, only one was based outside Switzerland.

Property-oriented resource optimisation

The conservation of natural resources and energy efficiency are not only central criteria in the operation of real estate, but also in new construction projects and major renovations and conversions. Decisions in the real estate industry have very long-term effects, which is why environmental criteria play an important role in real estate development, especially for larger areas. Efficient buildings have lower long-term costs and higher marketability because tenants and investors demand sustainable buildings.

Intershop's portfolio is heterogeneous and ranges from investment properties renovated in accordance with sustainability criteria to development sites with historical building fabric and old building technology. For this reason, the sustainability assessment and resource take into account the life cycle of the properties.

In the case of investment properties, the focus is on ongoing operations. The existing portfolio of investment properties is continuously analysed for sustainability-relevant optimisation measures including planned refurbishments, and takes into account the usage and life cycle of each property. In addition, the certification of refurbished or newly built properties or the fulfilment of standards even without certification is important for the long-term maintenance of value.

Sustainability-related improvements are also being implemented in the development properties, some of which are already let. However, the main focus with regard to sustainability is on redevelopment aspects. These are very diverse and include, amongst others, the disposal of contaminated sites, long-term socially relevant aspects of site development and the certification of new buildings.

The resource optimisation of investment properties by way of targets and effectiveness reviews, will continue to be further expanded in the coming years. Whereas the existing proven evaluation of development properties will continue to be carried out on an individual project basis. Intershop works with experienced external partners and promotes employee skills to optimise resources through training and development.

The commonhold apartments of the «eden7» project completed in 2018 were created according to the Minergie standard. In 2018, the extensively renovated property at Edenstrasse 20 in Zurich was awarded the highest possible «LEED rating Platinum» (Leadership in Energy and Environment Design). A Minergie standard is also being sought for the planned 80 or so commonhold apartments in Baden. We are also aiming for an SNBS certificate (Standard Nachhaltiges Bauen Schweiz - Swiss Sustainable Building Standard) in silver for the extension and comprehensive renovation of the property on Rue de Lausanne in Geneva.

In connection with the further development of the Industriepark Oberwinterthur site, the undeveloped plot of land of approx. 52,000m², approximately 8,000 tonnes of contaminated material were cleared in the year under review, which corresponds to a volume of 3,980m³ or around 400 truckloads.

In 2019, as in previous years, there were no fines or non-monetary sanctions for non-compliance with environmental laws or regulations.

Energy consumption, energy generation, CO₂-emissions and water consumption

		2019	2018	in %
Energy consumption				
Electricity	MWh	5,501	5,412	1.6%
Heat				
District heading	MWh	4,955	4,962	-0.1%
Gas	MWh	17,787	16,623	7.0%
Oil	MWh	6,724	8,927	-24.7%
Total	MWh	34,967	35,924	-2.7%
Electricity intensity	kwh/m ²	17	17	1.5%
Heat intensity	kwh/m ²	93	96	-3.5%
Energy intensity	kwh/m ²	110	113	-2.8%
CO₂ emissions				
Gas	t CO ₂ e	4,057	3,791	
Oil	t CO ₂ e	2,004	2,661	
Total Scope 1	t CO ₂ e	6,061	6,452	
Electricity	t CO ₂ e	550	541	
District heating	t CO ₂ e	375	375	
Total Scope 2	t CO ₂ e	925	916	
Total	t CO₂e	6,986	7,369	-5.2%
CO₂ intensity	k CO₂e / m²	22	23	-5.3%
Water consumption				
	m ³	228,221	220,565	3.5%
Water intensity	m ³ /m ²	0.72	0.70	3.4%
Energy production	MWh	2,591	2,530	2.4%
CO ₂ equivalent	t CO ₂ e	259	253	
Data basis				
Number of properties		32	32	
Leasable area	m ²	316,679	316,358	

The base is formed by the investment properties that were in the portfolio in both fiscal years (like-for-like). Properties with individual tenants or condominium owner associations in which Intershop does not exercise operational control are not included. In total, 76% of the properties and 76% of the rental space of the entire portfolio of investment properties as of 31 December 2019 are included in the analysis. Development objects are not included in the presentation because they are generally in a transformation process and the focus with regard to sustainability is on development rather than on ongoing operations. For individual properties, the heating oil consumption is not calculated on the key date 31 December 2019, but on the last key date of the heating and service charge settlement period. For individual properties for which no final statement from the utility companies is available on the closing date, the individual values are estimated on the base of the previous year's figures.

High degree of personal responsibility of the employees

Central to the success of the company are its employees. Qualified employees, entrepreneurial action, and appropriate risk and cost awareness are key to implementing Intershop's value creation strategy. Intershop attaches great importance to personal responsibility in order to promote entrepreneurial behaviour and increase job satisfaction and commitment among its employees. Individual responsibility is strengthened by an open culture of communication and discussion as well as by the flat hierarchy and the manageable size of the company. Through direct contact between management and employees, the degree of personal responsibility can be regularly assessed on the base of their suggestions and ideas and their implementation.

The Code of Conduct and the internal directives regulate dealings with and between employees and makes clear that discrimination of any kind in particular, is neither concealed nor tolerated by the company. The fluctuation rate is historically low and was 11% for all Group companies (previous year 15%). In 2019 there were ten newcomers and eight leavers, thereof seven male and three female and five male and three female respectively.

Attractive employer with good development opportunities

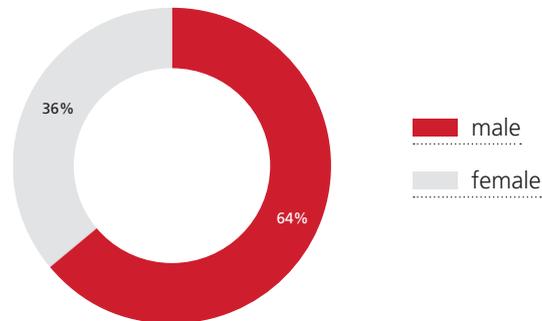
Since the qualification of the employees is an essential factor for the success of the company, training and further education is particularly encouraged and supported. In the year under review, employees of the Intershop Group attended a total of 207 (190) days of training and education. This corresponds to an average of 2.9 training days (2.7 days) per employee. In addition to daily training and further education, comprehensive training courses are also offered, for example to acquire a specialist certificate in property management or a «Master of Advanced Studies (MAS) in Real Estate». Intershop promotes education and training by providing financial and time support. Intershop also regularly trains apprentices. On 31 December 2019, four apprentices were in training.

Every year a structured appraisal interview is held with the direct superior, which serves the purpose of mutual assessment and the setting of objectives.

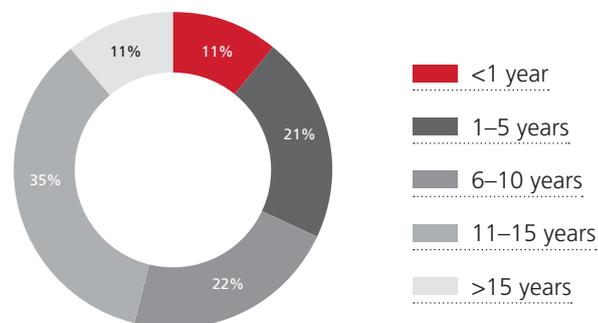
Employee structure

	31.12.2019	in %	31.12.2018	in %
Level of employment				
full time	52	72%	50	71%
part time	20	28%	20	29%
Total	72		70	
Full-time equivalents	65		64	
Gender				
male	46	64%	44	63%
female	26	36%	26	37%
Total	72		70	

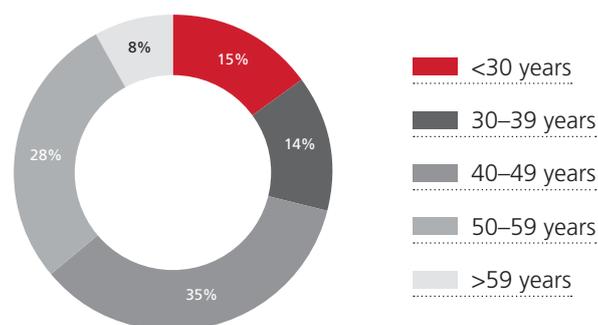
Gender of employees



Length of service of employees



Age structure of employees



About this report
(GRI 102-48; 102-49)

This report was prepared in accordance with the GRI standard option «Core». The contact person for sustainability reporting is the CFO. From now, Intershop reports annually on its sustainability topics; this first report does not contain any new information. The reporting period is fixed from 1 January 2019 to 31 December 2019. Intershop has not obtained external confirmation of the information and data in the sustainability report. The content of this report focuses on topics that are relevant to Intershop or its stakeholders or that have a significant influence on sustainable development. For further information, reference is made to the section «Sustainability and material topics». Further information on sustainability can be found in the GRI Index on the website at https://intershop.ch/fileadmin/Daten/PDF/Nachhaltigkeit/GRI_Index/2019_GRI_Inhaltsindex_2019_PXv55.pdf (GRI 102-46).

Strategy and investment policy Intershop buys, develops, manages and sells real estate.

The investment policy of Intershop Holding AG aims to generate sustainable added value on investments and to realise this in the medium term through sales, whereby the focus lies on real estate with sufficient development potential. This is the case when a reduction in vacancy rate, optimisation of the area, usage and tenant structure as well as cost reduction can improve the earnings flow of the investment in a sustainable manner. The company utilises changes in market and regulatory conditions to identify and secure added value. Long-term investments will be considered if a corresponding yield can be achieved.

Direct ownership is preferred, although investments in leasehold property, commonhold property as well as indirect participation in companies or joint ventures cannot be excluded.

The company concentrates on properties with a minimum volume of at least five to ten million Swiss francs. The portfolio must consist of at least 20 properties, whereby the maximum single property value cannot exceed 25% of the total market value of the portfolio. In addition, the share of residential property may not exceed the limit that would lead to a restriction within the framework of «Lex Koller» and is, in any event, limited to a maximum of 15% of the total market value of the portfolio.

To ensure sufficient diversification of usage, the company focuses on office, commercial and retail space. Revenue from office space may not exceed two thirds, and that of retail and commercial areas, 50% of total rental income.

In the interest of long term value creation, Intershop takes the needs of all stakeholders into account. In addition to financial performance, the value created for customers, employees, the environment, and society is also a key component of Intershop's business model. Intershop's understanding of sustainability includes economic, ecological, and social impacts on stakeholders.

Whilst the company focuses on urban centres and the main transport axes of Switzerland; the decisive factor for any investment decision in a particular location lies in its suitable usage options. Consequently, Intershop detracts from investing in exposed locations and situations that are detrimentally affected by fluctuations in rental price and value caused by the accumulation of luxury and enthusiast projects.

Investments outside Switzerland are possible.

Rental income should be sustainable and inflation-protected.

In order to optimize the return on equity, Intershop aims to finance the investments adequately with debt. Financial instruments for interest rate or currency hedging are only used in the normal course of business.

A portion of the profits from operating activities is distributed to shareholders in the form of dividends.

The strategy and investment policy of Intershop Holding AG is determined by the Company's Board of Directors, is reviewed annually and can only be modified by the Board of Directors.

Basel, Gellertstrasse 151, 157, 163



Intershop acquired the three apartment buildings, originally built in 1968, back in 2006. The rented properties were originally part of a company purchase which included two high-rise residential buildings and a small neighbourhood shopping complex.

As the quality and configuration was no longer up-to-date, Intershop decided, as part of its 2018 «Albanteich-Promenade» development plan, to design attractive commonhold apartments, doubling the usage in the process. The demolition work began in the first half of last year.

In a central, idyllic location, 30 apartments with 3.5 or 4.5 rooms are now being built in timeless architecture and sustainable construction with beautiful materials and harmonious colour concepts that ensure a sense of well-being. Panoramic windows and large sliding glass doors ensure that the rooms are flooded with light.



Further information on the project and proposals can be found on the website www.gellertstrasse.ch.



Baden, Römerstrasse 36-36c

Intershop acquired the four office pavilions on Römerstrasse in Baden in 2006 and 2007. Built in 1958 and renovated in 1990, the properties were used by «ABB» for many years and were last leased to «ALSTOM». After the expiry of the lease, a repositioning was necessary.



In consultation with the city of Baden, a special use plan was drawn up to convert the property into residential space in its exposed and sought-after location, adjacent to a conservation area and the Limmat.

The four pavilion buildings will be extensively renovated, raised and extended. It is expected that by 2022 a total of approx. 80 2.5 to 5.5 room commonhold apartments will be built using sustainable construction standards.

Fascinating and generous floor plans with an impressive room height of 2.90 metres promise a special feeling of space. Further information on the project and proposals can be found on the website www.roemerstrasse-baden.ch.



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Consolidated balance sheet

(in CHF 1,000)

Assets

	Notes	31.12.2019	31.12.2018
Current assets			
Cash	4	17,155	133,784
Securities and short term deposits	5	0	8,274
Trade receivables	6	1,563	750
Other receivables	6	9,309	6,403
Investment properties for disposal	8	14,209	42,486
Promotional properties	7	32,249	8,823
Accrued income and prepaid expenses	6	752	798
Total current assets		75,237	201,318
Non-current assets			
Investment properties	8	1,137,356	1,112,004
Development properties	9	128,954	139,380
Other equipment		348	268
Intangible assets		12	26
Deferred tax assets	13	147	138
Assets from pension benefits	24	938	1,330
Total non-current assets		1,267,755	1,253,146
Total assets		1,342,992	1,454,464
Current liabilities			
Short term financial liabilities	12	80,850	160,846
Trade payables	10	11,146	2,493
Tax liabilities		6,527	6,877
Derivative financial instruments	12	0	335
Short term provisions	11	3,098	1,836
Accrued expenses and deferred income	10	23,019	26,991
Total current liabilities		124,640	199,378
Non-current liabilities			
Long term financial liabilities	12	423,136	428,176
Derivative financial instruments	12	12,273	12,256
Deferred tax liabilities	13	111,723	117,190
Long term provisions	11	5,074	7,396
Total non-current liabilities		552,206	565,018
Total liabilities		676,846	764,396
Shareholders' equity			
Share capital	14	19,000	20,000
Capital reserves		6,071	6,035
Retained earnings		641,075	664,033
Total shareholders' equity		666,146	690,068
Total shareholders' equity and liabilities		1,342,992	1,454,464

**Shareholders' equity
and liabilities**

The disclosures in the notes form an integral part of the consolidated financial statements.

Consolidated income statement

(in CHF 1,000)

	Notes	2019	2018
Rental income	18	82,843	87,955
Net gains from property disposal	19	7,411	81,982
Other income	20	4,773	4,543
Total operating income		95,027	174,480
Property expense	21	8,907	9,713
Personnel expense	22	10,914	11,441
Administrative expense	23	2,933	2,807
Total operating expense		22,754	23,961
Changes in fair value of properties	25	16,631	16,177
Operating result (EBIT)		88,904	166,696
Financial income	26	95	144
Financial expense	26	-9,924	-12,456
Profit before taxes		79,075	154,384
Tax expense	27	-8,067	-34,784
Net income		71,008	119,600
There are no minority interests.			
Earnings per share (CHF)	28	37.33	59.84
Earnings per share (diluted) (CHF)	28	37.33	59.84

The disclosures in the notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(in CHF 1,000)

	Note	Share capital	Capital reserves	Treasury shares	Retained earnings		Total capital
					Other retained earnings ¹⁾	Hedging reserve	
Balance as at 1.1.2018		20,000	6,047	-981	605,810	-11,643	619,233
Purchase of treasury shares	14			-7,618			-7,618
Share-based payments (participation plan)	14		-12	1,021			1,009
Dividend payment					-43,956		-43,956
Change of derivative financial instruments	12					1,800	1,800
Net income 2018					119,600		119,600
Balance as at 31.12.2018		20,000	6,035	-7,578	681,454	-9,843	690,068
Purchase of treasury shares	14			-54,875			-54,875
Share-based payments (participation plan)	14		36	974			1,010
Capital reduction	14	-1,000		51,500	-50,500		0
Dividend payment					-41,316		-41,316
Change of derivative financial instruments	12					251	251
Net income 2019					71,008		71,008
Balance as at 31.12.2019		19,000	6,071	-9,979	660,646	-9,592	666,146

1) Thereof non-distributable legal reserves amounting to TCHF 69,806 (TCHF 59,214)

The disclosures in the notes form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(in CHF 1,000)

	Notes	2019	2018
Net income		71,008	119,600
Taxes	27	8,067	34,784
Changes in fair value of properties	25	-16,631	-16,177
Depreciation		130	173
Interest income	26	-30	-120
Other financial income	26	-65	-24
Interest received		17	107
Interest expense	26	9,924	12,456
Interest paid		-11,635	-12,504
Taxes paid		-16,940	-47,675
Net gains from property disposal	19	-7,416	-81,982
Receipts from sale of promotional properties		4,138	20,770
Payments for investments in promotional properties		-5,244	-3,638
Changes in net working capital		698	-2,694
Net cash from operating activities		36,021	23,076
Payments for investments in investment properties		-20,358	-16,552
Receipts from disposals of investment properties		50,493	175,013
Payments for investments in development properties		-9,742	-15,882
Payments for purchases of securities and fixed deposits		-6,503	-10,000
Receipts from disposals of securities and fixed deposits		14,842	1,750
Payments for purchases of other equipment and intangible assets		-191	-195
Net cash from investing activities		28,541	134,134
Proceeds from financial liabilities	12	70,000	5,850
Repayment of financial liabilities	12	-155,000	-23,850
Dividend payment		-41,316	-43,956
Purchase of treasury shares	14	-54,875	-7,618
Net cash used for financing activities		-181,191	-69,574
Change in cash		-116,629	87,636
Cash at beginning of reporting period		133,784	46,148
Cash at end of reporting period		17,155	133,784

The disclosures in the notes form an integral part of the consolidated financial statements.

Accounting principles

Basis of consolidation

The consolidated financial statements of the Intershop Group have been prepared in accordance with all existing guidelines of Swiss GAAP FER (accounting and reporting regulations, including FER 31) and the regulations for real estate companies set out by SIX Swiss Exchange and provide a true and fair view of the financial position of the Intershop Group and of its earnings and cash flows.

Principles of consolidation

Scope of consolidation

The consolidated financial statements of the Intershop Group include the financial statements of Intershop Holding AG and all the subsidiaries it controls either directly or indirectly by majority of votes or other means (hereinafter referred to as «Intershop Group» or «Group»). These investments are fully consolidated. Investments in associated companies where the share of investment is between 20% and 50% of the voting rights, are accounted for using the equity method. Investments with a share of less than 20% are recognised at acquisition cost less any provision for impairment. The consolidated financial statements are based on the individual financial statements from the group companies prepared in accordance with standard guidelines. The reporting date is 31 December. Prior year figures are shown in brackets.

Intercompany transactions and relationships

All intercompany assets and liabilities as well as intercompany services have been eliminated within the framework of the consolidation.

Capital consolidation

Capital consolidation is carried out using the purchase method. On initial recognition, share capital of the subsidiary company is set off against the investment in the parent company. For newly-formed subsidiaries, this occurs at the time of its foundation. The difference between the purchase price of an acquired company and the fair value of the resulting net assets acquired is set off against shareholders' equity. Upon subsequent disposal of an investment in group companies, the difference between the sales proceeds and pro rata book value including historical goodwill is disclosed as profit or loss in the consolidated income statement. Subsidiaries disposed of during the course of the year will be eliminated from the consolidation from the date of sale. The share of equity and profit attributable to minority shareholders will be separately disclosed in the consolidated accounts. At the balance sheet date, no outstanding minority interests existed.

Foreign currency conversion

All amounts contained in the consolidated financial statements are shown in Swiss francs (CHF). The individual subsidiaries prepare their financial statements in local currency. If no other information is provided, the disclosure is in CHF 1,000.

Exchange gains and losses from transactions in foreign currencies and from adjustments to foreign currency positions as at the balance sheet date are recognised in the consolidated income statement.

Segment reporting

The companies of the Intershop Group are currently operating exclusively in the Swiss property market and do not perform any significant activities for third parties. The real estate portfolio, consisting of investment, development and promotional properties, is managed as a single business unit. For this reason, no segment reporting has been prepared. However, to assess the

separate categories of property, certain additional data has been published.

Valuation principles

The consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of investment and development property, securities and fixed deposits and derivative financial instruments, which are measured at fair value.

Cash and cash equivalents

Cash comprises cash in hand, post and bank deposits as well as fixed-term deposits with a term of up to 90 days and are recognised at nominal value.

Securities and short-term deposits

Securities are marketable, easily realisable monetary and capital investments together with fixed deposits with a remaining term of over 90 days. They are measured at fair value and changes in fair value are recognised in the consolidated income statement.

Trade receivables

This position includes receivables from ordinary business activities, primarily rent receivables, which are recognised at nominal value less any necessary business impairment. As a rule, rent receivables that are older than two months are considered at risk and are suitably provided for. Changes in the value of these provisions are disclosed as part of rental income.

Other receivables and accruals

Other receivables are recognised at nominal value less any necessary impairment.

Promotional properties

Promotional properties are properties under construction, which are intended to be disposed of immediately after completion. They are disclosed as inventories and recorded at amortised cost less any impairment and shown as part of current assets. The profit from the sale of promotional properties is shown as «net gains from property disposal».

Investment properties

Investment properties are properties held for long-term purposes and are measured at fair value. The valuation is determined by an independent property valuer using the discounted cash flow method (DCF). Changes in fair value, together with the associated deferred tax are charged or credited to the result for the period. Investment properties are not depreciated. Investment properties whose disposal within twelve months of the balance sheet date is very probable, are disclosed under «Investment properties for disposal» and shown as part of current assets. As a rule, these are properties that are already under contract for sale at the balance sheet date. Such properties are recorded at the lower of fair value and expected selling price less selling costs.

Development properties

Development properties are either properties under construction that will be reclassified as investment properties once construction work has been completed, or properties for which substantial development is envisaged, and for which a sustainable re-usage is envisaged.

Properties under construction will be measured at fair value as soon as a fair value can be reliably determined. This valuation is determined by an independent property valuer using the discounted cash flow method (DCF). The prerequisites for a reliable fair value are the existence of a specific construction project in which the costs and revenues can be reliably determined and the existence of a legally binding planning permission. If these conditions are not met, then the development properties are recorded at amortised cost.

Properties for which a substantial development programme is envisaged, will be transferred from investment to development properties as soon as the decision to develop has been made. Such properties will continue to be valued assuming a continuation of current use by the independent property valuer using the discounted cashflow method (DCF), until a specific construction project is determined. The reclassification from development to investment properties occurs, once construction work has been completed. Changes in fair value on the development properties measured at fair value, together with the associated deferred tax, are charged or credited to the result for the period.

Investments in associated companies

Investments in associated companies where the share of investment is between 20% and 50% of the voting rights, are accounted for using the equity method.

Other tangible assets

Other tangible assets are recognised at acquisition cost less depreciation. The depreciation is calculated on a straight-line basis over the expected useful life of between three and five years.

Intangible assets

Acquired intangible assets are recognised when they bring a measurable benefit over several years. It comprise of software and is recognised at acquisition cost less depreciation. The depreciation is calculated on a straight-line basis over the expected useful life of four years.

Employee pensions

The Group has several pension plans for its employees that are organised in independent foundations or insurance companies and are in accordance with the legal requirements in Switzerland. They provide benefits in the event of retirement, death or invalidity. The plans are financed by employer and employee contributions and are calculated as a percentage of the insured salaries. The consolidated income statement includes accrued payments due to the foundations and insurance companies as well as the ongoing expenses for the fulfilment of the remaining pension plans. The valuation and disclosure of the swiss pension obligations is in accordance with Swiss GAAP FER 16. Actual economic effects on the Group of the pension plans are considered at the balance sheet date. An economic benefit is disclosed as an asset if it can be used to reduce future pension expenses of the Group. An economic obligation is disclosed as a liability if the prerequisites for a future pension provision of the Group exist. Freely available employer contribution reserves are separately recorded as assets. The change in the employer contribution reserve is recorded in the consolidated income statement as a personnel expense or financial income.

Financial liabilities

Loans, mortgages and bonds which are generally concluded on a long-term basis are recognised as long term financial liabilities in the consolidated balance sheet. The tranches due within twelve months of the balance sheet date are disclosed as short term financial liabilities.

Derivative financial instruments

In the Intershop Group, derivative financial instruments are usually used for interest rate hedges and in part currency hedging. They are recognised in the consolidated balance sheet at the acquisition date at original value and subsequently at fair value. The changes in fair value resulting from cash-flow-hedges (unrealised gains and losses) are recognised directly in equity. Changes in the fair value of derivatives without hedging components are booked in the consolidated income statement. Contracts due within twelve months of the balance sheet date are disclosed as short term financial liabilities.

Trade payables

Trade payables and other liabilities are recognised at nominal value.

Provisions

Provisions are obligations arising from past events whose amounts and/or due dates are uncertain but can be estimated. Provisions are recognised based on the probable expected cash outflows and are re-assessed at each balance sheet date. They are disclosed in the consolidated balance sheet in accordance with the expected due dates as either short or long-term liabilities.

Deferred tax assets and liabilities

Deferred tax liabilities are accounted for in accordance with the balance sheet liability method. They are recognised on temporary differences between the consolidated balance sheet and the local tax balance sheet value of assets and liabilities and calculated using the current tax rates applicable for the respective locations and expensed through the consolidated income statement and disclosed as non-current liabilities in the consolidated balance sheet. They include deferred taxes on the revaluation of investment and development property. In determining any property gains tax, the rate will be calculated using the individual tax system governing at the location of the property and include a realistic holding period for each property. For newly-acquired properties, a minimum holding period of three years will be used to reduce the effects of any existing speculation surcharges. Changes to local tax rates will be included in the calculation of deferred tax. The temporary differences are netted against any eligible taxable losses at individual company level. In addition, deferred tax assets from tax loss carry-forwards are only capitalised if it is reasonably certain that they are recoverable through future taxable income.

Income taxes

The current income taxes are calculated using the appropriate local current tax rates and are in accordance with the current fiscal regulations. They are also based on the expected tax results for the period and are disclosed as tax liabilities on the consolidated balance sheet.

Income recognition

The «rental income» is income from the rental of properties and includes net rental income, i.e. target rental income less rents lost due to vacancies. Income is recorded on an accruals basis in the consolidated income statement and is based on the contractual agreements.

The «net gains from property disposal» consists of the difference between the net sales proceeds on the disposal of investment and development property (i.e. after deduction of all costs relating to the sales but excluding taxes) and its fair value as reported in the previous year's consolidated balance sheet plus any capitalised investment made during the course of the year under review. This position also includes proceeds from the disposal of promotional property which are recorded in the consolidated income statement at the date at which the asset is legally transferred.

The «other income» primarily includes services that are charged to third parties (usually tenants). The income is recorded on an accruals basis.

The «property expense» consists of maintenance and repair work and general operating expenses (property management expenses, insurance costs, property taxes and fees and land rents). In addition, non-refundable service charges are also recorded under this position.

The investment and development properties are valued by an independent property valuer. The «changes in fair value of properties» are disclosed in the consolidated income statement.

Estimates and assumptions

In preparing the consolidated financial statements in accordance with Swiss GAAP FER, management is required to make estimates and assumptions that can influence reported income, expense, assets and liabilities at the time the statements are drawn up. The estimates and assumptions used are based on past experience as well as on other factors which appear plausible at that specific point in time. The estimates and assumptions are reviewed on an ongoing basis. The effective values can nevertheless deviate from the original estimates. The most important items that are based on estimates and assumptions are listed below.

Fair value of investment and development properties

The fair value of the investment and development portfolio is determined by an independent, qualified property valuer. Incorrect assumptions or unexpected developments can significantly affect the fair value of the properties in the future.

Provisions

The Group has created provisions for legal disputes and warranty commitments based on current risk assessments. The effective values can nevertheless deviate from the original estimates and, as such, can have a significant effect on future periods.

Deferred tax liabilities

The calculation of deferred tax liabilities is based on the current and expected future tax rates known at the balance sheet date and the property gains tax based on an estimated holding period. Changes to the tax rates and to the estimated holding periods used for calculating the property gains tax can have a significant impact on the tax expense in future periods.

Risk management

Principle

At the Intershop Group, a high level of importance is attributed to risk management and it is regularly addressed in the Executive Board and Board of Directors meetings. The following risks can greatly influence the future income of the Group and consequently the value of the company.

Market risk

The general economic development strongly influences the demand for rental space, the level of rental prices as well as the reduction in vacancies. As regional and industry-specific economic developments are heterogeneous, Intershop tries to counteract this risk by means of well-diversified real estate portfolios, in both terms of geography and utilisation. Market rents considered in the market value (fair value) assessments are taken from the databases used by the independent property valuers. Reductions to any existing vacancies will be determined by the independent property valuer based on actual market developments.

An increase or decrease of 5% in the estimated rental market prices of all properties would result in an increase in the investment and development property portfolio as at the balance sheet date amounting to CHF 46 million or 3.5% (CHF 46 million or 3.5%) or a decrease amounting to CHF 46 million or 3.5% (CHF 46 million or 3.5%) respectively.

In accordance with the Group's investment strategy, the real estate portfolio must consist of at least 20 properties, whereby the maximum single property value cannot exceed 25% of the total market value of the portfolio. To ensure sufficient diversification of usage, the company focuses on office, commercial and retail space. Revenue from office space may not exceed two thirds, and that of retail and commercial areas, not more than 50% of total rental income. Intershop also invests primarily in real estate in good locations with average rental price level, which usually react less strongly to changes in economic development.

Credit risk

The general economic development can also impact on the solvency of the tenants and can lead to loss of rent. Intershop therefore try where possible to avoid dependency on one major tenant, unless the latter has an above-average credit rating. The risk of unpaid rent receivables is counteracted by active debt management. Rent that is overdue for longer than two months is considered at risk and are provided for, unless the claim can be considered not to be at risk due to the specific facts (e.g. if there are no doubts about the creditworthiness of the Lessee). Receivables from tenants who are known to be in financial difficulties are immediately provided for. Liquid funds are invested in companies with high credit ratings. For financial assets with inherent credit risks, the balance sheet value equates to the maximum default risk.

Interest and refinancing risk

Intershop is cautious when managing its external debt. According to the investment policy, real estate can be adequately financed with debt. Accordingly, there is a dependency on the development of interest rates. Since the sale of developed properties is an integral part of the Intershop strategy, generally only part of the financing will be with fixed interest debt in order to prevent any penalty arising from early settlement. For this reason, the average interest rate period is generally only between two and three years. In the case of a favourable market situation (e.g. low long-term interest rates), the average interest rate period can also be extended. In the case of fixed mortgages, Intershop strives for a balanced maturity profile. Interest hedging transactions can also be used to hedge mortgages with short-term interest rates.

Based on interest rates as at the balance sheet date, a reduction in the short-term interest rate of half a percentage point (50 base points) would increase the annual interest costs of the financial liabilities by CHF 0.8 million (CHF 0.8 million) whereas an increase in short-term rates would give rise to a reduction of CHF 0.8 million (CHF 0.8 million). The influence of the cash flow hedges on equity following an increase of 50 basis points would amount to CHF 3.3 million (CHF 3.9 million). With a decrease of 50 basis points, the effect would amount to CHF –3.6 million (CHF –4.2 million).

Rising interest rates can also have a negative impact on the market value (fair value) of the properties, since the discount and capitalisation interest rates have a certain correlation with the interest rates for long-term, risk-free investments. As the largest part of the rental contracts of the Intershop Group are indexed or are reliant on sales (turnover rents), the effects of inflation and the effects on the value of property (despite increasing discount rates) should remain aligned long term. A reduction in the average weighted discount rate of 0.1 percentage point would increase the value of the investment and development property portfolio by CHF 30 million or 2.3% respectively (CHF 30 million or 2.3%), whereas a corresponding increase in the discount rate would reduce it by CHF 30 million or 2.3% respectively (CHF 30 million or 2.3%).

Liquidity risk

The aim of liquidity management of Intershop is to ensure sufficient liquid reserves at all times. This includes the ability to finance smaller and medium-sized acquisitions out of the Group's own resources. In purchase negotiations, this often means an additional advantage. A key indicator is the liquidity reserve calculated as follows:

Liquid assets
+ short-term securities
+ additional committed financing potential for properties
= Liquidity reserve

The liquidity reserve should generally be at least CHF 20 million. As at the balance sheet date, it amounted to CHF 150 million (CHF 335 million). The group had a callable credit limit of CHF 5.7 million (CHF 4.1 million) as at the balance sheet date.

Development risk

The processing of larger conversions and new construction works also includes various risks. There are uncertainties regarding rentability, cost control as well as regarding planning permissions and requirements. Intershop will therefore only begin such projects once an appropriate level of rental income is guaranteed, or corresponding commitments exist. To help minimise the cost risk, a general contractor will be appointed and/or a cost limit agreed for major projects. For acquisitions of larger development projects, paragraphs will be included in the purchase contracts that will allow for the purchase to be reversed if either planning permission is not obtained, or unreasonable conditions are imposed.

Contamination risk

In the case of acquisitions, there is a risk that properties being acquired are contaminated. Consequently, Intershop will initiate a comprehensive contamination examination if there is any suspicion of contamination. Should this be the case, the risk will be quantified by experts and either deducted from the purchase price or, if the counterparty is deemed to have the necessary solvency, guaranteed by the latter. The estimated costs for the overhaul of the contaminated areas are classified as future investment in the event that they are not guaranteed by a third party and are included in the valuations carried out by the independent property valuers.

Currency risk

Intershop currently has no directly held properties abroad and there are no significant balance sheet items in foreign currencies.

Capital risk

The economic equity corresponds to the capital reported in the balance sheet. In the multi-year average, Intershop aims to achieve a return on equity of at least 8%. In order to achieve this target, external financing is also used, provided, that the Group's good credit rating is not affected. For this reason, the properties are generally financed up to a maximum of two thirds of their market value. Financial indicators such as interest cover factors and minimal equity capital equipment are stipulated in some financing contracts. These covenants are in part defined as quota and in part in absolute terms. The strictest specifications include a minimum equity ratio of 30% and/or a minimum equity of CHF 350 million. As at the balance sheet date, the equity ratio was 49.6% (47.4%), and equity amounted to CHF 666 million (CHF 690 million). A part of the profits generated will be distributed in the form of dividends to the shareholders. The proposals of the Board of Directors do, however, take the current market conditions into consideration. This means that if the market conditions do not allow adequate reinvestment of the profit, the unused funds can be returned to shareholders by way of a higher dividend or in another form.

Notes to the consolidated financial statements

1 Business activity

The Intershop Group is a real estate company that focuses on the purchase, development and sale of real estate primarily in Switzerland.

Intershop Holding AG, headquartered in Zurich, Switzerland, is listed on the SIX Swiss Exchange and controls all companies in the Intershop Group.

2 Scope of consolidation

Intershop Bau AG, Basle, was newly established in the year under review.

As at the balance sheet date, Intershop Holding AG's basis of consolidation comprised the following subsidiaries, all of which are wholly owned by the Group:

- Centre St Roch – Yverdon-les-Bains S.A., Yverdon-les-Bains; Switzerland
- De Bary & Co. AG, Basle; Switzerland
- Einkaufszentrum Herti AG, Zug; Switzerland
- EZ Volketswil AG, Volketswil; Switzerland
- Intershop Bau AG, Basle; Switzerland
- Intershop Management AG, Zurich; Switzerland
- Realconsult AG, Zurich; Switzerland
- SGI City Immobilien AG, Zurich; Switzerland
- SGI Promotion AG, Zurich; Switzerland
- SGI Schweizerische Gesellschaft für Immobilien AG, Zurich; Switzerland
- WTCL Services SA, Lausanne; Switzerland.

A detailed overview of all Intershop Group companies can be found on pages 114 and 115.

3 Investment policy

The investment policy was complied with at all times during the entire year under review.

4 Cash

(in CHF 1,000)	31.12.2019	31.12.2018
Bank and cash balances	17,155	130,784
Short-term bank deposits	0	3,000
Total	17,155	133,784

The cash and cash equivalents analysed by credit rating as at the balance sheet date is shown as follows:

(in CHF 1,000)	31.12.2019	31.12.2018
Rating AAA	1,158	22,161
Rating AA	1,307	19,658
Rating A	4,901	32,318
Rating BBB	9,468	39,229
No rating available	321	20,418
Total	17,155	133,784

The classification is based in the official long-term ratings of either Standard and Poor's (S&P) or Moody's. If no such rating is available, then the ratings published by Swiss banks are used. In accordance with a settlement agreement that existed at the balance sheet date, the amount of CHF 4.9 million (CHF 32.3 million) disclosed under Rating A can be fully offset against the significantly higher financial liabilities should the bank in question become insolvent.

- 5 **Securities and fixed deposits** No securities or fixed deposits were held at the balance sheet date (CHF 8.3 million). The securities reported in the previous year were bonds held for liquidity management purposes.

6 Short-term receivables	(in CHF 1,000)	31.12.2019	31.12.2018
	Trade receivables	1,563	750
	Other receivables	9,309	6,403
	Total receivables	10,872	7,153
	Accrued income and prepaid expenses	752	798
	Total	11,624	7,951

Other short-term receivables include, most notably, tax receivables.

The allowance for doubtful debts is determined on an individual basis (tenant credit rating) and based on experience. The historical default rate is less than one percent of rental income. As a rule, rent receivables that are older than two months are considered at risk and are suitably provided for. In the case of significant outstanding amounts, existing securities (e.g. rent deposits or guarantees) are taken into account.

(in CHF 1,000)	31.12.2019	31.12.2018
Gross trade receivables	2,531	2,026
Allowance for doubtful debts	-968	-1,276
Net trade receivables	1,563	750

The book value of receivables corresponds to their fair value. Changes in the allowance for doubtful debts are included in the income statement under rental income or other income and are shown as follows:

(in CHF 1,000)	2019	2018
Balance as at 1.1.	1,276	980
Increase	398	522
Allowance used	-115	-143
Decrease	-591	-83
Balance as at 31.12.	968	1,276

7 **Promotional properties**

(in CHF 1,000)	2019	2018
Balance as at 1.1.	8,823	16,975
Investments	5,239	5,227
Disposals	0	-13,379
Transfer from development properties	18,187	0
Balance as at 31.12.	32,249	8,823

No promotional properties were sold during the year under review. The property Römerstrasse 36-36c in Baden was transferred from development properties to promotional properties. In the previous year, 17 apartments and 3 studios of the project «eden7» and several parking spaces of the projects «edeneins» and «eden3» in Zurich were sold.

Income from the sale of promotional properties amounted to CHF 0.0 million (CHF 25.5 million).

The fire insurance value and the construction period insurance of the promotional properties amounted to CHF 74 million (CHF 5 million).

Details of the promotional properties are shown on pages 88 to 89.

Current status of promotional properties**Basle, «Gellertstrasse»**

Project description:

In the project at Gellertstrasse 151, 157, 163, which is part of the «Albanteich-Promenade» development, 30 commonhold apartments are being built.

Project status:

Following the demolition of the existing buildings and preparatory work, construction of the three apartment buildings began in June 2019. Completion is scheduled for the end of 2020.

Sales status:

The sale also started in June 2019, and at the date of this report, 18 apartments are already under contract.

Baden, «Römerstrasse»

Project description:

The property at Römerstrasse 36-36c in Baden will be converted into around 80 commonhold apartments.

Project status:

The building permit was granted in November 2019 and the first demolition works commenced just before the year end. At the beginning of 2020 construction work started and is scheduled to be completed by the end of 2021 at the earliest.

Sales status:

It is planned to start the sale in the second quarter of 2020.

Other projects

The revised design plan for the «Am Wildbach» project in Solothurn is currently in the approval process. The site is to be developed or sold in stages.

8 Investment properties

(in CHF 1,000)	Office properties	Commercial properties	Residential properties	Total properties
Balance as at 1.1.2018	841,641	322,018	69,200	1,232,859
Investments	11,519	1,717	2,880	16,116
Disposals	-100,074	0	0	-100,074
Changes in fair value 2018	18,610	3,026	-1,208	20,428
Transfer to development properties	0	-14,839	0	-14,839
Balance as at 31.12.2018¹⁾	771,696	311,922	70,872	1,154,490
Purchases	650	0	0	650
Investments	18,935	1,362	1,279	21,576
Disposals	-44,400	0	0	-44,400
Changes in market value 2019	14,991	1,996	2,262	19,249
Balance as at 31.12.2019¹⁾	761,872	315,280	74,413	1,151,565

1) Includes investment properties (office properties) held for disposal TCHF 14,209 (TCHF 42,486)

In the year under review, Intershop acquired the outstanding minority interest in the property at Bibersteinstrasse 4 in Rombach and sold the property at Zürcherstrasse 15-21 in Winterthur. Two properties in Winterthur, Zürcherstrasse 7 and Zurich, Edenstrasse 20 were sold in the previous year. Details of the purchases and disposals are shown on pages 88 and 89. There were no significant disposals within the meaning of the SIX Swiss Exchange Listing Rules (i.e. > 5 % of the total portfolio) in the year under review.

Acquisition costs and market value by region:

(in CHF 1,000)	Acquisition costs ¹⁾		Market value ²⁾	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investment properties				
Office properties				
Zurich area	392,572	410,944	513,746	535,410
Lake Geneva area	152,168	140,344	157,499	148,018
Basle /Berne/ Midlands	85,597	84,618	87,198	84,860
Other areas	3,674	3,665	3,429	3,408
Total office properties	634,011	639,571	761,872	771,696
Commercial properties				
Zurich area	90,969	89,973	96,406	94,690
Lake Geneva area	126,354	126,495	152,086	150,023
Basle/Berne/Midlands	23,594	23,245	32,460	32,021
Other areas	28,457	28,299	34,328	35,188
Total commercial properties	269,374	268,012	315,280	311,922
Residential properties				
Zurich area	11,367	11,367	14,209	12,385
Basle/Berne/Midlands	53,605	52,326	60,204	58,487
Total residential properties	64,972	63,693	74,413	70,872
Total investment properties	968,357	971,276	1,151,565	1,154,490

1) The acquisition costs include all costs associated with the purchase as well as value-enhancing investments.

2) Market value according to external valuer (see pages 90 to 94)

The fire insurance value of the investment property portfolio amounts to CHF 1,376 million as at 31 December 2019 (CHF 1,402 million).

Details of the investment property portfolio are shown on pages 84 to 87.

9 Development properties

(in CHF 1,000)	2019	2018
Balance as at 1.1.	139,380	113,056
Purchases	1,973	5,874
Investments	8,405	9,862
Changes in fair value	-2,617	-4,251
Transfer to promotional properties	-18,187	0
Transfer from investment properties	0	14,839
Balance as at 31.12.	128,954	139,380

During the year under review, the property Oststrasse 23 in St. Gallen was acquired and the property Römerstrasse 36-36c in Baden was transferred to the promotion properties. In the previous year, a property in Wohlen was acquired and the properties in Biel and Pfäffikon, SZ were transferred from investment properties.

Acquisition costs and market value by region:

(in CHF 1,000)	Acquisition costs ¹⁾		Market value ²⁾	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Development properties				
Zurich area	120,901	134,834	121,435	131,869
Basle/Berne/Midlands	7,838	7,713	7,519	7,511
Total development properties	128,739	142,547	128,954	139,380

1) The acquisition costs include all costs associated with the purchase as well as value-enhancing investments.

2) Market value according to external valuer (see pages 90 to 94)

As at 31 December 2019 and 31 December 2018, no development properties were carried at cost.

The fire insurance value of the development property portfolio amounts to CHF 430 million (CHF 452 million) as at 31 December 2019.

Details of the development property portfolio are shown on pages 88 and 89.

10 **Liabilities**

(in CHF 1,000)	31.12.2019	31.12.2018
Trade payables	11,146	2,493
Accrued expenses and deferred income	23,019	26,991
Total	34,165	29,484

Trade payables include rental deposits as well as sales deposits for promotional properties. Accrued expenses include prepaid rent, heating and service charges, interest, performance-related compensation and unpaid investments.

11 **Provisions**

(in CHF 1,000)	31.12.2019	31.12.2018
Warranties	6,969	8,529
Other	1,203	703
Total	8,172	9,232

thereof short term	3,098	1,836
thereof long term	5,074	7,396

Additional information:

(in CHF 1,000)	Warranties ¹⁾	Other ²⁾	Total
Balance as at 1.1.2018	3,212	703	3,915
Provisions used	0	0	0
Increase	5,442	0	5,442
Decrease	-125	0	-125
Balance as at 31.12.2018	8,529	703	9,232
Provisions used	-242	0	-242
Increase	0	550	550
Decrease	-1,318	-50	-1,368
Balance as at 31.12.2019	6,969	1,203	8,172

1) While provisions for warranties from previous disposals were reversed in the reporting period and in the previous year, new provisions for warranties had to be set up in connection with transactions and developments in 2019 and 2018. In addition, provisions for warranty risks were utilized.

2) Other provisions comprise property-related provisions, primarily from disputes with tenants and purchasers of properties.

12 **Financial liabilities**

(in CHF 1,000)	31.12.2019	31.12.2018
Mortgages and loans	80,850	35,850
Bond	0	124,996
Total current financial liabilities	80,850	160,846

Mortgages and loans	323,000	328,000
Bond	100,136	100,176
Total long-term financial liabilities	423,136	428,176

Total financial liabilities	503,986	589,022
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Current financial liabilities are mortgages whose contractual term ends within the next 12 months of the balance sheet date.

Maturities of interest-bearing current and non-current financial liabilities and fixed interest rates as of 31 December 2019:

(in CHF 1,000)	Maturities	Fixed interest term
2020	80,850	12,000
2021	114,000	107,000
2022	14,000	14,000
2023	100,136	100,136
2024	0	0
thereafter	195,000	195,000
Total	503,986	428,136

Financial liabilities totalling CHF 404 million (CHF 364 million) are secured through property mortgages. The total book value of these pledged assets amounts to CHF 880 million (CHF 723 million).

Financial liabilities are reported at nominal value. The fair value of these debts is CHF 21 million higher (CHF 15 million higher) than the balance sheet value. The reason for this is that the interest rates for some of the fixed mortgages and the bond were fixed at a time when interest rates were higher than at the balance sheet date.

The average interest rate on financial liabilities is 1.79% (2.05% or 1.97% including follow-up financing) with an average fixed interest period of 64 months (62 months or 64 months), taking into account current interest rate hedging transactions. At the balance sheet date, 85% (100%) were fixed-rate mortgages, interest rate hedged rollover loans or fixed-rate bonds and 15% (0%) rollover loans without interest rate hedging.

Different financial covenants were agreed with various banks, all of which were complied with in the reporting period. The most important financial covenants are the consolidated equity ratio (at least 30%) and the absolute amount of equity (at least CHF 350 million). In some loan agreements, financial key figures relating to the interest cover factor (≥ 2.0) or the maximum loan-to-value ratio are also contractually fixed. The latter vary greatly according to use, occupancy rate and credit institution. A breach of the promised covenants would allow the bank to demand immediate repayment of the loan regardless of the contractually agreed term.

The outstanding bond is reported as follows and is shown as long term financial liabilities in the consolidated balance sheet.

(in CHF 1,000)	2019	2018
Balance as at 1.1.	225,172	225,179
Repayment	-125,000	0
Amortisation issue premium and issue costs	-36	-7
Balance as at 31.12.	100,136	225,172

The outstanding bond was issued on the following terms:

	1.125% bond 2015–2023
Volume	CHF 100 million
Term	8 years (17.4.2015–17.4.2023)
Coupon	1.125%, payable annually on 17.4.
effective interest rate	1.09%
Listing	SIX Swiss Exchange
Swiss security number	27,577,643

The terms and conditions of the bond include obligations that limit the collateralisation of certain liabilities and limit the amount of consolidated financial liabilities to 70% of the market value of the properties. These conditions were met during the year under review.

At the balance sheet date, cash flow interest rate hedging transactions (interest rate swaps) with a contract volume of CHF 157 million (CHF 202 million) were in place. The details are shown in the tables below:

31.12.2019 (in CHF 1,000)

Maturity	Interest rate	Contract value	Fair value	
			positive	negative
2021	1.19%	45,000	-	1,514
2021	0.93%	30,000	-	868
2021	1.33%	20,000	-	519
2028	1.46%	24,000	-	3,572
2028	1.47%	38,000	-	5,800
Total		157,000	-	12,273

31.12.2018 (in CHF 1,000)

Maturity	Interest rate	Contract value	Fair value	
			positive	negative
2019	2.32%	45,000	-	335
2019–2021	1.19%	45,000	-	2,046
2021	0.93%	30,000	-	1,283
2021	1.33%	20,000	-	903
2028	1.46%	24,000	-	3,085
2028	1.47%	38,000	-	4,939
Total		202,000	-	12,591

Changes in the fair value of interest rate hedges of CHF 0.3 million (CHF 2.3 million) were recognized directly in equity after taking into account the corresponding taxes of CHF –0.1 million (CHF –0.5 million).

All reported interest rate swaps are valued externally using quoted prices for similar financial instruments.

13 **Deferred tax assets
and liabilities**

The following table shows the deferred taxes per balance sheet item, which result from the difference between the balance sheet according to Group guidelines and the tax balance sheet of the consolidated company:

(in CHF 1,000)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Properties	0	111,525	0	116,909
Employee pensions	0	198	0	281
Other balance sheet items	82	0	82	0
Losses	65	0	56	0
Total	147	111,723	138	117,190

There are no tax losses carried forward whose realisation is not probable, and which were therefore not included in the calculation of deferred tax assets.

Temporary differences relating to Intershop Holding AG's subsidiaries, on which no deferred tax liabilities are recognized, amounted to CHF 483 million (CHF 529 million) at the balance sheet date.

14 **Share capital**

	Shares at nominal CHF 10 (number)	Total nominal value (in CHF 1,000)
Issued share capital as at 31.12.2018	2,000,000	20,000
Issued share capital as at 31.12.2019	1,900,000	19,000

Following the repurchase of 100,000 treasury shares via a public buyback offer in March 2019, the Annual General Meeting of April 4, 2019, approved the reduction of the share capital by CHF 1 million.

Treasury shares

	(Number)	(in CHF 1,000)
Balance as at 1.1.2018	2,000	981
Purchase of treasury shares	15,373	7,618
Share-based payments (participation plan)	-2,082	-1,009
Price difference	-	-12
Balance as at 31.12.2018	15,291	7,578
Purchase of treasury shares	106,729	54,875
Share-based payments (participation plan)	-2,020	-1,010
Capital reduction	-100,000	-51,500
Price difference	-	36
Balance as at 31.12.2019	20,000	9,979

15 **Net asset value (NAV)
per share**

	31.12.2019	31.12. 2018
Shareholders' equity ¹⁾	666,146	690,068
Number of shares outstanding ²⁾	1,880,000	1,984,709
Shareholders' equity per share (Net asset value, NAV)³⁾	354.33	347.69

1) In CHF 1,000

2) Issued shares less treasury shares at balance sheet date

3) In CHF

16 **Key shareholders**

The following shareholders were entered in the share register with an interest of at least 3% or have reported a corresponding disclosure in accordance with FMIA:

(in %)	31.12.2019	31.12.2018
Patinex AG, Wilen	35.1	33.4
AXA Leben AG, Winterthur	3.8	5.6
Relag Holding AG, Hergiswil	3.5	3.3
Hansjörg Graf, Wollerau (direct and indirect)	3.2	n/a

17 **Related parties**

In addition to the Board of Directors, the Executive Board and companies controlled by them, Patinex AG is also considered a related entity due to its shareholding of 35.1%. During the year under review, the compensation paid to non-executive directors amounted to CHF 0.3 million (CHF 0.3 million) and the total compensation paid to the Executive Board amounted to CHF 3.3 million (CHF 3.5 million). The latter included CHF 0.2 million (CHF 0.2 million) in pension contributions and CHF 1.0 million (CHF 1.0 million) in share-based compensation. The disclosure according to Swiss Code of Obligations Art. 663bbis and Art. 663c (Transparency Act) is in the remuneration report on pages 32 to 35 and in the individual financial statements of Intershop Holding AG (Note 12) on page 106 of this annual report. There were no further transactions with related parties. Both in the year under review and the previous year, there were no guarantees or other financial obligations given in favour of related parties.

18 **Rental income**

(in CHF 1,000)	2019	2018
Investment properties		
Office properties	44,048	44,045
Commercial properties	23,983	25,123
Residential properties	3,605	3,557
Development properties	11,008	9,998
Disposals	199	5,232
Total	82,843	87,955

The income from the property transferred from development to promotional properties as at 31.12.2019 is shown under development properties. The income from the properties transferred from investment to development properties as at 31.12.2018 are shown under investment properties.

Lease maturity as at the balance sheet date is as follows:

(in % of rental income)	31.12.2019	31.12.2018
Residential	6.4	6.3
without fixed maturity	17.8	17.8
< 1 year	8.2	11.3
1 to 2 years	14.5	8.2
2 to 3 years	11.8	13.3
3 to 4 years	8.5	8.9
4 to 5 years	10.2	8.0
> 5 years	22.6	26.2
Total	100.0	100.0

Lease agreements for residential properties are generally not concluded for a fixed term, but can be terminated, taking into account the legal conditions. Lease agreements without a fixed term are those that have been extended beyond their original term and do no longer have a fixed termination date.

The five largest tenants as at the balance sheet date are listed below:

(in % of rental income)	31.12.2019	31.12.2018
Kanton of Vaud	6.3	6.1
Kanton of Zurich	4.4	5.4
Sauvin Schmidt SA	4.2	4.0
Migros	3.4	3.2
Galderma SA	2.6	2.6
Total	20.9	21.3

The share of the public sector, which includes all lease agreements with the Confederation, cantons, municipalities or related legal entities and organisations, amounted to 13.0% (14.1%) as at the balance sheet date.

19 **Net gains from property disposals**

(in CHF 1,000)	2019	2018
Sales proceeds investment properties	50,650	176,350
Provision for warranties	1,318	-5,105
Fair value at the start of the year	-42,486	-99,573
Current year investment	-1,914	-501
Gross gains from property disposal	7,568	71,171
Disposal costs	-157	-1,337
Net gains investment properties	7,411	69,834
Sales proceeds promotional properties	0	25,530
Provision for warranties	0	-212
Fair value at the start of the year	0	-9,778
Current year investment	0	-3,391
Gross gains from property disposal	0	12,149
Disposal costs	0	-1
Net gains promotional properties	0	12,148
Total net gains from property disposal	7,411	81,982

In the year under review, Intershop sold the investment property at Zürcherstrasse 15-21 in Winterthur. In the previous year, the investment properties at Zürcherstrasse 7 in Winterthur and at Edenstrasse 20 in Zurich, the promotional property «eden7» and several parking spaces of the promotional properties «edeneins» and «eden3» were sold. Detailed information on the disposals is shown on pages 88 and 89.

20 **Other income**

(in CHF 1,000)	2019	2018
Service income Realconsult (Facility Management)	2,618	2,180
Service income WTCL	1,257	1,324
Service income Intershop Management	559	452
Other revenues	339	587
Total	4,773	4,543

Other income includes income from services provided by Group companies to third parties.

21 **Property expense**

(in CHF 1,000)	2019	2018
Investment properties		
Office properties	4,720	5,149
Commercial properties	1,696	2,222
Residential properties	684	611
Development properties	1,870	1,581
Disposals	-63	150
Total	8,907	9,713

The expenses of the property transferred from development to promotional properties as at 31.12.2019 is shown under development properties. The expenses of the properties transferred from investment to development properties as at 31.12.2018 are shown under investment properties.

Property expense are comprised of the following:

(in CHF 1,000)	2019	2018
Maintenance and repair	3,210	3,313
Third-party rent	40	71
Insurance expense	1,052	960
Taxes and duties	788	813
Ground rent	996	980
Property management fees	449	537
Non-recoverable service charges	1,712	2,293
Other expenses	660	746
Total	8,907	9,713

22 **Personnel expense**

(in CHF 1,000)	2019	2018
Wages and salaries	7,244	7,151
Performance-related compensation	2,013	2,557
Social security	791	870
Pension contributions	643	652
Other personnel expenses	222	211
Total	10,913	11,441

23 Administrative expense	(in CHF 1,000)	2019	2018
	Administrative and general expense	2,426	2,240
	Capital tax	377	394
	Depreciation	130	173
	Total	2,933	2,807

24 **Employee pensions**

Intershop has various pension plans, all of which are defined contribution plans under Swiss law. The contributions are based on the insured annual salary of the employees. There is also a management insurance plan.

Employer contribution reserve (ECR)

(in CHF 1,000)	Nominal value 31.12.2019	Waiver of use 2019	Balance sheet 31.12.2019	Creation in 2019	Balance sheet 31.12.2018	Result from ECR	
						2019	2018
Pension plans	938	–	938	–	1,330	–392	75
Total	938	–	938	–	1,330	–392	75

Economic benefit, economic liability and pension expense

(in CHF 1,000)	Excess cover/ shortfall 31.12.2019	Economic benefit of the or- ganisation 31.12.2019	Change to 2018 or effecting inco- me statement in 2019 31.12.2018	Contributions accrued for the period	Pension expense in per- sonnel expense		
					2019	2018	
Pension plans wi- thout excess cover/ shortfall	–	–	–	–	251	251	228
Pension plans with excess cover	0	–	–	–	392	392	424
Total	0	–	–	–	643	643	652

25 **Changes in fair value of
properties**

	(in CHF 1,000)	2019	2018
	Increase in value of investment properties	25,658	29,617
	Decrease in value of investment properties	–6,410	–9,189
	First time valuation of newly acquired properties	–607	142
	Increase in value of development properties	2,795	1,209
	Decrease in value of development properties	–4,805	–5,602
	Total	16,631	16,177

The report of the external property valuers, KPMG AG, is shown on pages 90 to 94 of this annual report.

The increase in value of investment properties comprised CHF 19.4 million (CHF 23.0 million) for office properties, CHF 4.0 million (CHF 5.2 million) for commercial properties and CHF 2.3 million (CHF 1.4 million) for residential properties. The decrease in value of investment properties comprised CHF 4.4 million (CHF 4.4 million) for office properties, CHF 2.0 million (CHF 2.2 million) for commercial properties and CHF 0 million (CHF 2.6 million) for residential properties.

26 **Financial result**

(in CHF 1,000)	2019	2018
Interest income	30	120
Other financial income	65	24
Total financial income	95	144
Interest expense	-9,924	-12,456
Other financial expense	0	0
Total financial expense	-9,924	-12,456

Interest income includes interest on cash and cash equivalents, securities and fixed deposits. Interest expense includes interest on mortgages, loans and bonds. Other financial income and expenses include valuation results from the management of liquid assets.

27 **Tax expense**

(in CHF 1,000)	2019	2018
Ordinary income tax	13,542	39,791
Deferred taxes	-5,475	-5,007
Total	8,067	34,784

The following table shows the effects that caused the tax expense to differ from the average rate:

(in CHF 1,000)	2019	2018
Profit before taxes	79,075	154,384
Average tax rate	18.70%	21.15%
Income tax at average rate	14,787	32,652
Taxes at other rates ¹⁾	2,496	2,185
Tax rate reductions	-8,366	-12
Adjustments in respect of prior years ¹	-850	-41
Total tax expense	8,067	34,784

1) Includes the effects of property gains taxes

28 **Earnings per share**

	2019	2018
Net income ¹⁾	71,008	119,600
Average number of shares outstanding ²⁾	1,902,242	1,998,726
Number of shares outstanding for the calculation of diluted earnings ³⁾	1,902,242	1,998,726
Earnings per share⁵⁾	37.33	59.84
Diluted earnings per share⁵⁾	37.33	59.84
Net income ¹⁾	71,008	119,600
Changes in fair value of properties ¹⁾	-16,631	-16,177
Deferred tax on changes in fair value of properties ^{1) + 4)}	3,542	3,716
Net income excluding changes in fair value of properties	57,919	107,139
Average number of shares outstanding ²⁾	1,902,242	1,998,726
Earnings per share excl. changes in fair value of properties	30.45	53.60

1) In CHF 1,000

2) Issued shares less treasury shares calculated on a daily basis

3) Taking into account any additional shares created through conversion or option rights

4) Calculated using the average deferred tax rate of the corresponding year

5) In CHF

- 29 **Contingent liabilities** As in the previous year, there were no contingent liabilities or guarantees as at 31 December 2019.
- 30 **Investments** For the coming five years, total planned investments amount to CHF 221 million (CHF 226 million) excluding promotional properties and major development projects such as AuPark and the high-rise extensions at Redingstrasse, Basle.
- 31 **Participation plans** Members of the Executive Board may choose to receive part or all of their profit-based compensation in the form of shares in Intershop Holding AG with a vesting period of five years. Depending on the return on equity (ROE) achieved, the value of that portion of the bonus taken in shares could, at most, double. Details of compensation and shareholdings are disclosed in the Remuneration Report shown on pages 32 to 35.
- 32 **Events after the balance sheet date** These consolidated financial statements were approved for publication by the Board of Directors on 18 February 2020. They are subject to approval by the Annual General Meeting on 2 April 2020.
- On 6 February 2020, a planning application was submitted for the construction of an assembly plant on the site of the Neuhegi industrial park in Oberwinterthur. The assembly is to be built on a land area of approximately 13,250 m² and rented on a long-term basis by a tenant. Both parties have the right to withdraw from the lease under certain conditions. Up to 18 February 2020, no other significant events occurred after the balance sheet date.

Detailed information on the investment property portfolio

Balance as at 31 Dezember 2019

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Year of construction	Year of renovation
Office properties							
Zurich area							
Cham	Gewerbestrasse 11	HE	AE	100%	2006	1990/91	–
Dielsdorf	Honeywellplatz 1	VO	AE	100%	2009	1987	2016-18
Dubendorf	Stettbachstrasse 7	SGI	AE	100%	2008	1971	1994
Zurich	Baslerstrasse 30/Freihofstrasse 9	SGI	AE	100%	1999	1948–63	2002–04
Zurich	Hohlstrasse 190+192	SGIC	AE	100%	2007	1985	–
Zurich	Puls 5, Bürogebäude	SGIP	AE	100%	2002	2001–04	–
Zurich	Puls 5, Giessereihalle	SGIP	SW	51.0%	2002	2001–04	–
Zurich	Rautistrasse 33	SGIC	AE	100%	2010	1984	2012/16
Zurich	Sihlquai 253–259	SGI	SW/BR	45.9%	02/06	1986	–
Zurich	Staffelstrasse 8+10+12	SGI	AE	100%	1998	1923–63	2002–04
Zurich	Uetlibergstrasse 124, 130, 132, 134	SGI	AE	100%	1999	1893/1958	2002/08
Zurich area							
Lake Geneva area							
Geneva	Rue de Lausanne 42+44	SGI	AE	100%	99/05	1961	2019-2020
Lausanne	World Trade Center, Avenue Gratta-Paille 1-2	SGI	AE	100%	2016	1991-92	–
Pully	Avenue C.-F. Ramuz 43	SGI	AE	100%	1999	1987	–
Lake Geneva area							
Basle / Berne / Midlands							
Basle	Lehenmattstrasse 260	DB	AE	100%	2006	1962	–
Belp	Airport Business Center, Hühnerhubelstrasse 58,60,62,64,66	SGI	SW	95.0%	1997	1992	–
Berne	Waldhöhweg 1	SGI	AE	100%	1998	1961	1996
Fribourg	Rue de l'Industrie 21	SGI	AE	100%	1999	1969	1985
Grenchen	Postmarkt, Kirchstrasse 1	SGI	AE	100%	1998	1988–90	1998–00
Oberentfelden	Ausserfeldstrasse 9	SGI	BR	100%	1998	1989	–
Reinach/BL	Sternenhofstrasse 15/15A	SGI	SW	100%	98/08	1989	–
Rombach	Bibersteinerstrasse 4	SGI	AE	100%	99/19	1991	2009
Studen/BE	Sägeweg 7	SGI	AE	100%	1998	1989	–
Basle / Berne / Midlands							
Other areas							
St. Gallen	Heiligkreuzstrasse 9+11	SGI	AE	100%	1998	1960	2012/13
Other areas							

Total office properties

1) As at the balance sheet date

2) During the reporting period

Abbreviations are shown on page 88

Area (in m ²)	Office	Leasable area (in m ²)				Other	Number of Total parking spaces	Target rent (in TCHF)	Vacancy rate ¹⁾ (in %)	Rental income (in TCHF) ²⁾		
		Retail	Industrial/storage	Residential						Gross	Expense	Net
4,109	5,449	0	1,799	0	16	7,264	159	1,603	35.5			
8,361	3,152	0	5,672	0	505	9,329	158	1,383	32.8			
9,434	3,726	0	4,017	0	0	7,743	95	1,459	0.7			
28,381	10,802	0	10,850	273	1,042	22,967	164	4,590	10.5			
3,884	4,046	1,086	2,872	163	68	8,235	193	1,808	2.0			
4,658	10,748	1,424	579	0	0	12,751	42	4,269	0.5			
7,567	6,310	1,559	1,144	0	4,488	13,501	79	5,064	5.2			
1,428	2,745	427	913	0	0	4,085	84	957	13.6			
3,212	5,438	0	2,636	0	0	8,074	41	1,985	0.0			
4,009	8,046	0	4,374	0	109	12,529	84	2,903	4.0			
12,656	12,772	0	1,710	272	403	15,157	164	5,381	0.5			
87,699	73,234	4,496	36,566	708	6,631	121,635	1,263	31,402	6.7	28,374	2,558	25,816
948	1,949	682	108	2,630	0	5,369	0	1,754	24.8			
14,651	16,019	69	1,715	0	1,058	18,861	660	7,442	3.7			
3,178	2,313	0	578	0	0	2,891	53	963	1.5			
18,777	20,281	751	2,401	2,630	1,058	27,121	713	10,159	7.1	9,540	1,156	8,384
1,842	0	1,028	221	0	121	1,370	0	246	0.0			
28,738	11,405	0	8,393	202	1,946	21,946	305	2,878	29.3			
1,178	0	2,084	476	780	0	3,340	32	705	1.4			
787	537	0	519	0	0	1,056	14	147	5.1			
2,283	2,327	1,232	285	949	185	4,978	85	681	12.2			
5,920	1,932	0	1,400	151	63	3,546	83	484	24.8			
4,389	3,805	1,259	2,545	0	935	8,544	140	1,517	19.3			
5,346	0	814	1,327	326	1,450	3,917	62	522	16.3			
5,663	1,540	0	1,309	107	28	2,984	79	386	42.8			
56,146	21,546	6,417	16,475	2,515	4,728	51,681	800	7,566	21.2	5,983	991	4,992
866	810	0	507	0	0	1,317	18	246	44.5			
866	810	0	507	0	0	1,317	18	246	44.5	151	15	136
163,488	115,871	11,664	55,949	5,853	12,417	201,754	2,794	49,373	9.2	44,048	4,720	39,328

Detailed information on the investment property portfolio (continued)

Balance as at 31 Dezember 2019

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Year of construction	Year of renovation
Commercial properties							
Zurich area							
Dietikon	Lagerstrasse 6–8	SGI	AE	100%	2009	1973/91/05/08	–
Hori	Hofstrasse 1	SGI	AE	100%	2000	1990	–
Regensdorf	Althardstrasse 301	SGI	AE	100%	2000	1965	1992
Ruti	Im Neuhof	SGI	AE	100%	1999	1993	–
Würenlos	Landstrasse 2	SGI	AE	100%	2002	1984	–
Zurich area							
Lake Geneva area							
Vernier	Chemin de Morglas	SGI	BR	100%	2002	2000–2002	–
Yverdon	Centre St-Roch, Rue des Pêcheurs 8	SGI	AE	100%	1997	1956	seit 1998
Yverdon	Rue des Uttins 27	SGI	AE	100%	2007	1970	2007/08
Lake Geneva area							
Basle / Berne / Midlands							
Berne	Hofweg 5/Dammweg 27	SGI	AE	100%	2005	1935/1956	–
Interlaken	Untere Bönigstrasse 27	SGIC	AE	100%	2012	2013	–
Lyss	Industriering 43	SGI	AE	100%	1999	1964–91	2001/02
Lyss	Südstrasse 17	SGIC	AE	100%	2012	2007	2011
Basle / Berne / Midlands							
Other areas							
Bad Ragaz	Elestastrasse 16, 16a+18	SGI	AE	100%	1999	1960/1987	1999–02
St.Gallen	Oststrasse 25/Schlösslistrasse 20	SGI	AE	100%	1998	1962	–
St.Gallen	Oststrasse 29+31	SGI	AE	100%	1998	1968	2000
St.Gallen	Spinnereistrasse 10+12+14	SGI	AE	100%	1998	1968	1983
Other areas							
Total commercial properties							
Residential properties							
Zurich area							
Kilchberg	Schlossmattstrasse 9	SGI	BR	100%	2014	2015-2016	–
Basle / Berne / Mittelland							
Basle	Redingstrasse 10/12+20/22	DB	AE	100%	2006	1969	–
Total residential properties							
Total investment properties							

1) As at the balance sheet date

2) During the reporting period

Abbreviations are shown on page 88

Area (in m ²)	Office	Leasable area (in m ²)				Other	Number of Total parking spaces	Target rent (in TCHF)	Vacancy rate ¹⁾ (in %)	Rental income (in TCHF) ²⁾		Net
		Retail	Industrial/storage	Residential	Gross					Expense		
15,965	3,703	0	9,807	0	2,502	16,012	65	2,458	0.0			
10,622	3,787	0	10,566	0	110	14,463	125	1,670	0.0			
16,471	1,828	0	12,074	211	0	14,113	69	1,709	7.8			
6,949	879	0	3,857	0	0	4,736	80	578	0.3			
5,877	530	0	5,878	358	292	7,058	57	697	14.0			
55,884	10,727	0	42,182	569	2,904	56,382	396	7,112	3.3	6,938	226	6,712
30,725	0	0	41,496	0	0	41,496	0	3,718	0.0			
57,846	29,640	2,472	11,545	1,102	1,985	46,744	641	7,784	3.8			
3,101	1,774	0	342	0	0	2,116	40	384	65.0			
91,672	31,414	2,472	53,383	1,102	1,985	90,356	681	11,886	4.6	12,062	984	11,078
1,875	143	0	2,182	1,353	0	3,678	10	612	11.2			
3,467	0	0	1,133	0	20	1,153	20	215	0.0			
44,908	3,162	0	13,044	0	50	16,256	426	1,648	34.6			
2,220	0	0	1,230	0	0	1,230	11	164	0.0			
52,470	3,305	0	17,589	1,353	70	22,317	467	2,639	24.2	2'096	225	1'871
16,540	2,626	0	9,942	0	133	12,701	150	1,208	11.2			
2,905	1,717	0	3,652	170	0	5,539	59	583	0.0			
2,307	88	0	2,075	1,107	0	3,270	12	319	4.9			
3,528	2,495	0	4,487	0	0	6,982	79	931	1.1			
25,280	6,926	0	20,156	1,277	133	28,492	300	3,041	5.3	2'887	261	2'626
225,306	52,372	2,472	133,310	4,301	5,092	197,547	1,844	24,678	6.4	23,983	1,696	22,287
3,126	0	0	0	1,928	70	1,998	28	721	0.3	728	197	531
11,966	0	0	0	17,177	0	17,177	189	2,948	2.6	2'877	487	2,390
15,092	0	0	0	19,105	70	19,175	217	3,669	2.1	3'605	684	2,921
403,886	168,243	14,136	189,259	29,259	17,579	418,476	4,855	77,720	8.0	71,636	7,100	64'536

Detailed information on the development and and promotional property portfolio

Balance as at 31 Dezember 2019

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Year of construction	Year of renovation
All regions							
Au-Wädenswil	Seestrasse 295	SGI	AE	100%	2001	1960–1987	–
Baden	Römerstrasse 36–36c ³⁾	SGI	AE	100%	06/07	1958	1990
Basel	Gellertstrasse 151, 157, 163 ³⁾	DB	AE	100%	2006	1968	–
Biel	Maurerweg 10+12	SGI	AE	100%	1998	1932	1968
Flurlingen	Winterthurerstrasse 702 (Arova-Hallen)	SGI	AE	100%	2007	1875–1963	2018
Pfäffikon/SZ	Talstrasse 35–37	SGI	BR	100%	2000	1987	–
St. Gallen	Oststrasse 23	SGI	AE	100%	2019	1920–1970	–
Winterthur	Industriepark Oberwinterthur-Neuhegi	SGIC	AE	100%	2012	1947–2005	–
Wohlen	Nordstrasse 1	SGI	AE/BR	100%	2018	1972–1987	1990
Zürich	Rüdigerstrasse 1 (edeneins) ³⁾	SGI	SW	0.2%	1998	2007–2009	–
Zürich	Staffelstrasse 14–22 (edendre) ³⁾	SGI	SW	0.8%	1998	2009–2011	–

Land plots

Solothurn	Oberer Brühl (Am Wildbach) ³⁾	SGI	AE	100%	1998	n/a	n/a
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Total development and promotional properties**Detailed information on the acquisitions and disposals of property**

Balance as at 31 Dezember 2019

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Transfer date
Acquisitions						
St. Gallen	Oststrasse 23	SGI	AE	100%	2019	01.10.2019
Rombach	Bibersteinerstrasse 4	SGI	SW	10%	2019	30.09.2019
Disposals						
Winterthur	Zürcherstrasse 15–21	SGI	AE	100%	1998	31.01.2019

1) As at the balance sheet date

2) During the reporting period

3) Promotional properties

Abbreviations

Owner:	DB	= De Bary & Co. AG
	HE	= Einkaufszentrum Herti AG
	SGI	= SGI Schweizerische Gesellschaft für Immobilien AG
	SGIC	= SGI City Immobilien AG
	SGIP	= SGI Promotion AG
	VO	= EZ Volketswil AG
Type of ownership:	AE	= Freehold
	BR	= Leasehold
	ME	= Joint ownership
	SW	= Joint ownership; the percante shown represents the part owned by intershop

Area (in m ²)	Office	Leasable area (in m ²)				Other	Total	Number of parking spaces	Target rent (in TCHF)	Vacancy rent ¹⁾ (in %)	Rental income (in TCHF) ²⁾		
		Retail	Industrial/storage	Residential							Gross	Expense	Net
42,965	5,772	0	20,636	0	880	27,288	304	538	13.6				
9,274	0	0	0	0	0	0	0	n/a	n/a				
5,031	0	0	0	0	0	0	0	n/a	n/a				
1,492	836	0	1,004	120	0	1,960	15	125	19.9				
54,001	4,115	0	32,641	268	257	37,281	277	3,103	43.6				
9,349	2,133	0	8,215	0	0	10,348	134	1,467	100.0				
1,728	0	0	632	306	0	938	0	70	36.9				
136,153	10,377	0	41,616	0	4,355	56,348	601	6,046	15.2				
17,414	3,232	0	9,879	0	130	13,241	160	691	27.1				
5	0	0	0	0	0	0	2	n/a	n/a				
30	0	0	0	0	0	0	10	n/a	n/a				
37,557	0	0	0	0	0	0	0	n/a	n/a				
314,999	26,465	0	114,623	694	5,622	147,404	1,503	12,040	33.7	11,008	1,870	9,138	

Area (in m ²)	Office	Leasable area (in m ²)				Other	Total	Number of parking spaces
		Retail	Industrial/storage	Residential				
1,728	0	0	632	306	0	938	0	
433	0	261	0	0	0	261	10	
3,340	4,918	116	2,444	0	36	7,514	45	



Report of the independent property valuer

To the Executive Board of Intershop Holding AG, Zurich

Fair value measurement of Intershop Group's investment and development properties as of December 31, 2019

1. Assignment

KPMG AG Real Estate ("KPMG") was commissioned by the respective property management companies to measure Intershop Group's real estate at fair value for accounting purposes as of December 31, 2019. This relates to a total of 42 investment properties and 7 development properties.

2. Valuation standard and fair values

KPMG confirms that the market values determined correspond to "current values" in accordance with Swiss GAAP FER 18 and were prepared in accordance with the usual standards and guidelines, in particular the International Valuation Standards (IVS) and the Swiss Valuation Standards (SVS). Market value is defined as "the estimated amount a property asset should be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after an appropriate marketing period, whereby each party acts knowledgeably, prudently and without compulsion".

3. Valuation method and bases of valuation

The fair value of Intershop Group's investment properties is determined using the discounted cash flow (DCF) method. Accordingly, the fair value is calculated as the sum of the future net cash flows discounted to the measurement date after deduction of all costs that cannot be allocated to the tenant. The discount rate used for this purpose is determined on a property-specific basis, taking into account the location, use and current market situation.

The market value of properties that are completely or partially vacant is determined on the assumption that their re-letting will take some time. Loss of rental income, rent-free periods and other incentives for new tenants that correspond to the usual market forms on the valuation date are taken into account accordingly in the valuation.

Borrowing costs, income taxes and value added taxes, as well as the (property) profit taxes and transaction costs due on a future sale are not taken into account in determining fair value.

The development properties are valued on the basis of a continuation scenario; any potential for expansion and/or conversion is not taken into account. Development properties under construction are valued taking into account the construction costs still outstanding as at the reporting date and an appropriate allowance for project risk.

All properties are known to KPMG on the basis of the inspections and the documents provided by the owners and are inspected at least once every three years.



4. Valuation result

Taking into account the above, KPMG estimates the market value of the 49 valued investment and development properties as of 31 December 2019 at total (rounded):

CHF 1,280,519,000

(one billion two hundred eighty million five hundred nineteen thousand Swiss francs)

5. Change in value

The fair value of Intershop Group's investment and development properties thus declined by CHF 13.4 million or 1.0% year-on-year. This net change is the result of an intrinsic increase in the value of the existing portfolio with a simultaneous decrease in the portfolio holdings.

6. Independence and confidentiality

Finally, we would like to point out that the present valuation is intended solely for the above-mentioned purpose and refer to the limitations of liability on which the valuation is based. We assure you that we have prepared the valuations impartially.

Zurich, February 18, 2020

KPMG AG

A handwritten signature in black ink, appearing to read 'U. Prien'.

Ulrich Prien
Partner

A handwritten signature in black ink, appearing to read 'F. Meier'.

Florian M. Meier
Consultant



Annex: Valuation method and assumptions

Valuation method

The valuation of investment properties is based on the discounted cash flow method ("DCF"). The valuation is based on the provisions, guidelines and standards of ISVC, RICS, TEGoVA. The market values determined correspond to "current values" according to Swiss GAAP FER 18.

The DCF model used is a two-phase model and determines the market value of the property on the basis of future cash flows. This includes a forecast of potential future income and expenses in connection with the letting or use of the property over an assumed detailed observation period of 10 years. Based on the achievable rents and rent increases, the annual target rental income is determined and reduced by the costs that cannot be transferred to the tenants. The resulting cash flows thus correspond to the forecast net cash flows after deduction of all costs that cannot be allocated to the tenants, but before financing and taxes. At the end of the detailed analysis period, the proceeds from an assumed sale of the property ("exit value") are also included in the valuation. The exit value is calculated using the present value over the assumed remaining life of the property from the exit year. The market value is thus the sum of the future net cash flows discounted to the valuation date over the detailed observation period plus the discounted exit value.

Some of Intershop Group's development properties under valuation are properties that currently generate rental income but which are to be transformed and/or put to another use in the medium term by means of significant construction work. These properties are valued on the basis of a continuation scenario with the existing use without taking into account any long-term expansion and/or conversion potential.

Discount rate

The discount rate used for the valuation is based on the interest rate for long-term, risk-free investments, such as a 10-year Federal bond and a specific risk premium (general property risk). This risk surcharge takes into account the general property risk and the associated higher illiquidity of a property compared with a risk-free investment, as well as the property-specific risk due to the location, use and quality of the property.

The two-phase DCF calculation model used distinguishes between nominal and real cash flows in value derivation. Thus, nominal, indexed cash flows are depicted in the detailed observation period of the first ten years and a corresponding discount rate is selected. The exit value is calculated as the present value over the remaining life after the exit year (usually 90 years). The discount rate used here implies real, that is, inflation-adjusted cash flows and is therefore lower than the discount rate for the detailed analysis period.

The cash flows for years 1 to 10 are discounted at mid-year (in arrears), while the exit value is estimated at the end of year 10 (in arrears). The nominal discount rates for years 1 to 10 range between 3.20% and 6.70% (previous year: 3.80% and 6.90%) for Intershop Group's properties valued as of December 31, 2019. The capital-weighted average nominal discount



rate is 4.85% (previous year: 5.06%) for the investment properties and 5.56% (previous year: 5.77%) for the development properties. At this point, however, we would like to point out that the comparison of discount rates of different real estate portfolios, especially in the case of different valuation companies, is per se not possible or not meaningful, but should only be carried out in conjunction with an in-depth analysis of all value-relevant valuation assumptions.

Indexation

The indexation of future rental income is one of the essential elements of the inflation protection of real estate and should therefore be considered in a dynamic view. Rents for office and commercial premises are usually linked to the national consumer price index (LIK), while rental agreements for residential premises are linked to changes in the reference rate calculated by the National Bank on a quarterly basis, but also include an inflation component. Based on the forecasts of the relevant economic research institutes and organisations (SNB, KOF, BAK, SECO, OECD), the following assumptions are made for the future development of rents, which do not necessarily represent the exact change in LIK or mortgage interest rates:

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Exit
Growth rate	0.00%	0.50%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

These growth rates represent the estimated rent increase with full indexation. For the individual valuations, the contractually agreed or tenancy law-related possible percentage indexation is taken into account for each individual rental unit. Further rent increases as a result of possible future mortgage rate increases are not taken into account due to the expected inertia of the reference interest rate. The growth rates shown also apply to the future development of market rents that are currently considered sustainable.

Rental income

The valuations are based on the effective rental income as shown in Intershop Group's rental schedule as of December 31, 2019, with annual target rental income forecast on the basis of current contractual rents. This is done by indexing the contractual rents as agreed in the lease or as permitted by rental law and, in the case of expiring (business) leases, by applying market rents that are currently deemed sustainable. In the case of unlimited rental agreements, sustainable market rents are applied at the latest in the exit year. It is assumed that the provisions of the rental agreements are observed by the respective tenants.

Vacancy

The general vacancy risk of a property is taken into account by means of an individual structural vacancy rate for each property. In the case of expiring leases for sales, storage, commercial and office space, vacancies specific to the property and segment are also recognised in the form of an absorption period (vacancy in months after expiry of the contract). When residential leases expire, specific vacancies are also generally recognised, but these are usually lower than for commercial properties.

Operating and maintenance costs



Management costs consist of property taxes, insurance premiums, administrative and general operating costs that cannot be passed on to tenants as incidental costs. Where available, the historical values from the property accounts are used as comparative figures and to verify future expectations. These figures are checked for plausibility using our own benchmarks and, if necessary, adjusted during the period under review, taking into account contractual agreements and the condition of the property. The same procedure is followed for maintenance costs.

Future maintenance costs

In addition to rental income, future maintenance costs are of great importance. The investments considered during the period under review are based on Intershop Group's 10-year investment plans. These are checked for plausibility, adjusted where necessary, and taken into account accordingly in the valuations.

The necessary long-term maintenance measures ("capex") to be taken into account in determining the exit value are calculated on a property-specific basis, assuming that, depending on the construction method and use of the property, the individual parts of the building structure have a limited life and must therefore be renewed cyclically over the entire life of the property. The future maintenance costs determined in this way are converted into an imputed fund per exit year, which is deducted accordingly when calculating the sustainable cash flow in the exit year. Only the costs to be borne by the owner to maintain the substance of the property are included, which secure the contractual and market interest level on which the valuation is based in the long term.

Report of the statutory auditor

to the General Meeting of Intershop Holding AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Intershop Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 56 to 89) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and the provisions of article 17 of the Directive on Financial Reporting (DFR) issued by SIX Swiss Exchange and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 3.3 million

We have audited the Group centrally. Our audit addressed the Group's earnings, assets and liabilities.

As key audit matters, the following areas of focus were identified:

- Valuation of investment and development properties – assumptions/changes in valuation
- Deferred tax liabilities arising from property valuation differences

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 3.3 million
How we determined it	0.5% of the net assets (equity) of the Group
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because it is a generally accepted industry benchmark for materiality considerations relating to real-estate companies.

We agreed with the Board of Directors that we would report to them misstatements above CHF 330,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of Intershop Holding AG and eleven other Group companies in Switzerland, including six real-estate companies and five service companies. We concluded audit work at all of the Group companies.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment and development properties – assumptions/changes in valuation

Key audit matter	How our audit addressed the key audit matter
<p>The Intershop Group's non-current assets consist mainly of investment properties and development properties valued at CHF 1.1 billion and CHF 129 million, respectively, as at 31 December 2019.</p> <p>In accordance with SIX Swiss Exchange's requirements, market values are determined by an independent, qualified property appraiser, who prepares a valuation report. The expert confirms that the market values determined correspond to the 'actual values' according to Swiss GAAP FER 18 and were determined in accordance with common standards and guidelines, in particular International Valuation Standards (IVS) and Swiss Valuation Standards (SVS).</p> <p>We consider the valuation of the property portfolio a key audit matter owing to its significance in relation to total assets (approx. 95%) and owing to the assumptions and scope for judgement involved in valuation models such as the DCF method. A DCF valuation in the property industry requires, among others, input parameters that cannot readily be observed in a market (e.g. assumed future vacancy rates, future capital expenditure and various components of the discount factor). Inappropriate assumptions or errors in the DCF valuations could lead therefore to significant differences in valuation, due to the long time-horizons of the assumptions used for the valuations.</p> <p>Please refer to the accounting principles (page 60 et seq.), the note on valuation methods and assumptions (pages 92 to 94), Note 8 and 9 'Investment and development properties' (pages 71 and 72) and the report of the independent property appraiser (pages 90 and 91).</p>	<p>We performed the following audit procedures, among others:</p> <p>With regard to the valuation of the property portfolio, we performed sample testing to check that the data supplied to the expert was complete and accurate, and that the valuation according to the valuation report is appropriate and evidence-based.</p> <p>For the examination of the valuation report, we involved our own real-estate subject matter experts. This included an assessment of the completeness and appropriateness of the report, a check of formal aspects (compliance with standards, professional competence, independence) and an appraisal of the appropriateness of the valuation method used and the valuation assumptions. Applying risk-based selection criteria, we tested a random sample for mathematical accuracy by reperforming the basic steps in the calculation. The accuracy of the basic data used in the DCF valuation for the individual properties in the property portfolio (e.g. rental income, vacancies, etc.) was verified by means of additional audit procedures. Furthermore, the specific discount rates used for the DCF valuations as well as any change in those rates were assessed.</p> <p>On the basis of our audit procedures, we obtained adequate assurance with regard to the appropriateness of the valuation of the property portfolio.</p>

Deferred tax liabilities arising from property valuation differences

Key audit matter

Deferred tax liabilities on property valuation differences amount to approximately CHF 112 million as at 31 December 2019. The deferred tax liabilities are based on the tax computed on the valuation difference between the tax base value and the higher current value recognised in the financial statements.

We consider deferred tax liabilities on property valuation differences to be a key audit matter for the following two reasons.

First, deferred tax liabilities on property valuation differences account for approximately 17% of the Group's liabilities and represent a significant balance sheet item. Second, the calculation of deferred tax liabilities is complex and involves significant scope for judgement by Management, for example in relation to the expected holding period of the properties.

Errors and inappropriate assumptions can have a significant impact on the amount of the deferred tax liabilities, which is why Management's assumptions are critical to the assessment of deferred taxes.

Please refer to the accounting principles (page 60 et seq.) and Note 13 'Deferred tax assets and liabilities' (page 76).

How our audit addressed the key audit matter

We have assessed and checked the determination of deferred tax liabilities on properties. We performed the following audit procedures, among others:

- We checked the plausibility of management's assumptions regarding the holding period on the basis of internal project documents and the minutes of meetings at which the properties were discussed.
- We assessed jointly with internal tax specialists the tax rates used for the purposes of (federal, cantonal and municipal) income taxes and any property gains taxes.
- In addition, we reperformed the calculations of the differences between the values disclosed in the consolidated financial statements and the tax basis values.

On the basis of our audit procedures, we obtained adequate assurance with regard to the determination and disclosure of deferred tax liabilities on properties.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER, article 17 of the Directive on Financial Reporting (DFR) issued by SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is available on the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Sandra Böhm
Audit expert
Auditor in charge



Philipp Gnädinger
Audit expert

Winterthur, 18 February 2020

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Balance sheet

(in CHF 1,000)

Assets

	Notes	2019	2018
Current assets			
Cash		173	59,678
Securities and short term deposits		0	8,274
Other receivables			
from Group companies		58,406	89,388
from third parties		8	4
Accrued income and prepaid expenses			
from third parties		0	28
Total current assets		58,587	157,372
Non-current assets			
Investments in subsidiaries	1	232,963	232,863
Total non-current assets		232,963	232,863
Total assets		291,550	390,235

Shareholders' equity and liabilities

Current liabilities			
Bonds	2 / 3	0	125,000
Other liabilities			
to Group companies		6,189	0
to third parties		80	5
Accrued expenses and deferred income			
to third parties		1,384	3,536
Total current liabilities		7,653	128,541
Non-current liabilities			
Bonds	2 / 3	100,000	100,000
Total non-current liabilities		100,000	100,000
Total liabilities		107,653	228,541
Shareholders' equity			
Share capital	4	19,000	20,000
General legal reserve		3,800	4,000
Other general reserve	5	39,743	92,943
Reserve for treasury shares	5	0	964
Retained earnings brought forward		2,926	1,095
Profit for the year		118,428	42,692
Total shareholders' equity		183,897	161,694
Total shareholders' equity and liabilities		291,550	390,235

Income statement

(in CHF 1,000)

	Notes	2019	2018
Income from participations	6	120,315	44,885
Other income		137	0
Other expense	7	-1,584	-1,458
Operating result before interest and taxes		118,868	43,427
Financial income	8	1,040	2,534
Financial expense	9	-1,446	-3,064
Profit before taxes		118,462	42,897
Tax expense		-34	-205
Profit		118,428	42,692

Notes to the annual financial statements

Accounting principles

Accounting law

These financial statements have been prepared in accordance with the provisions of Swiss accounting and financial reporting law in the Swiss Code of Obligations (Art. 957-963b CO).

Receivables and liabilities

Receivables and liabilities are stated at nominal value and, where applicable, divided in the balance sheet between «third parties» and «Group companies».

Securities and fixed deposits

Short term securities are valued at market value (fair value) as at the balance sheet date. Fixed deposits with a remaining term of more than 90 days are stated at nominal value.

Bonds

Bonds are recognised in the balance sheet at nominal value. The issue premium and the issuing costs are recorded under accrued and deferred items and amortised over the term of the bond.

Treasury shares

Treasury shares held by Intershop Holding AG are carried at cost as a negative item in equity from the date of acquisition. If they are subsequently resold, the difference between the selling price and the acquisition cost is recognized directly in equity

Waiver of the additional disclosures

The consolidated financial statements of Intershop Holding AG are prepared in accordance with Swiss GAAP FER. These annual financial statements therefore do not include additional disclosures such as cash flow statement and management report.

Information on balance sheet and income statement items

1 Participations

Intershop Bau AG, Basel, was newly established in the year under review. Details of the participations are shown on pages 114 and 115.

2 Bonds

In the 2015 financial year, a bond of CHF 100 million with a term of 8 years (17.4.2015-17.4.2023) was issued, which is listed on the SIX Swiss Exchange. The coupon of 1.125% is payable annually on 17 April. Premiums and issuing costs are recognised as accruals and are amortised over the life of the bond.

Outstanding bonds:

(in CHF 1,000)	31.12.2019	31.12.2018
1.5% bond 2014–2019	0	125,000
1.125% bond 2015–2023	100,000	100,000
Total outstanding bonds	100,000	225,000

3 Maturity structure of the interest-bearing liabilities

(in CHF 1,000)	31.12.2019	31.12.2018
under 5 years	100,000	225,000
over 5 years	0	0
Total liabilities	100,000	225,000

4 Share capital

The Company has 1,900,000 issued registered shares with a nominal value of CHF 10.

Following the repurchase of 100,000 treasury shares via a public buyback offer in March 2019, the subsequent Annual General Meeting held on 4 April 2019, approved the reduction of the share capital by CHF 1 million.

Information on the key shareholders is provided in the consolidated financial statements in note 16 on page 77.

	(Anzahl)	(in CHF 1,000)
5 Treasury shares/ Reserve for treasury shares		
Balance as at 1.1.2018	2,000	974
Purchase of treasury shares	15,373	7,618
Share-based payments (participation plan)	-2,082	-1,009
Price difference	-	-5
Balance as at 31.12.2018	15,291	7,578
Purchase of treasury shares	106,729	54,875
Share-based payments (participation plan)	-2,020	-1,010
Capital reduction	-100,000	-51,500
Price difference	-	36
Balance as at 31.12.2019	20,000	9,979

The treasury shares held by the company as of 31.12.2019 were deducted from free reserves at cost. A corresponding «reserve for treasury shares» was recognized as of December 31, 2018 for the 2,000 Intershop Holding AG shares held by a subsidiary in the previous year.

	(in CHF 1,000)	2019	2018
6 Income from participations			
Dividends Group companies		120,315	44,885
Total income from participations		120,315	44,885

	(in CHF 1,000)	2019	2018
7 Other operating expense			
Compensation of the Board of Directors		319	281
Other operating expense Group companies		850	830
Other operating expense third parties		415	347
Total other operating expense		1,584	1,458

	(in CHF 1,000)	2019	2018
8 Financial income			
Interest income Group companies		967	2,494
Other financial income third parties		73	40
Total financial income		1,040	2,534

Other financial income includes income from the management of cash and cash equivalents.

	(in CHF 1,000)	2019	2018
9 Financial expense			
Interest expense bonds		1,329	3,018
Interest expense Group companies		103	44
Other financial expense third parties		14	2
Total Finanzaufwand		1,446	3,064

Other financial expenses include bank charges and exchange rate results.

Additional information

10 **Company name and registered office** Intershop Holding AG is a public limited company with its registered office at Giessereistrasse 18, 8005 Zurich, Switzerland.

11 **Full-time equivalents** Intershop Holding AG has no employees.

12 **Participations of the Board of Directors and the Executive Board** As at the reporting date, the Board of Directors and Executive Board held the following interests in Intershop Holding AG in accordance with Article 663c of the Swiss Code of Obligations:

(Number of shares)	31.12.2019	31.12.2018
Dieter Marmet, Chairman of the Board of Directors	3,000	3,000
Kurt Ritz, Member of the Board of Directors	100	n/a
Ernst Schaufelberger, Member of the Board of Directors	200	0
Cyrill Schneuwly, CEO	6,392	7,092
Christian Baldinger, Head of Building and Development	2,147	2,114
Thomas Kaul, CFO	3,000	2,792
Andreas Wirz, Head of Portfolio Management	4,200	4,295
Total	19,039	19,293

The Board of Directors and Executive Board together held 1.00% (0.96%) of the share capital and voting rights.

The details of compensation to the Board of Directors and the Executive Board are shown in the Remuneration Report on pages 32 to 35.

13 **Contingent liabilities** As at 31 December 2019, letters of comfort and guarantees in favour of Group companies amounted to CHF 182 million (CHF 189 million)

14 **Pledged assets** No assets were pledged as of 31 December 2019.

15 **Events after the balance sheet date** Up to 18 February 2020, no significant events occurred after the balance sheet date.

Proposed appropriation of profit for the financial year 2019

The Board of Directors' proposes the following appropriation of profit to the forthcoming Annual General Meeting:

(in CHF)	2019	2018
Retained earnings brought forward	2,926,343	1,094,781
Profit for the year	118,428,385	42,691,562
Total retained earnings available for distribution	121,354,728	43,786,343
Release from free reserve	0	500,000
Dividend ¹⁾	-47,500,000	-41,360,000
Retained earnings carried forward	73,854,728	2,926,343

¹⁾ 2018: Resolution of the Annual General Meeting

With the acceptance of this proposal, each registered share of CHF 10 nominal value will receive the following dividend on 8 April 2020 (ex date 6 April 2020):

Gross dividend	CHF	25.00
less 35% withholding tax	CHF	8.75
Net payment	CHF	16.25

Report of the statutory auditor

to the General Meeting of Intershop Holding AG

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Intershop Holding AG, which comprise the balance sheet as at 31 December 2019 and the income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 102 to 107 and 114 and 115) as at 31 December 2019 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 919,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Impairment of direct and indirect investments in group companies

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 919,000
How we determined it	0.5% of the net assets (equity) reported in the financial statements
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is a generally accepted benchmark for materiality considerations in relation to a holding company.

We agreed with the Board of Directors that we would report to them misstatements above CHF 91,900 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment of direct and indirect investments in group companies

Key audit matter	How our audit addressed the key audit matter
<p>The Company recorded as at 31 December 2019 direct investments (100%) in six real-estate companies and three service companies, and indirect investments in a further two service companies, for a total book value of CHF 233 million. All of these investments concern Swiss companies.</p> <p>These investments are stated at acquisition cost in accordance with the commercial accounting and financial reporting provisions of the Swiss Code of Obligations. If necessary, impairments are made in the event of a decrease in value. The investments are valued individually.</p> <p>We consider the impairment testing of investments as a key audit matter owing to their significance on the balance sheet.</p> <p>Please refer to the accounting principles and note 1 (page 104).</p>	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • Comparison of the book values of the investments in subsidiaries with the economic value of the equity of each company. <p>On the basis of our audit, we obtained adequate assurance with regard to the impairment testing of the investments. During the audit, we did not become aware of any indicators that would render impairment necessary.</p>

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is available from the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

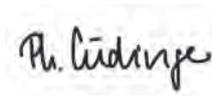
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Sandra Böhm
Audit expert
Auditor in charge



Philipp Gnädinger
Audit expert

Winterthur, 18 February 2020

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Subsidiaries and participations

As at 31 Dezember 2019

(GRI 102-45)

Legal name, registered office		Group participation (in %)
Centre St Roch – Yverdon-les-Bains S.A., Yverdon-les-Bains	▲	100.00
De Bary & Co. AG, Basle	■	100.00
Einkaufszentrum Herti AG, Zug	■	100.00
EZ Volketswil AG, Volketswil	■	100.00
Intershop Bau AG, Basle	▲	100.00
Intershop Management AG, Zurich	▲	100.00
Realconsult AG, Zurich	▲	100.00
SGL City Immobilien AG, Zurich	■	100.00
SGL Promotion AG, Zurich	■	100.00
SGL Schweizerische Gesellschaft für Immobilien AG, Zurich	■	100.00
WTCL Services SA, Lausanne	▲	100.00

■ = Property company

▲ = Service company

(GRI 102-45)

Parent company	Paid-in capital	Method of consolidation
SGI Schweizerische Gesellschaft für Immobilien AG	100,000 CHF	full consolidation
Intershop Holding AG	1,500,000 CHF	full consolidation
Intershop Holding AG	3,000,000 CHF	full consolidation
Intershop Holding AG	2,000,000 CHF	full consolidation
Intershop Holding AG	100,000 CHF	full consolidation
Intershop Holding AG	250,000 CHF	full consolidation
Intershop Holding AG	100,000 CHF	full consolidation
Intershop Holding AG	25,000,000 CHF	full consolidation
Intershop Holding AG	12,000,000 CHF	full consolidation
Intershop Holding AG	150,000,000 CHF	full consolidation
SGI Schweizerische Gesellschaft für Immobilien AG	102,000 CHF	full consolidation

Intershop Group

Five year overview

		2019	2018	2017	2016	2015
Assets						
Current assets	m CHF	75	201	65	41	151
Tangible assets	m CHF	1,267	1,251	1,346	1,354	1,240
Financial assets	m CHF	1	2	2	2	14
Total assets	m CHF	1,343	1,454	1,413	1,397	1,405
Liabilities						
Short term financial liabilities	m CHF	125	199	71	116	121
Long term financial liabilities	m CHF	552	565	723	690	726
Total shareholders' equity Intershop Group	m CHF	666	690	619	591	558
Net rental income	m CHF	74	78	79	75	75
Changes in fair value of properties	m CHF	17	16	4	4	3
Net gains from property disposals	m CHF	7	82	10	4	12
Operating result (EBIT)	m CHF	89	167	85	74	81
Earnings before taxes	m CHF	79	154	75	68	69
Net income Intershop Group	m CHF	71	120	64	60	56
Cash flow from operations	m CHF	36	23	50	49	61
Return on equity Intershop Group						
based on the average shareholders' equity	%	10.9	19.3	10.7	10.7	10.4
Net income Intershop Group						
per outstanding share of CHF 10	CHF	37.33	59.84	31.76	29.77	28.11
Net income Intershop Group excl. changes in fair value						
per outstanding share of CHF 10	CHF	30.45	53.60	30.16	28.42	27.14
Payout ratio¹⁾	%	82.1	41.0	72.9	70.4	73.7
Investments in real estate	m CHF	35	37	17	123	33
Equity per share outstanding (NAV)	CHF	354	348	310	295	279
Number of employees		72	70	68	69	55

1) Based on the net income of the Intershop Group excluding changes in fair value of properties

Intershop Holding AG

Five year overview

		2019	2018	2017	2016	2015
Share capital (nominal)						
Number of shares of CHF 10		1,900,000	2,000,000	2,000,000	2,000,000	2,000,000
Nominal amount	m CHF	19.0	20.0	20.0	20.0	20.0
Share capital outstanding as at 31.12.						
Number of shares of CHF 10		1,880,000	1,986,709	2,000,000	2,000,000	2,000,000
Nominal amount	m CHF	18.8	19.9	20.0	20.0	20.0
Share price (high/low)¹⁾						
	CHF	576/491	508/465	507/471	510/400	430/358
Share price as at 31.12.						
	CHF	567.00	488.00	487.00	501.00	402.50
Market capitalisation as at 31.12.						
	m CHF	1,077	976	974	1,002	805
Net income Intershop Holding AG						
	m CHF	118.4	42.7	37.0	42.9	38.5
per outstanding share of CHF 10	CHF	62.99	21.49	18.50	21.44	19.24
Dividend per share						
	CHF	25.00 ²⁾	22.00	22.00	20.00	20.00

1) Daily closing prices

2) Proposal of the Board of Directors

Alternative performance measures

Gross yield

The gross yield is calculated by comparing the effective yearly rental income (rental income) of the investment property portfolio held at the end of the reporting period with its fair value as at the balance sheet date.

(in CHF 1,000)	2019	2018
Rental income of the investment properties	71,836	77,957
Effect of property disposals	-199	-5,232
Adjusted rental income of the investment properties ¹⁾	71,637	72,725
Fair value of the investment properties as at the balance sheet date ¹⁾	1,151,565	1,154,490
Gross yield of the investment property portfolio	6.2%	6.3%

1) of all investment properties held at the balance sheet date

Net yield

The net yield is calculated by comparing the effective yearly net rental income of the investment property portfolio held at the end of the reporting period with its fair value as at the balance sheet date.

(in CHF 1,000)	2019	2018
Adjusted rental income of the investment properties	71,637	72,725
Property expense of the investment properties	-7,037	-8,133
Effect of property disposals	-63	150
Intercompany property management fees	-2,164	-2,195
Adjusted net rental income of investment properties ¹⁾	62,372	62,547
Fair value of the investment properties as at the balance sheet date ¹⁾	1,151,565	1,154,490
Net yield of the investment property portfolio	5.4%	5.4%

1) of all investment properties held at the balance sheet date

Return on equity

The return on equity is calculated by comparing the net income for the reporting period as shown in the consolidated income statement with the monthly average of shareholders' equity

(in CHF 1,000)	2019	2018
Net income ¹⁾	71,008	119,600
Average equity ¹⁾	653,603	620,983
Return on equity	10.9%	19.3%
Net income excl. changes in fair value of properties ²⁾	57,919	107,139
Return on equity excl. changes in fair value of properties	8.9%	17.3%

1) based on monthly figures

2) see note 28, p 81

Glossary of key terms

Changes in fair value of properties	The changes in fair value amount to the difference between the market value at the end of the reporting period and the market value at the beginning of the reporting period less any value-enhancing investments capitalised.
Equity ratio	The percentage of shareholder equity in relation to the balance sheet total.
First time valuation of newly acquired properties	The difference between the accumulated acquisition cost (including any subsequent value-enhancing investments) of a property and its first market valuation.
Development property	Properties or land plots for which substantial development is envisaged. The changes in their fair value are, as with the investment property portfolio, disclosed in the consolidated income statement.
Vacancy rate	The vacancy rate is the percentage of the market rent of all vacant areas according to the rent roll set in relation to the maximum gross rental income (target rent) as at the balance sheet date.
Property expense	Property expenses include all costs that can be directly attributed to the real estate. This does not include any income tax, financial expense nor any administration expense of the Group.
Rental income	Rental income is the gross accounting rent receivable of properties (excluding service charges) based on the contractual agreements. This corresponds to target rent less rents lost due to vacancies, defaults, tenants incentives and the like.
Market value	The market value (or fair value) of the investment and development property portfolio is assessed by external property valuers. It equates to the selling price that is achievable in a functioning real estate market between two independent parties and following an appropriate marketing period. Both parties have sufficient knowledge, care and attention and without constraint.
Net rental income	Equates to the rental income receivable in the period after deduction of direct property expenses (rental income minus property expense).
Promotional property	Development property that is being built or developed with the aim of immediate sale. Usually, these are developments in the area of commonhold apartments. Promotional properties are carried at cost. Any reclassifications from investment or development properties are made at market value.
Investment property	The changes in their fair value are disclosed in the consolidated income statementThe changes in their fair value are disclosed in the consolidated income statement
Target rent	Corresponds to the maximum achievable rent on the reporting date assuming full occupancy.

Addresses

Holding

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Fax +41 44 544 10 01

57th Annual General Meeting

Thursday, 2 April 2020
Cigarettenfabrik Eventhalle 268
Sihlquai 268, 8005 Zurich

Reporting

Presentation of Annual Report	24 February 2020
Presentation of Half-Year Report	27 August 2020

Listing

SIX Swiss Exchange

Investment products

	Security number	Ticker
Registered share	27'377'479	ISN
1.125% bond 2015–2023	27'577'643	ISH15

Swiss tax value as at 31.12.2019

Registered share	CHF 567
1.125% bond 2015–2023	102.90

Investor Relations

Cyrill Schneuwly
Thomas Kaul

Languages

German and English

This Annual report 2019 is a translation of the Annual report 2019 in German. Only the Annual report in German which is available on www.intershop.ch is legally binding.

