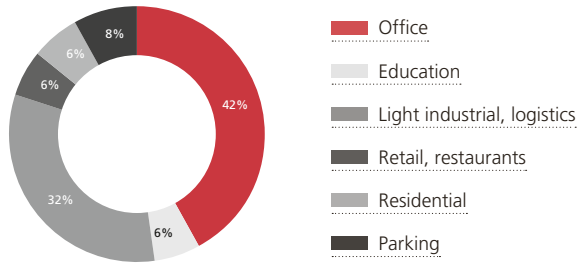


The image shows the exterior of a multi-story building with a light-colored, textured facade. The ground floor features large, dark-framed glass windows and doors. A balcony with a dark metal railing is visible in the foreground. The upper floors have smaller, arched windows. The sky is clear and blue.

Summary 2019

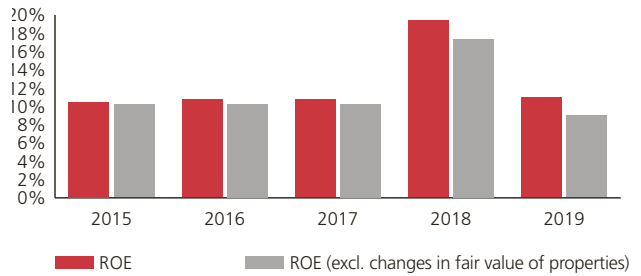
Portfolio by use

(in CHF)



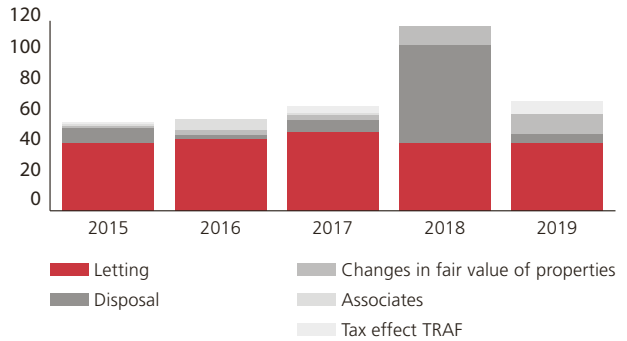
Return on equity

(in percent)



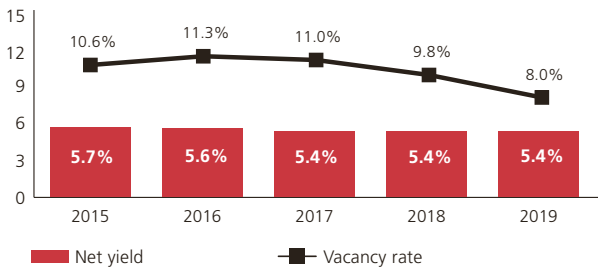
Net income

(in CHF m)



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 disposal	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 taxes (EBT)	m CHF	79.1	154.4
Net income	m CHF	71.0	119.6
<hr/>			
Cash flow from operations	m CHF	36.0	23.1
Investments in properties	m CHF	35.3	37.1
<hr/>			
Total assets	m CHF	1,343.0	1,454.5
Total properties	m CHF	1,312.8	1,302.7
Financial liabilities	m CHF	504.0	589.0
Shareholders' equity	m CHF	666.1	690.1
<hr/>			
Return on equity ¹⁾		10.9%	19.3%
Return on equity excluding 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
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Share

Earnings per share ⁶⁾	CHF	37.33	59.84
Earnings per share excluding changes 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 properties 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 2019, p 81

8) See «Net asset value per share», Annual report 2019, p 70

9) 2019: Proposal of the Board of Directors

Letter to shareholders

Dear shareholders, 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 to the dividend of CHF 3, to CHF 25.

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 dis-posals 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 reached 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 (STAF), which reduced the deferred tax burden 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 to the dividend of CHF 3, to CHF 25 per share.

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.

Organisation

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.

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

Consolidated balance sheet

(in CHF 1'000)

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

Consolidated income statement

(in CHF 1'000)

	2019	2018
Rental income	82,843	87,955
Net gains from property disposal	7,411	81,982
Other income	4,773	4,543
Total operating income	95,027	174,480
Property expense	8,907	9,713
Personnel expense	10,914	11,441
Administrative expense	2,933	2,807
Total operating expense	22,754	23,961
Changes in fair value of properties	16,631	16,177
Operating result (EBIT)	88,904	166,696
Financial income	95	144
Financial expense	-9,924	-12,456
Profit before taxes	79,075	154,384
Tax expense	-8,067	-34,784
Net income	71,008	119,600
Earnings per share (CHF)	37.33	59.84

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Annual General Meeting 2020

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

Reporting

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

Investment products

Registered share
1.125% bond 2015–2023

Security number

27'377'479
27'577'643

Ticker

ISN
ISH15

Tax value

CHF 567
102.90

Investor Relations

Cyrell Schneuwly
Thomas Kaul

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