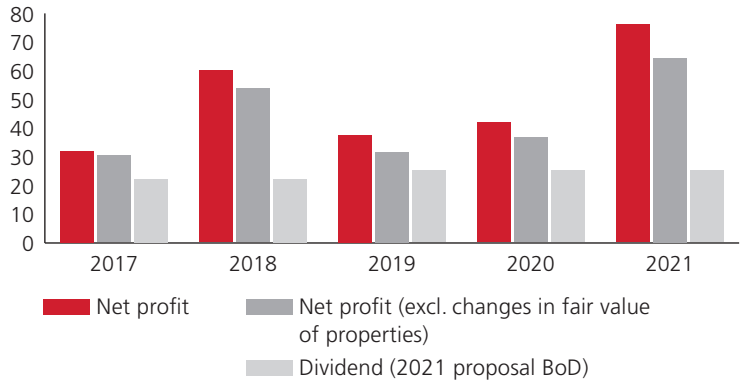
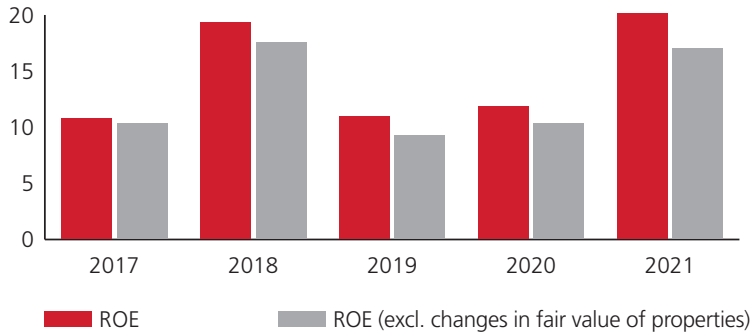
Annual report 2021

intershop

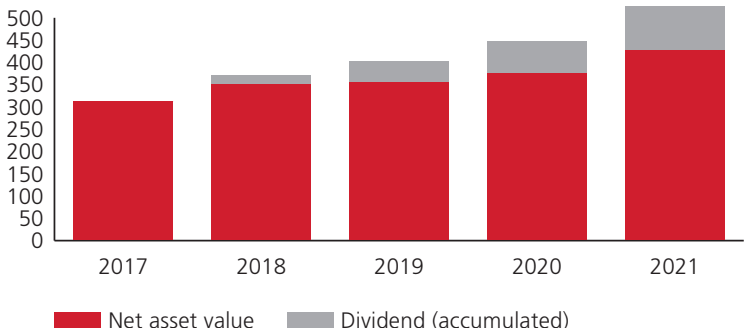
Earnings per share
(in CHF)



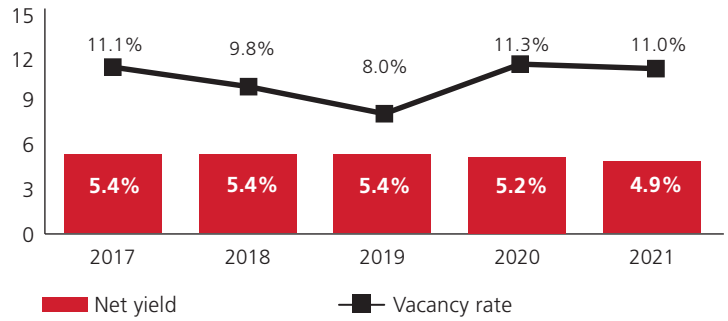
Return on equity
(in percent)



NAV per share
(in CHF)



Net yield and vacancy rate
(in percent)



Key figures Intershop Group

			2021	2020
Financials	Net rental income	m CHF	66.8	70.4
	Net gains from property disposals	m CHF	106.1	33.4
	Changes in fair value of properties	m CHF	32.3	13.4
	Operating result (EBIT)	m CHF	195.1	107.6
	Earnings before tax (EBT)	m CHF	187.3	98.8
	Net income	m CHF	144.2	78.4
	Net cash from operations	m CHF	33.3	45.6
	Investments in real estate	m CHF	84.1	61.7
	Total assets	m CHF	1,426.7	1,378.3
	Total value of property portfolio	m CHF	1,387.3	1,333.3
	Financial liabilities	m CHF	428.9	465.1
	Shareholders' equity	m CHF	809.7	710.6
	Return on equity[1)]		20.1%	11.8%
	Return on equity excl. changes in fair value of properties[1)]		17.0%	10.3%
Portfolio	Number of investment properties		39	40
	Number of development properties[3)]		12	12
	Lettable area	in m^2	513,253	544,440
	Gross yield [2) 4)]		5.7%	6.0%
	Net yield[2) 5)]		4.9%	5.2%
	Vacancy rate[2)]		11.0%	11.3%
Personnel	Number of employees		74	71
Share	Earnings per share[6)]	CHF	75.92	41.67
	Earnings per share excl. change in fair value of properties[7)]	CHF	64.22	36.44
	Net asset value per share (NAV)[8)]	CHF	426.40	374.02
	Share price at balance sheet date	CHF	612.00	615.00
	Dividend per share[9)]	CHF	25.00	25.00

1) Based on the average shareholders' equity during the period, see «Alternative performance measures», p 120
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», p 120
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», p 120
6) See «Earnings per share», p 79
7) After deducting changes in fair value of properties and associated deferred tax, see «Earnings per share», p 84
8) See «Net asset value per share», p 79
9) 2021: Proposal of the Board of Directors

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Letter to shareholders

Overview

Dear shareholders, business partners and employees

In a volatile environment, Intershop finished the fiscal year with an excellent result:

– The Group's net profit amounted to CHF 144.2 million or CHF 75.92 per share, which corresponds to a return on equity of 20.1%. The result is thus 84% above the previous year.

– Equity rose to CHF 810 million, or CHF 426 per share respectively.

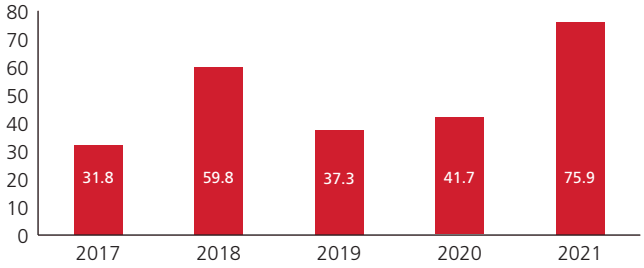
– The net yield of the investment property portfolio amounted to an attractive 4.9%.

– The vacancy rate of the investment property portfolio fell slightly to 11.0%.

– The overall performance of Intershop shares reached 3.6%.

– The Board of Directors proposes an unchanged dividend of CHF 25 to the Annual General Meeting.

Earnings per share in CHF



Intershop's activities centred on active and sustainable property management and the development of the group's real estate portfolio. In the process properties with added value potential will be acquired, but also fully developed, investor-ready properties will be sold. To offer customers the best possible projects and services, a large part of these services was provided by the company's own employees, be it property management, facility management or the planning, implementation and monitoring of development and construction projects.

Business review

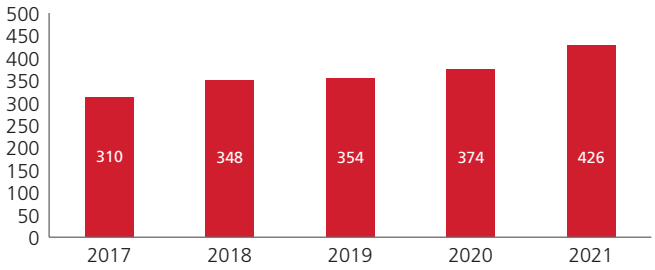
The year under review was again influenced by the corona pandemic following a further lockdown in the first quarter and increased restrictions again towards the end of the year. Since most of the measures in Switzerland were introduced with a sense of proportion compared to neighbouring countries, the economy developed positively. The real estate market was hardly adversely affected by this turbulence. On the contrary, due to the unchanged interest rate environment, the asset class «real estate» continued to enjoy great popularity among investors. Prices for core properties and residential properties in major cities continued to rise. Prices for development projects in attractive locations have meanwhile reached a level at which almost no risk premium can be identified. In this environment, Intershop has successfully completed the promotional project «Gellertstrasse» in Basle and sold the property on Hohlstrasse in Zurich as well as a smaller property in the Bernese Seeland for the purpose of portfolio streamlining. An exciting development project in Vernier («Orubi» project) was acquired.

Potential tenants continue to be reluctant to let office space. However, as the increase in supply also remained within narrow limits, there was no significant oversupply, which resulted in largely stable rents. In the other segments relevant to Intershop, the centrally located residential properties and commercial/industrial space, demand remained intact. After a peak of 11.8% in the middle of the year, the vacancy rate has returned to 11.0%. As in June, the ongoing renovation of residential properties were a major reason for the rather high rate. Excluding transactions (like-for-like), the vacancy reduction amounts to 0.2% in the year under review. Development projects proceeded largely according to plan, although there were individual delays due to supply bottlenecks.

As expected, real estate income was CHF 4.6 million or 5.8% below the previous year. Around CHF 2.6 million of the decline was attributable to the disposal of properties. Thanks to strict cost control, real estate expenses fell disproportionately to CHF 8.3 million. The gross, as well as the net yield of the investment property portfolio remained at a very attractive level of 5.7% and 4.9% respectively. The profit from disposals amounted to a high CHF 106 million, while the revaluation of the properties by KPMG resulted in a net valuation gain of 2.6% or CHF 32.3 million. The «AuPark» recorded a valuation gain of CHF 29 million, as it was no longer valued on a going concern basis due to the commencement of demolition works. On the other hand, the value of the World Trade Center in Lausanne decreased by more than 10% due to the pending renovation projects.

Thanks to the placement of a green bond, interest expenses fell significantly by 10.8%, despite higher borrowing levels during the course of the year. Mortgages of CHF 75 million were repaid at the end of the year from the proceeds of the sale of Hohlstrasse. As a result, the loan-to-value ratio (LTV) of the portfolio fell to a low 31%. The bottom line was a very pleasing net profit of CHF 144.2 million, resulting in a return on equity of 20.1%. As at the balance sheet date, the Group's equity amounted to CHF 810 million, which is almost 14% above the previous year's level. The pro-rata equity per share (NAV) amounted to CHF 426.

Net asset value per share (NAV) in CHF



Sustainability

The third sustainability report in accordance with the standards of the GRI (Global Reporting Initiative) was further expanded and can be found in the annual report on pages 42 to 52.

Development projects proceeding largely according to plan

Progress in the ongoing developments was mostly pleasing. As mentioned, the promotional property project in Basle was successfully completed in the second quarter of 2021. The extension and refurbishment of the residential property Rue de Lausanne 42+44 in Geneva was also

completed. The building is expected to be certified with the sustainability label «SNBS Gold». At the turn of the year, the new assembly plant in Winterthur-Neuhegi was handed over to the tenant. In Pfäffikon SZ, in addition to the basic construction work, a considerable part of the tenant improvements was completed, and approximately three quarters of the building has now been let. The property is expected to be reclassified as investment property in the current year. Unfortunately, the building permit for the «AuPark» development project in Wädenswil is still pending. However, the demolition of the existing buildings started last autumn. Work continues on Redingstrasse in Basle, where the existing two high-rise buildings are being sustainably renovated and extended. Construction is still scheduled for completion by the end of 2022. In Baden, some of the underground construction work has turned out to be more complex than expected, and there have been individual supply bottlenecks. The complete handover of all commonhold apartments, originally planned for this year, is no longer likely. Intershop assumes that about half of the apartments will not be handed over to the buyers until 2023.

Office space under the spell of the home office

As a result of the measures taken against the spreading of the corona virus, the home office has become widespread and accepted. Since working from home has proven its worth in most cases, it has become an integral part of collaboration in many companies, which tended to reduce the need for office space. In order to encourage employees to return to the office and provide the necessary sense of security, many employers are having to rethink the build-out of their space. This in turn has tended to lead to greater space requirements per employee. Since the design of the future office is still vague, many companies are hesitant to make major space adjustments and tend to make across-the-board reductions in space when contracts are up for renewal. This leads to a restrained demand for office space. However, the decline in demand for office space predicted by some economists due to the home office should be more than offset by additional demand due to economic growth in the medium to long term.

In the residential market in the central urban locations relevant to Intershop, demand remains good, as was shown by the rapid letting of the newly built or renovated flats in Geneva and Berne. Demand for commercial and industrial space also remained intact. This is one reason why Intershop decided to build a new commercial building in Vernier. Things remain difficult for the retail trade and the hotel industry for the time being. However, these sectors are not relevant to the Intershop portfolio.

The vacancy rate of the investment property portfolio is slightly below the previous year's value, despite a positive development for many properties. This is due to the ongoing renovation of the residential buildings in Basle, whose vacancy rate rose from 0.4% to 1.3% of the target rent of all investment properties. Excluding this property, the vacancy rate would have reduced to 10.1%. It is noteworthy that the comprehensively renovated development property in Pfäffikon SZ achieved an occupancy rate of around 75% within one year. The occupancy rate in the two residential properties in Geneva and Berne, whose renovation was largely completed in the reporting year, also developed positively.

Annual General Meeting and Board of Directors

At the 2021 Annual General Meeting, which was once again held in the absence of shareholders due to the pandemic, all three members of the Board of Directors were re-elected for a further year and Dieter Marmet was once again appointed Chairman.

Dieter Marmet will not stand for re-election at the forthcoming 59th Annual General Meeting. The Board of Directors would like to thank him for his many years of very successful commitment, which has contributed significantly to the sustainable success of the Group. The Board of Directors will propose Ernst Schaufelberger as his successor and Dr. Christoph Nater for election to the Board of Directors at the Annual General Meeting. The latter is a partner in a law firm and has expertise in construction and real estate law.

Outlook

A forecast regarding the current business year is difficult due to the geopolitical uncertainties. In the absence of major upheavals, Intershop expects a slight growth in rents in the low single-digit percentage range, excluding the effects of any transactions. The rental income from the properties sold in 2021 should therefore be more than compensated for. Letting vacant or terminated space remains a primary operational focus. Based on the aforementioned premises, Intershop expects a slight decrease in the vacancy rate for the current investment property portfolio in the order of a good 10%.

Intershop expects to achieve a profit in the high single-digit million range from the sale of half of the flats in the Baden promotional project in 2022. A similar result is expected once the second half of the flats are sold in 2023. The transaction market will continue to be closely monitored and attractive opportunities for both disposals and acquisitions will be seized. Intershop expects to receive the building permit for the «AuPark» in the current year. With this in mind, all strategic options are being currently examined. These range from a project disposal to the realisation of the development with subsequent (partial) sale.

Financing costs will again decrease slightly, despite the expected increase in debt financing. The dynamics of the fair market values of the properties and their influence on the 2022 financial statements cannot be reliably estimated at the present time. Intershop remains committed to its goal of achieving a return on equity of at least 8% on a multi-year average.

Thanks

We would like to thank all our shareholders for the trust they have placed in us. We would also like to thank all our clients and, in particular, our employees, whose motivated efforts made this excellent result possible in the first place.

Dieter Marmet
Chairman of the Board of Directors

Cyrill Schneuwly
Chief Executive Officer

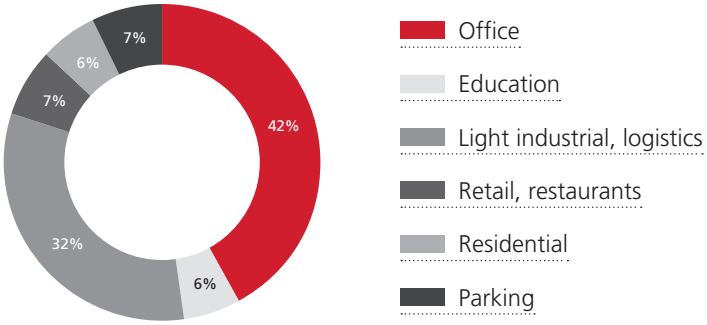
Zurich, 23 February 2022

Real estate portfolio

The hope expressed in February last year that the pandemic situation would normalise thanks to the vaccinations has unfortunately not been fulfilled. While some tenants were even able to benefit from the consequences of the corona pandemic, others were still hard hit. Intershop again supported such companies and waived rents totalling CHF 0.3 million. In the office market, the pandemic has probably triggered long-term changes, as the experiences during the compulsory home office have helped this form of work to gain wide acceptance. Employers are now challenged to design the office in such an attractive way that employees will continue to be motivated to commute to work. Nevertheless, many office workers will probably do some of their work from home in the future, which will reduce the need for office space. A possible redesign of the office landscape, on the other hand, will tend to require more space per employee than before. In the medium to long term, however, any decline in space will be more than compensated for by economic growth. Accordingly, Intershop is confident about the future demand for office space. In the residential market, the vacancy rate for Switzerland as a whole decreased slightly and the demand in the central locations relevant to Intershop remains unbroken. Demand for commercial and industrial space remained largely unchanged. The transaction market continues to be under the spell of negative interest rates. Despite rising inflation, interest rates only increased slightly, which further underpinned the attractiveness of real estate.

In this pronounced seller environment, acquisitions with value-added potential were hard to identify. However, Intershop was able to successfully conclude a long-running negotiation for the acquisition of a development project in Vernier and acquire the project company Orubi SA in December. A sustainably designed commercial property is to be built within the next two years. This will be located directly next to Intershop's logistics centre. Due to the high number of development projects in Geneva, which are primarily focused on residential and office use, many businesses will probably have to leave their current locations. Intershop therefore expects that the project, which is located in the medium rental price segment, will meet with lively interest. On the disposals side, all newly built commonhold apartments in Basle were sold, a small commercial property in the Seeland region was sold to streamline the portfolio and the property on Hohlstrasse in Zurich was sold at an attractive price at the end of the year. As the area had already been developing positively for a number of years, Intershop has contnued to review the future development of the site during the last two years. The potential development opportunities were reflected iin the final sales price.

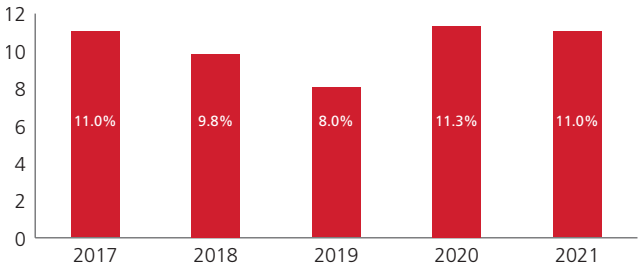
Portfolio by type of use (rental income in the year under review)



Expected decline in rental income

As expected, the rental income stabilised in the second half of the year. As a result of sales, but also due to ongoing renovations, income was just under 6% below the previous year. The decline in income amounts to CHF 4.6 million, with CHF 2.6 million attributable to disposals and CHF 2.4 million to rent losses due to planned or ongoing renovations. Thanks to unchanged strict cost control, real estate expenses declined disproportionately, so that the net rental income of CHF 66.8 million was about 5% below the comparable value of the previous year. Encouraging letting successes were achieved in Cham, Rombach and also in the Giessereihalle, Puls 5, where in the meantime all previously vacant spaces have now been successfully re-let. The letting of the renovated residential buildings in Berne and Geneva and the commercial property in Pfäffikon SZ were also successful, where around 75% of the space let within the year. This figure includes rental contracts with starting dates after the balance sheet date. On the other hand, there were significant increases in vacancies in the Puls 5 office building, where the existing vacancy will increase further in the first quarter of 2022, in the WTC in Lausanne and, above all, in the high-rise residential buildings on Redingstrasse in Basle. The latter two properties are about to undergo or are undergoing extensive renovations, which is why vacancy rates will tend to rise until the works are completed

Development of the vacancy rate in %



Investment properties

In the reporting year, the investment properties on Hohlstrasse in Zurich and in Studen were sold. After completion of the construction work at the end of 2021, the assembly plant in Winterthur, which is leased long-term to Stadler Rail, was reclassified from development to investment properties. The renovation works on the residential buildings on Dammweg in Berne and Rue de Lausanne in Geneva were largely completed during the reporting year. While Dammweg is, once again, fully let, the vacancy rate in Geneva was reduced by about half. As separate building applications had to be submitted for some old flats, their completion has been delayed. The building also contains some office space, which is difficult to let in the current environment. Due to the change in the mix of use, the property on Rue de Lausanne in Geneva was reclassified from commercial to residential properties and the Centre St-Roch, Yverdon, from commercial to office properties. To create additional transparency, Intershop has reallocated a largely unused plot of land on the Centre St-Roch site to development properties. A neighbourhood planning process has been underway for several years.

Development properties

The building permit for the «AuPark» project in Wädenswil, which was expected in autumn 2021, has not yet arrived. However, the demolition of the existing buildings began in November. Provided that the building permit becomes legally binding by the middle of 2022, construction of the first stage would still be possible in autumn 2022. Fortunately, a very long-term lease agreement for around 1,500 m2 was signed with a large national retail company, so that an essential component of the future neighbourhood supply could be secured. Due to the ongoing demolition works, the valuer was no longer able to value the property on a going-concern basis. Based on the legally binding design plan, a valuation was determined that was CHF 29 million above the previous market value.

The conversion of the commercial property in Pfäffikon SZ, which includes a renovation to Minergie standards and the creation of multi-tenant capability, is well advanced. While the basic construction work has been completed, certain tenant improvements are still ongoing. After their completion, the property will be reassigned to the investment properties. The renovation of the property in Wohlen, which will also substantially improve sustainability, is progressing largely according to plan. While the work on the commercial building has been completed, the renovation of the office building will be undertaken during the current year and will lead to a substantial increase in the target rent after its completion.

For the old, vacant commercial building in Biel, for which Intershop had obtained a building permit for the construction of affordable housing, a written reservation contract has been signed by a local investor. The property is expected to be sold in the current year.

Promotional properties

All 30 commonhold apartments built on Gellertstrasse in Basle were handed over to the buyers in the reporting year. With a profit contribution of more than CHF 13 million and a profit margin of around one third, this project was completed very successfully.

Intershop is building 78 commonhold apartments on Römerstrasse in Baden, all of which have already been sold. Due to delays in the supply of materials, but also due to the significantly higher than expected cost for the removal of contaminated soil, the completion will be delayed.

The removal of the contaminated soil will result in site being removed from the land registry of polluted sites. Currently, Intershop assumes that the apartments of two of the four apartment buildings will be transferred in the current year. The remaining apartments are expected to be handed over in the 1st quarter 2023.

The planned densification on the over 35,000 m2 large land reserve "Am Wildbach" in Solothurn continues to be processed very slowly by the responsible authority.

New presentation of the portfolio from 2022

For reasons of transparency, Intershop has decided to adjust the presentation of the portfolio as of 1 January 2022. Properties that are to be repositioned or converted in the short to long term will be consistently reported as development properties in the future. After completion of the transformation, the properties will then be allocated to investment properties. Properties intended for immediate sale after completion or development will continue to be allocated to promotional properties.

The development properties will be now divided into
1) Ongoing conversions and repositionings
2) Conversion and repositioning in planning
3) Conversion and repositioning planned for the medium to long term

It is planned to disclose additional information on the main development properties, the scope of which corresponds to the project's specific development status, for example, the future use or the idea of use, the status of planning or work, the possible realisation date and, in the case of ongoing projects, the expected investment volume and any possible income or yields.

The following investment properties will be reclassified to development properties as of 1 January 2022:

– Zurich, Baslerstrasse 30/Freihofstrasse 9 (Media Campus)
– Lausanne, World Trade Center, Avenue Gratta-Paille 1-2
– Basle, Lehenmattstrasse 260
– Berne, Waldhöheweg 1
– Fribourg, Rue de l'Industrie 21
– Regensdorf, Althardstrasse 301
– Bad Ragaz, Elestastrasse 16, 16a + 18
– St. Gallen, Oststrasse 25 sowie 29+31
– Lyss, Industriering 43

Despite ongoing densification and redevelopment of the residential buildings on Redingstrasse, Basle, the property will continue to be classified as an investment property, since the work is expected to be completed in 2022.

Based on the values as of 31.12.2021, the portfolio composition changes as follows:

(in CHF 1,000)	current presentation		new presentation	
Fair market value				
Promotional properties	45,068	3.2%	45,068	3.2%
Investment properties	1,153,767	83.2%	921,062	66.4%
Development properties	188,459	13.6%	421,164	30.4%
Total	**1,387,294**		**1,387,294**	
Income[1]				
Investment properties				
Target rent	73,928		55’986	
Vacancy	–8,130	11.0%	–5,130	9.2%
Rent passing	65,798		50,856	
Development properties				
Target rent	11,720		29,662	
Vacancy	–2,873	24.5%	–5,873	19.8%
Rent passing	8,847		23,789	

1) as of the balance sheet date 31.12.2021

Financials

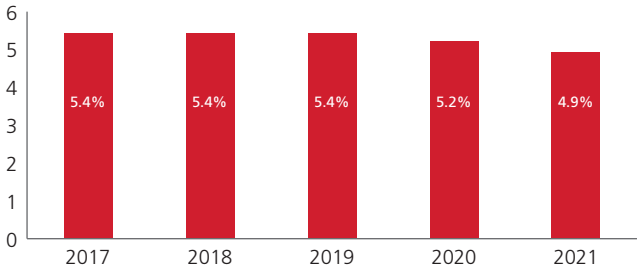
Successful business year with an 84% increase in profits and a return on equity of 20.1%

Intershop's rental income fell by 5.8% to CHF 75.1 million in 2021 compared to the previous year. The decline is mainly due to the disposals made in 2020 and the increase in the average vacancy rate. The negative effect of rent reductions caused be the pandemic amounted to CHF 0.3 Mio. The gross yield of the investment property portfolio amounted to 5.7% and was impacted by the aforementioned Covid-19 rent reductions.

The sale of the investment property on Hohlstrasse in Zurich, the commonhold apartments on Gellertstrasse in Basle and reversals of provisions and accruals for warranties from previous disposals resulted in a profit of CHF 106.1 million.

Real estate expenses decreased by 10.6% and amounted to a low 11.1% of rental income. The disproportionate reduction compared to income was due, in particular, to lower than expected non-recoverable service charges from previous years. The net return on the investment property portfolio was an attractive 4.9% despite the effects of the pandemic.

Net yield on the investment property portfolio %



Personnel expenses rose by 5.4% due to an increase in the number of employees from 71 to 74 and higher accruals for performance-related compensation. Administrative expenses, which also include capital taxes, reduced slightly by 1.4% to CHF 2.6 million.

The market value of the property portfolio at the end of the year was again determined by KPMG Real Estate and increased by CHF 32.3 million or 2.6% of the portfolio value. In addition to lower discount rates for core and residential properties, the value drivers were again changes in the rental situation as well as the planned or completed investments. Significant valuation changes resulted from, on the one hand, a revaluation surplus of CHF 29 million of the "AuPark" in Wädenswil, which was no longer valued on a going concern basis but as a development project due to the ongoing demolition of the buildings, and on the other hand, from a devaluation of CHF 16 million of the World Trade Center in Lausanne as a result of the ongoing renovation, which has turned out more extensive than previously assumed due to sustainability aspects. The capital-weighted average nominal discount rate was 4.41% (previous year 4.62%) for investment properties and 4.60% (5.32%) for development properties. The range of nominal discount rates has increased slightly to between 3.2% and 6.4% compared to the assessment at the end of the previous year of between 3.5% and 6.6%.

Interest expenses decreased by CHF 0.9 million or 10.8% to CHF 8.0 million due to the slightly lower debt and lower interest rates. The financial income generated increased from CHF 0.1 million in the previous year to CHF 0.2 million.

Tax expenses increased significantly by CHF 22.7 million to CHF 43.1 million compared to the previous year due to the gain on disposals which is predominantly subject to property gains tax.

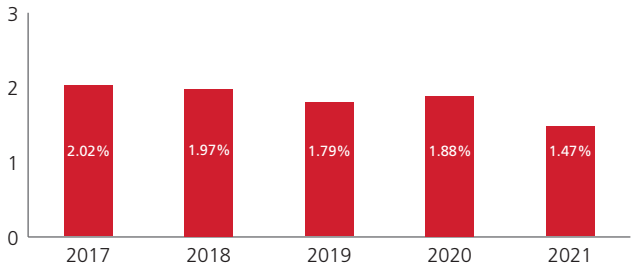
Profit after tax was 84.1% above the previous year's figure and amounted to CHF 144.2 million, which corresponds to a return on equity of 20.1%.

Strong balance sheet with equity ratio of 56.8% and first green bond

Due to the investment in 2021 of some CHF 84.1 million and the revaluation surplus, the value of the real estate portfolio increased slightly despite disposals. Interest-bearing financial liabilities amounted to CHF 428.9 Mio., CHF 36.2 million lower than at 31 December 2020 while the average interest rate has fallen from 1.88% at the end of 2020 to 1.47%. For the first time a green bond of CHF 100 million with a coupon of 0.3% and a term of 5 years was issued in June. The proceeds of the bond will be used for the sustainable development and redevelopment of properties in accordance with Group's new Green Bond Framework, which is available on the website.

Despite the dividend payment of CHF 47.5 million, equity increased by CHF 99.1 million, resulting in a very solid equity ratio of 56.8%.

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

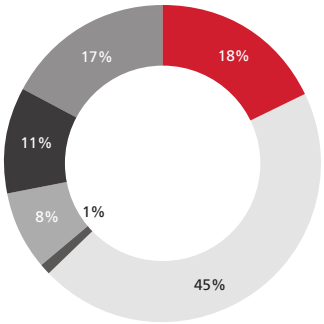


Slightly below-average performance of Intershop shares

The total return of Intershop shares for the year 2021, that means the change in the share price plus the dividend paid, amounted to 3.6% and was thus, in contrast to the previous year, slightly below the benchmark index SXI Swiss Real Estate Shares TR of 4.2%.

Stable shareholder base

At the end of 2021, Intershop had 1,134 registered shareholders. This corresponds to an increase of 4.1% compared to the previous year's figure. The reportable threshold of 3% was exceeded by Credit Suisse Funds AG. Since 31 December 2020, the unregistered shares decreased from 17.2% to 16.9%. Around 98% of the shares registered with voting rights are still held by shareholders domiciled in Switzerland.

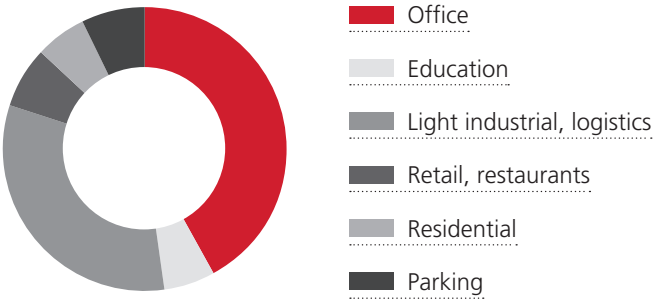


- Pension funds, other legal entities
- Family offices, other legal entities
- Board of directors, management
- Private individuals
- Bank, investment funds investment companies
- Unregistered shares

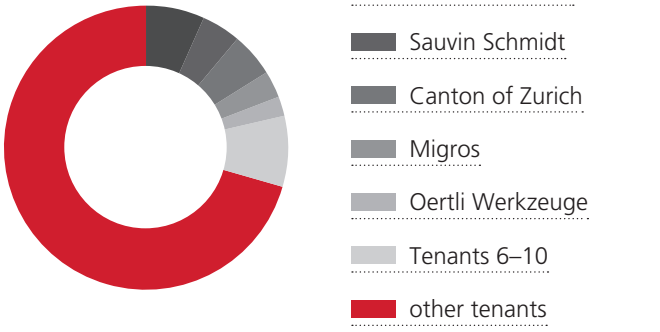
Overview 2021

Portfolio

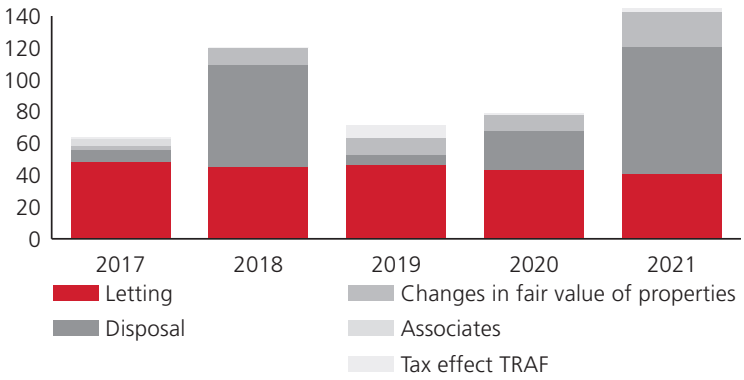
CHF 1.4 bn



Tenants



Net income
(in m CHF)



	2021	2020	
Portfolio value	**CHF 1,387 m**	CHF 1,333 m	Increase due to investments and net revaluation gains exceeded the effect of disposals
Net rental income	**CHF 66.8 m**	CHF 70.4 m	Reduction due to property disposals and higher rent losses during the reporting period
Properties	**51**	52	Disposal of two investment properties, acquisition of a development property and reclassifications
Vacancy rate of investment property portfolio	**11.0%**	11.3%	Slight reduction of vacancy rate despite ongoing refurbishments
Net yield of investment property portfolio	**4.9%**	5.2%	Still high net yield on the investment property portfolio despite a slight decrease due to among others investments and revaluations
Return on equity	**20.1%**	11.8%	Return on equity again significantly over the multi-year average target value of 8%
Equity ratio	**56.8%**	51.6%	Increase due to reduction of debt and increase in equity
NAV per share	**CHF 426.40**	CHF 374.02	14.0% increase despite dividend distribution of CHF 25 per share
Earnings per share	**CHF 75.92**	CHF 41.67	Increase of 82.2% as a result of the higher profit from property disposals and revaluations
Earnings per share excluding changes in fair value	**CHF 64.22**	CHF 36.44	Increase of 76.2% due to higher profit from disposals
Dividend per share	**CHF 25.00** Proposal of the Board of Directors	CHF 25.00	Corresponds to an attractive return of 4.1% on the share price as at the balance sheet date
Total return per share	**3.6%**	12.9%	Total return is based on the dividend yield and the price gain; the performance fell slightly short of the SXI Swiss Real Estate Shares TR benchmark of 4.2% (previous year: –8.6%)

Corporate Governance

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23 Shareholder structure, capital changes, limitations of transferability
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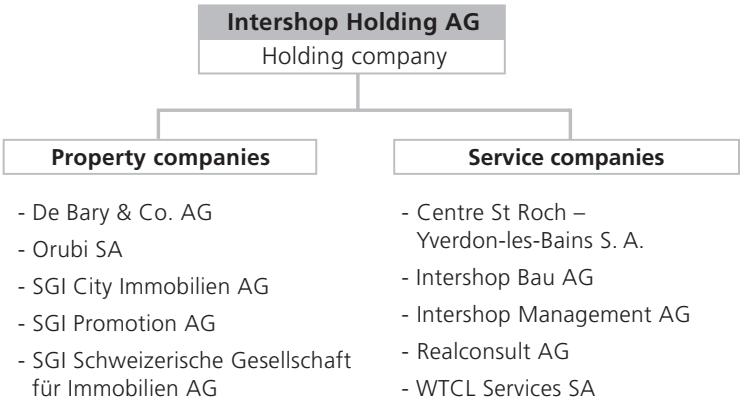
Group structure

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 42 staff, it employs the majority of the 74 employees, including group management. A detailed overview of all Intershop Group companies can be found on pages 116 and 117. 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 2021 was CHF 1,163 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 2021 or have published a disclosure according to FMIA:

(in %)	**31.12.2021**
Patinex AG, Wilen (Martin and Rosmarie Ebner)	35.3
AXA Leben AG, Winterthur	3.8
Relag Holding AG, Hergiswil	3.5
Hansjörg Graf, Wollerau	3.2
BlackRock, Inc. New York, USA	≥3.0
Credit Suisse Funds AG, Zürich	≥3.0

Credit Suisse Funds AG, Zurich, announced on 4 September 2021 that it had exceeded the threshold of 3%. All reportable transactions can be viewed at: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html.

Capital structure

The share capital amounted to CHF 19 million at the end of 2021 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 2021 in the share register is as follows:

Number of registered shares	Number of shareholders	Number of shares		in %
1 to 100	773	30'138		1.6
101 to 1,000	259	86'348		4.5
1,001 to 10,000	85	267'503		14.1
10,001 to 100,000	16	524'500		27.6
over 100,000	1	670'000		35.3
Total registered	**1'134**	**1'578'489**		**83.1**
Not registered		321'511		16.9
Total shares		**1,900,000**		**100.0**

Region	Number of shareholders	Registered shares	Voting rights	in %
Switzerland	1'076	1'464'210	1'460'662	97.6
Europe (without Switzerland)	45	104'755	34'518	2.3
Rest of the world	13	9'524	1'872	0.1
Total registered shares or voting rights respectively	**1'134**	**1'578'489**	**1'497'052**	**100.0**
Not registered or no voting rights respectively		321'511	402'948	
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 31 March 2021, Dieter Marmet as Chairman as well as Ernst Schaufelberger and Kurt Ritz as members 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. At the constitutive meeting of the Board of Directors convened after the Annual General Meeting, Dieter Marmet was appointed Chairman of the Remuneration Committee.

In addition to the constituent meeting, the Board of Directors held five ordinary sessions in the reporting year. In addition, four extraordinary meeting were held. Regular meetings generally lasted half a day, whereby the preparatory session for the Annual General Meeting took about two hours. In addition, a one and a half-day strategy workshop took place during the reporting year. Four of these above-mentioned Board meetings were conducted by video or telephone conference.

With the exception of one ordinary and one extraordinary meeting, all Board members were fully present at all meetings and resolutions. At the beginning of the regular meetings, the Board of Directors generally met for approximately one hour without the participation of the Executive Board, with the CEO being consulted on individual agenda items. The Executive Board then joined for the rest of the ordinary and extraordinary meetings, with the exeption of two extraordinary meetings. The Executive Board was also fully present at the strategy workshop. The Remuneration Committee held four 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, whereby such a presidential decision was not necessary in the year under review.

The composition of the Board of Directors and additional information on individual board members can be found on pages 28 and 29.

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 Executive Board:

– 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);
– Disposals, acquisitions, 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 illustrates the main risks and

their potential influences, as well as a summary of the findings resulting from the review of the internal control system (ICS). Board meetings are generally attended by all members of the Executive Board. 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 required in the year under review.

Executive Board

The Executive Board consists of four members, details of which are disclosed on pages 30 and 31.

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 36.

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). As a general rule, 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 higher result compared to the previous year, compensation to the members of the Executive Board has increased 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 34 to 38).

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 item be put on the agenda. The corresponding application must be submitted in writing within a period published by the Company prior to the General Meeting, stating the subject matter and motion 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 Infrasturture 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 lead 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 178,400. Fees paid for other services amounted to CHF 15,600 for the same period.

Supervisory and control instruments for the auditor

In connection with the audit planning in 2021, the auditor submitted 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 as 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.

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, share-price relevant facts are published in the form of ad-hoc publications and other information published as media releases and can be found on the company's website (https://www.intershop.ch/news). Interested parties can register to receive ad-hoc publications, media releases and annual reports 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 website «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.

Closed periods

For the Board of Directors, the Executive Board and other employees who have sensitive information, there are closed periods from the balance sheet date until the publication of the annual or semi-annual report and for special transactions.

Members of the Board of Directors

Dieter Marmet, 1966, Swiss citizen, Wädenswil

Education	lic. oec. publ., Economist
Professional experience	– 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	– 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 – Member of the Board of Directors, Rakali AG, Zürich –Member of the Board of Trustees, ECOREAL Schweizerische Immobilien Anlagestiftung, Zürich, since December 2021
Board of Directors Intershop	– Non-executive member since 2010 – Chairman since 2011 – Elected until General Meeting 2022

Kurt Ritz, 1963, Swiss citizen, Fehraltorf

Education	– 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	– Architectural office Balzani, Brig, 1979–1983
	– Suter + Suter, General planning, Zurich, 1987–1989
	– PricewaterhouseCoopers AG, Zurich, 1995–2019
	  – 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	– Chairman of the Board of Directors, Imufin AG, Volketswil, since 2019 – Member of the Board of Directors, Warteck Invest AG, Basle, since 2019 – Consultant to Investment Committee, BVK, Zurich
Board of Directors Intershop	– Non-executive member since 2019 – Elected until General Meeting 2022

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

Education	– 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	– 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 Real 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 2019
Current activities	– Chairman of the Board of Directors, Zürcher Freilager AG, Zurich – Chairman of the Board of Directors, Töpferdörfli AG, Zurich – Vice-Chairman of the Board of Trustees and Chairman of the Investment Committee, AXA Anlagestiftung, Winterthur – Member of the Board of Directors, Swisshaus AG, Lenzburg – Member of the Board of Directors, Swisshaus Projekte AG, Lenzburg – Member of the Board of Trustees, Stiftung Waldegg, Zurich
Board of Directors Intershop	– Non-executive member since 2018 – Elected until General Meeting 2022

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
Professionall experience	– 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	– Chief Executive Officer, Intershop Group, since 2008 – Member of the Investment Committee, AFIAA Anlagestiftung für Immobilienanlagen im Ausland, Zurich – Member of the Board of Trustees, UZH Foundation, Zurich

Christian Baldinger, 1965, Swiss citizen, Freienbach/SZ

Education	Architect HTL, Business Engineer NDS FH
Professional experience	– 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	– 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	– 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	– 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	– 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	– 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 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 Dimitri Andreas Meier, Management, Property management Carole Nägeli, Management, Treasury/Controlling Jasmin Nold-Eugen, 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

34 Principles, compensation of the Board of directors
35 Compensation of the Executive Board
37 Compensation 2021
38 Share ownership, executive body loans
39 Report of the statutory auditors

The remuneration report is drawn up in accordance with the legal and regulatory provisions (Swiss Code of Obligation (CO), Ordinance against Excessive Compensation in stock exchange listed 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 information about the effective 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 receive 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 2021 General Meeting to the 2022 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 2021 General Meeting.

The members of the Executive Board receive a basic salary as well as a performance-based and a profit-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 2022, 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 2023. The maximum total compensation for the Executive Board for the financial year 2022 was determined at the 2021 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 included 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 and time commitment. 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.

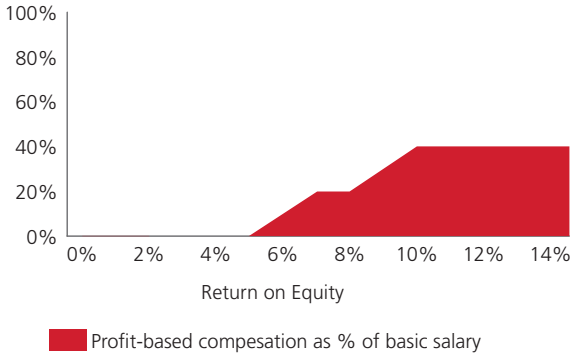
Basic salary

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 20.1% 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

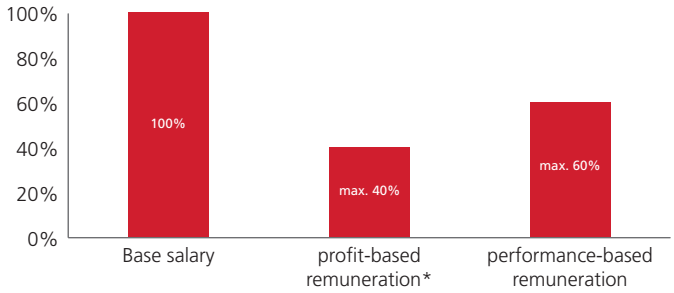
In addition to the above, the Board of Directors can award each member of the Executive Board a performance-based compensation. This is based on the service and success of each Board member and is without written specifications or target agreements. The maximum performance-based compensation amounts to 60% of the basic salary. In the year under review, the performance-based compensation amounted to 60% 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). Generally, 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, 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 2021

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

(in CHF 1,000)	Fee	Other compensation[1]	**Total 2021**	Total 2020
Dieter Marmet, Chairman	150	10	**160**	160
Ernst Schaufelberger, Member	75	3	**78**	78
Kurt Ritz, Member	75	5	**80**	80
Total Board of Directors[2]	**300**	**18**	**318**	318

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 2021**	Total 2020
Cyrill Schneuwly, CEO	500	400	300	184	**1,384**	1,306
Total Executive Board[2]	1,275	1,020	765	469	**3,529**	3,432

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 will only be decided upon once the financial statements have been published. In the year under review, the estimate for the CEO amounted to CHF 0.4 million (representing 57% of variable remuneration) and for the entire Executive Board it amounted to CHF 1.0 million (representing 57% 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 12,960 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)	**31.12.2021**	31.12.2020
Dieter Marmet, Chairman	3,300	3,300
Ernst Schaufelberger, Member	300	250
Kurt Ritz, Member	100	100
Cyrill Schneuwly, CEO	6,882	6,233
Christian Baldinger, Head of Building and Development	2,891	2,567
Thomas Kaul, CFO	3,292	3,000
Andreas Wirz, Head of Portfolio Management	3,673	3,484
Total	**20,438**	18,934

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 a 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 (change of control). 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

Zürich

We have audited the remuneration report of Intershop Holding AG for the year ended 31 December 2021. 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) on pages 37 and 38 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 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 2021 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, 23 February 2022

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Preface

Dear shareholders, valued business partners and employees

For the past financial year, Intershop has published its third comprehensive sustainability report in accordance with the GRI standards, which provides an insight into the company's value-creating processes. Intershop takes its ecological and social responsibility seriously in order to ensure long-term success on the one hand, but also to make its contribution to a future worth living. The corresponding activities and processes as well as reporting are continuously being expanded. The year under review was again marked by the economic and social impact of the pandemic on tenants, employees and business partners. Where appropriate and necessary, clients who were severely affected by the consequences of the measures against the corona virus were offered partnership solutions such as payment deferrals and, in some cases, rent waivers. The regular exchange with the larger tenants gave us an insight into their needs and a feedback on the services we provided.

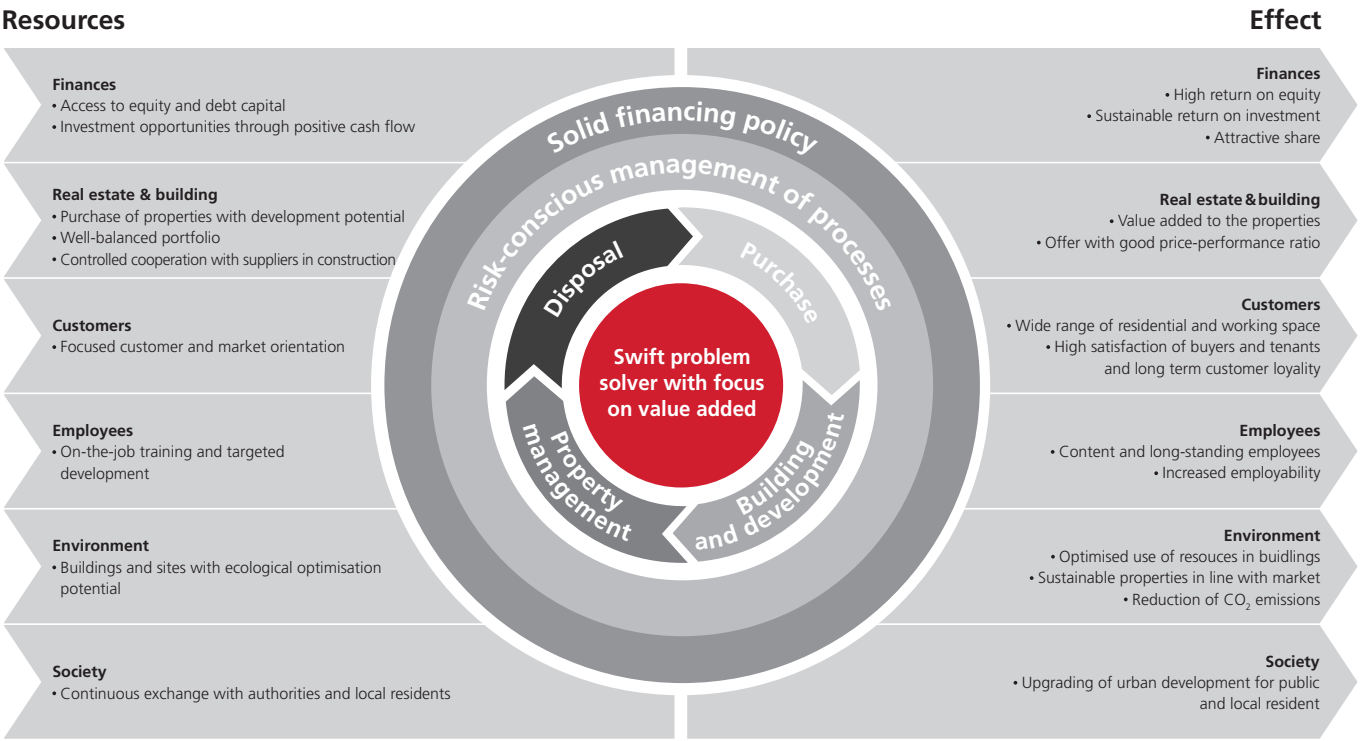
The discussion of Intershop's role as a real estate owner in connection with the sustainable use of resources and the impact on the climate was further deepened at various levels. The Board of Directors and the Executive Board, supported by external specialists, dealt with various aspects of sustainability, such as investor requirements, as part of the annual strategy workshop. In addition, the portfolio was analysed with regard to CO_2 emissions and future developments were modelled within the framework of various scenarios. On the one hand, the results flowed into the ongoing and planned revitalisation and development projects in which more sustainable energy generation is consistently realised or planned, as described in detail in the section «Object-focused resource optimisation». On the other hand, the analysis at portfolio level will be further deepened and it is planned to define and publish a concrete CO_2 reduction path with the publication of the Annual Report 2022 at the latest.

The Intershop Group attaches great importance to a good working atmosphere, which is reflected in a staff turnover rate that has been low for years. In addition, a lot is invested in the training and further education of employees and the greatest possible flexibility is offered through part-time employment. This is also reflected in the training of currently four apprentices. In fiscal year 2021, Intershop conducted a comprehensive employee survey for the first time, together with a specialised company. This resulted in a very positive overall assessment and Intershop was awarded the title of «Great Place to Work». At the same time, potential for improvement was identified in some areas and this will be addressed with appropriate measures.

At the beginning of June, a green bond for CHF 100 million with a term of 5 years was successfully placed, underlining the Intershop Group's commitment to sustainability.

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 development. 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 uses for its business activities are integrated into business processes as effectively as possible. These include access to the financial and real estate markets, a sharp focus on customers and markets, motivated employees with a high level of personal responsibility and the ability to meet both ecological and economic requirements and social expectations. Simultaneously Intershop is focused on long-term value creation, which is measured not only in terms of financial success and the real estate properties developed, but also in terms of the value Intershop creates for its customers, employees, the environment, and society. Intershop's holistic understanding of sustainability is summarised in the above diagramme, 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. As part of the initial implementation of the GRI standards, the material topics to be reported on were determined with the support of external experts. This materiality analysis is reviewed annually by the Executive Board. External stakeholders are not explicitly consulted. However, their known interests are taken into account by the Executive Board in the assessment.

Materiality was assessed on the basis of relevance to the long term business success, to the stakeholders and its impact on sustainable development. The result of the materiality analysis is shown in the following diagram (GRI 102-46, GRI 102-47):

Key economic, environmental, and social topics for Intershop

Economic topics	Environmental topics	Social topics
• 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	• Optimisation of property-related resources a.o. with - energy consumption - share of renewable energy - CO_2 emissions - water consumption - electricty production	• Responsible business activity • Attractive employer with good development opportunities • High degree of personal responsibility of employees

The key issues mentioned above are addressed in the sustainability reporting. Applied to the GRI standards, the following topics are considered material (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 socio-economic compliance**. Management approaches and indicators for the above GRI topics are also integrated into the reporting.

IIntershop's key stakeholders include tenants, buyers, employees, shareholders, government agencies, and suppliers (GRI 102-40). Stakeholders arise from the company's business activities and its value chain. They are either affected by the impacts of, or have significant influence on business activities (GRI 102-42). Thanks to the lean corporate structure, the management and many employees are in regular contact with various stakeholders and it is the individual business relationship with the stakeholders that determines how regularly these discussions take place. In addition, Intershop places emphasis on a culture of open communication and informs its stakeholders and the public through news, press releases, presentations, conferences, annual general meetings and annual reports (GRI 102-43). One example of the repeatedly expressed concerns of stakeholder groups is the provision of common facilities for tenants, such as showers for bike commuters and athletes and charging stations for electric vehicles. In the year under review, again some tenants presented requests related to the pandemic, including requests for rent deferments and waivers. These were reviewed individually and, where meaningful, help was providebyin coming up with collaborative solutions. Details are described in the Management Report (pages 10 and 15). In the financial year 2021, shareholder representatives and investors in the newly issued green bond acknowledged the need for comprehensive sustainability reporting (GRI 102-44). In addition to the transparent reporting on how pandemic-related challenges were handled and especially the impacts on earnings and the ongoing construction and development projects, a major need of investors was a futher expansion to include the publication of a CO_2 reduction path.

Such a report is currently being prepared and will be published with the 2022 annual report at the latest. In particular in connection with large development projects such as the «AuPark», an in-depth dialogue with authorities and various stakeholders is conducted on an ongoing basis.

Responsible business activity

Values and principles

Intershop assumes social and individual responsibility and is committed to fair competition and the free market and to fair business relationships. In addition, the company strives to achieve sustainable corporate success geared to future viability which should create added value for shareholders and stakeholders in the medium to long term. Long-term value creation continues to be the focus of our business activities. Satisfied customers - especially satisfied, long-term tenants - are the basis for a 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 the 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 action. 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 sustainability 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. Investments in new properties and development projects must meet the requirements for value creation and, in particular, a 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 will be analysed for the contribution to this target. The focus on the return on equity is also promoted by the fact that the remuneration of the management depends, not only on the company's success, but is also linked to the return on equity. The long-term orientation of management towards the interests of shareholders is also supported by the incentive of share ownership with a five-year lock-up period. One challenge for Intershop is that the current situation on the real estate market, combined with the strict profitability requirements on acquisitions makes it difficult to purchase new properties. Thus, the current market environment has been primarily used for disposals and the implementation of developments in the company’s own portfolio has been pushed forward. Despite these challenges, Intershop generated a return on equity of 20.1% in the year under review, thus once again surpassing the goal of 8%. The profits from disposals and the favourable net revaluation gain contributed to this, in addition to the high yield of the real estate portfolio.

High attractiveness for investors

The purpose of the company is to create a risk-adjusted added-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 each of the last ten financial years, a return on equity of more than 10% was generated, with an average of 12.6%. At the beginning of June, a green bond of CHF 100 million with a term of 5 years was successfully placed. This secured, on the one hand, the financing of sustainable investments and on the other, created a fixed-interest investment instrument for sustainability-oriented investors.

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. Effective corporate governance with integrated compliance management helps in the recognition of market trends and changes in general regulatory conditions and in the prevention of fines and penalties, thus supporting the long-term success of the company. 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 2021, as in previous years, there were no major 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-added properties

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 agilely to tenants' needs and to analyse and develop value enhancement potential for acquisitions and development projects by forming interdisciplinary project teams. Due to the 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 enhancement projects, which is particularly important for development projects with a planning

and approval phase of many years. In the 2021 financial year, various development projects were driven forward, and important milestones were reached. Details are described in the Management Report (pages 6 to 14).

Distinct customer orientation and good price-performance ratio

Intershop's clients include private, public and commercial tenants of real estate, private buyers of commonhold apartments in promotional properties, and institutional and private investors as purchasers of investment and development properties. Intershop uses various tools, such as websites, online advertisements and brochures to communicate with customers, although personal contact with the customer, but also with commissioned architects, planners and brokers plays a central role. The integrated business model with broad in-house competence enables fast reaction times in letting and is characterised by a strong customer-oriented approach with its own property and facility management on site. 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. Intershop 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.

Tenant and customer satisfaction

Satisfied customers, i.e. tenants and buyers of commonhold apartments in particular, are key to the success of a real estate company. In addition to the whole organisation's customer-oriented approach and the attractive value-for-money pricing, the quality of the leased space or the commonhold apartment as a product stands at the forefront. This has a considerable impact on the well-being and satisfaction of the customer and impacts directly on their length of stay and, thereby, the long-term profitability. With Intershop's integrated approach with its own property and facility management as well as the construction and development department, interdisciplinary teams can create appropriate solutions and assist tenants and buyers alike with their space selection and any associated improvements. In 2021 Intershop again offered where meaningful and necessary, individual pandemic-related solutions in the form of deferred payment schemes and, in some cases rent waivers, for tenants hard hit by the crisis.

Quality management of 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 working and living areas are also taken into account. In 2021, 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 distinguished by the fact that the value chain is managed with a high level of internal expertise and flat hierarchies. Short decision-making channels all the way to the board of directors make it possible to act with agility on the transaction market. On the other hand, the well-founded specialist knowledge enables the efficient implementation of development projects that require interdisciplinary action for their risk analysis and assessment. The close cooperation between property management, construction and development, and facility management also allows for fast reaction times, for example, when presenting customer-specific solutions for letting. The efficient procedures and rapid decision-making processes are pursued

through flat hierarchies 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, 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 the 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 simple leasing of existing properties, and due to the geographical distribution of the portfolio, the management of the respective project- and property-related supply chains is 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 exceeding CHF 5,000, generally three offers must be obtained and submitted. Intershop operates exclusively in Switzerland. Consequently, the suppliers and service providers involved come mainly from the respective geographical regions. In 2021, Intershop worked with approximately 1,750 suppliers. The providers with the highest turnover include general contractors, planners, construction companies, utility companies and insurance companies. The 50 suppliers with the largest turnover were all domiciled in Switzerland.

Property-integrated environmental protection

Property-focused resource optimisation

The conservation of natural resources and energy efficiency are 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 costs and are more marketable over the long term because tenants and investors are increasingly demanding sustainable buildings. Intershop's portfolio is diverse and ranges from investment properties renovated in accordance with sustainability criteria to development sites with historical building fabric and outdated building technology. For this reason, the sustainability assessment and resource optimisation is reviewed on an individual property basis, taking into account the life cycle of the properties.

With investment properties, the focus is on the continuation of day-to-day operations. The existing portfolio of investment properties is continuously analysed for sustainability-relevant optimisation measures and sustainably renovated within the context of imminent refurbishments, taking into account use and life cycle. In the process, the facilities are made more energy efficient and, where possible, switched over to renewable energy sources to reduce CO_2 emissions. 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.

Completed projects in investment property portfolio

Property	Project	Energy production	Certificate
Geneva, Rue de Lausanne 42+44	Addition of stories and refurbishment	Air-sourced heat pump and solar energy	SNBS Gold[1)]
Winterthur, Fabrikstrasse 2	Construction of assembly plant	District heating and solar energy	-

1) Certification is expected to take place in the 1st quarter 2022

Ongoing projects in investment property portfolio

Property	Project	Energy production	Certificate
Basle, Redingstrasse 10/12 + 20/22	Annex to high rise buildings and refurbishment	District heating	SNBS
Lausanne, World Trade Center	Refurbishment	District heating and solar energy	SNBS

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

Ongoing project in the portfolio of development and promotional properties

Property	Project	Energy production	Certificate
Baden, Römerstrasse	Construction of commonhold apartments	District heating and solar energy	Minergie
Pfäffikon, Talstrasse 35-37	Refurbishment	District heating and solar energy	Minergie
Au, AuPark	Construction of apartments and neighbourhood supply	Ground or water sourced heat pump and solar energy	SNBS
Wohlen, Nordstrasse 1	Refurbishment	to be determined	-
Vernier, Chemin de l'Emeraude 10, 22, 24	Construction of commercial property	Air-sourced heat pump and solar energy	Minergie

Intershop works with experienced external partners and actively promotes the further education and training in ressource optimisation of its own staff.

In the year under review, the energy consumption of the portfolio on a like-for-like basis (82% of investment properties) increased by 7.7%. A reduction due to more efficient heating was offset by a higher heating demand due to significantly more heating degree days (City of Zurich +15%). In addition, the previous year's value was reduced due to the lower utilisation in the context of the lockdown. Adjusted for heating degree days, this resulted in a reduction in energy intensity of 4.4%. 91% of the electricity and 11 % of the thermal energy requirement of the portfolio was derived from renewable energy. The like-for-like portfolio includes only the

properties under our operational control and classified as investment properties both in the year under review and in the previous year. This allows for conclusions to be drawn regarding efficiency improvements and impacts of measures taken during operations. The absolute energy consumption has increased compared to the previous year due to the additional consumption of thermal energy, whilst the portfolio under consideration has changed due to disposals. In 2021, as in previous years, there were no fines or non-monetary penalties for non-compliance with environmental laws or regulations.

Energy consumption, energy generation, CO_2-emissions and water consumption

		absolute		like-for-like		
		2021	2020	**2021**	2020	in %
Energy consumption						
Electricity	MWh	4,789	5,294	4,789	5,124	–6.6%
Heat						
District heading	MWh	5,858	5,334	5,858	5,334	9.8%
Gas	MWh	20,586	19,389	20,586	18,831	9.3%
Oil	MWh	6,730	6,182	6,730	5,952	13.1%
Total	**MWh**	**37,962**	36,199	**37,962**	35,242	**7.7%**
Electricity intensity	kwh/m²	14.9	15.8	14.9	15.8	–5.8%
Heat intensity	kwh/m²	103.3	92.2	103.3	93.0	11.1%
Energy intensity	kwh/m²	**118.2**	108.0	**118.2**	108.8	**8.6%**
Energy intensity adjusted*				118.2	123.7	–4.4%
* adjusted by heating degree days (Basis city of Zurich)						
Share of renewable energy						
Electricity	in %			91%	91%	
Heat	in %			11%	10%	
CO_2 emissions						
Gas	t CO_2e	4,695	4,422	4,695	4,295	
Oil	t CO_2e	2,006	1,843	2,006	1,774	
Total Scope 1	t CO_2e	6,701	6,265	6,701	6,069	
Electricity	t CO_2e	479	529	479	512	
District heating	t CO_2e	443	403	443	403	
Total Scope 2	t CO_2e	922	933	922	916	
Total	**t CO_2e**	**7,623**	7,197	**7,623**	6,985	**9.1%**
CO_2 intensity	k CO_2e/m²	**23.7**	21.5	**23.7**	21.6	**10.1%**
Water consumption	m³	**177,524**	175,325	**177,524**	172,435	**3.0%**
Water intensity	m³/m²	**0.55**	0.59	**0.55**	0.53	**3.8%**
Energy production	MWh	**2,247**	2,457	**2,247**	2,457	–8.5%
CO_2 equivalent	t CO_2e	225	246	225	246	
Data basis						
Number of properties		32	34	32	32	
	in % der IP	82	85	82	80	
Leasable area	m²	321,078	335,041	321,078	323,820	
	in % der IP	81	84	81	81	

The analysis is based on the investment properties (IP). Properties with individual tenants or condominium associations where Intershop does not exercise operational control were not included. A total of 82% of the properties or 81% of the leasable area of the total portfolio of investment properties as of 31.12.2021 was included in the analysis. Development properties were not analysed, as these are generally in a transformation phase and the focus in terms of sustainability is on the development and not on the current ongoing operation. For individual properties, the calculation of heating oil consumption is not based on the reporting date 31.12.2021, but on the last reporting date of the service charge billing period. For individual properties for which no final utility bill was available as of the balance sheet date, individual values were estimated based on the previous year's figures. The reported value for the previous year differs from the published value in the previous year, as the estimated values were replaced by actual values and individual data errors were corrected. The electricity consumption refers to the general building areas without the specific consumption of the tenants. The calculation of the intensity indicators is based on the rentable area and conversion factors according to www.energie-umwelt.ch are used for the calculation of CO_2 emissions.

High degree of personal responsibility of the employees

Central to the success of the company are its employees. Qualified staff, 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 basis of their suggestions and ideas and their implementation.

High employee satisfaction

In business year 2021, Intershop conducted a comprehensive employee survey for the first time together with a specialised company. This resulted in a very positive overall assessment and Intershop was awarded the title «Great Place to Work». At the same time, potential for improvement was identified in some areas and these are being addressed with appropriate measures.

Dealings with and between employees are governed by the Code of Conduct and internal instructions. It is unmistakably clear that the corporate values do not condone any type of discrimination, nor will discrimination be tolerated. The turnover rate is historically low and was 8% for all Group companies (previous year 10%). In 2021, nine employees joined and six left the company, three male and six female and two male and four female respectively.

Attractive employer with good development opportunities

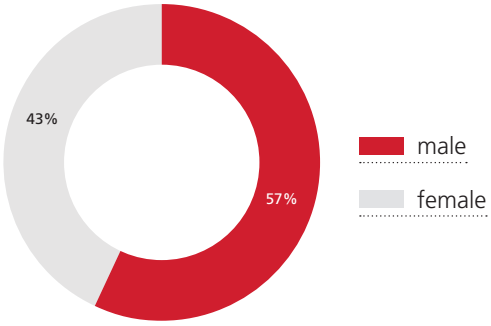
Since the qualification of the employees is an essential factor for the success of the company, training and further education is particularly encouraged and supported. In the year under review, the employees of the Intershop Group took part in further education and training on a total of 252 days (244 days). This corresponds to an average of 4.0 training days (3.8 days) per full-time equivalent. 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 training and further education by providing financial and time support. Intershop also regularly trains apprentices. On 31 December 2021, four apprentices were in training (three in the previous year).

Every year a structured appraisal interview is held between all employees and their respective direct supervisor for the purpose of mutual assessment and goal setting.

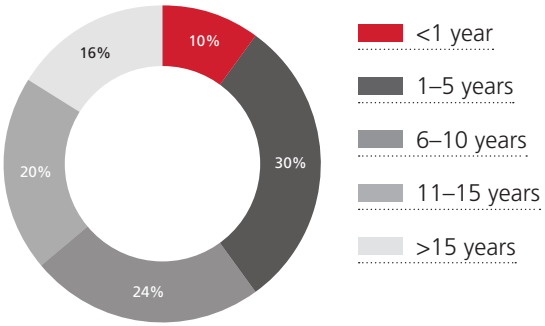
Employee structure

	31.12.2021	in %	31.12.2020	in %
Level of employment				
full time	49	66%	47	66%
part time	25	34%	24	34%
Total	**74**		**71**	
Full-time equivalents	64.8		62.0	
Gender				
male	42	57%	41	58%
female	32	43%	30	42%
Total	**74**		**71**	

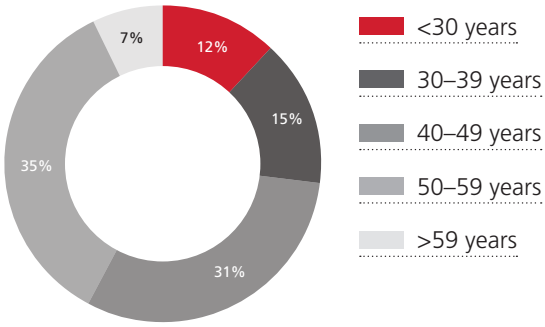
Gender of employees



Lenght 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 is the CFO. Intershop reports annually on its sustainability topics. There are no restatements of information are included in this report. The reporting period is set from 1 January 2021 to 31 December 2021. 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. Additional information is included in the «Sustainability and important topics» section and can be taken from the GRI Index https://intershop.ch/fileadmin/Daten/PDF/GRI/2021_Index_jjHz1.pdf.

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.

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Consolidated balance sheet

(in CHF 1,000)

	Notes	31.12.2021	31.12.2020
Assets			
Current assets			
Cash	5	31,701	33,471
Trade receivables	6	252	324
Other receivables	6	5,944	9,284
Promotional properties	7	45,068	54,485
Accrued income and prepaid expenses	6	966	848
Total current assets		**83,931**	98,412
Non-current assets			
Investment properties	8	1,153,767	1,131,190
Development properties	9	188,459	147,649
Other equipment		249	309
Intangible assets		0	3
Deferred tax assets	13	155	161
Assets from pension benefits	24	170	596
Total non-current assets		**1,342,800**	1,279,908
Total assets		**1,426,731**	1,378,320
Shareholders' equity and liabilities			
Current liabilities			
Short term financial liabilities	12	34,000	156,000
Trade payables	10	21,664	31,127
Tax liabilities		12,255	18,222
Derivative financial instruments	12	0	1,175
Short term provisions	11	1,335	3,134
Accrued expenses and deferred income	10	19,016	24,316
Total current liabilities		**88,270**	233,974
Non-current liabilities			
Long term financial liabilities	12	394,892	309,094
Derivative financial instruments	12	6,437	9,298
Deferred tax liabilities	13	124,655	111,806
Long term provisions	11	2,741	3,516
Total non-current liabilities		**528,725**	433,714
Total liabilities		**616,995**	667,688
Shareholders' equity			
Share capital	14	19,000	19,000
Capital reserves		7,757	7,762
Treasury shares		–631	0
Retained earnings		783,610	683,870
Total shareholders' equity		**809,736**	710,632
Total shareholders' equity and liabilities		**1,426,731**	1,378,320

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

Consolidated income statement

(in CHF 1,000)

	Notes	**2021**	2020
Rental income	18	75,128	79,732
Net gains from property disposal	19	106,082	33,413
Other income	20	4,250	4,188
Total operating income		**185,460**	**117,333**
Property expense	21	8,304	9,290
Personnel expense	22	11,746	11,149
Administrative expense	23	2,604	2,642
Total operating expense		**22,654**	23,081
Changes in fair value of properties	25	32,273	13,371
Operating result (EBIT)		**195,079**	**107,623**
Financial income	26	177	78
Financial expense	26	–7,966	–8,932
Profit before taxes		**187,290**	98,769
Tax expense	27	–43,053	–20,413
Net income		144,237	**78,356**
There are no minority interests.			
Earnings per share (CHF)	28	**75.92**	41.67
Earnings per share (diluted) (CHF)	28	**75.92**	41.67

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: Other retained earnings1)	Retained earnings: Hedging reserve	Total capital
Balance as at 1.1.2020		**19,000**	**6,071**	**–9,979**	**660,646**	**–9,592**	**666,146**
Purchase of treasury shares	14			–1,298			–1,298
Share-based payments (participation plan)	14		–289	1,298			1,009
Sale of treasury shares	14		1,980	9,979			11,959
Dividend payment					–46,960		–46,960
Change of derivative financial instruments	12					1,420	1,420
Net income 2020					78,356		78,356
Balance as at 31.12.2020		**19,000**	**7,762**	**0**	**692,042**	**–8,172**	**710,632**
Purchase of treasury shares	14			–1,654			–1,654
Share-based payments (participation plan)	14		–5	1,023			1,018
Dividend payment					–47,500		–47,500
Change of derivative financial instruments	12					3,003	3,003
Net income 2021					144,237		144,237
Balance as at 31.12.2021		**19,000**	**7,757**	**–631**	**788,779**	**–5,169**	**809,736**

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

Consolidated cash flow statement

(in CHF 1,000)

	Notes	**2021**	2020
Net income		144,237	78,356
Taxes	27	43,053	20,413
Changes in fair value of properties	25	–32,273	–13,371
Depreciation		136	142
Interest income	26	–169	–78
Other financial income	26	8	8
Interest received		161	92
Interest expense	26	7,950	8,924
Interest paid		–7,891	–9,003
Taxes paid		–32,247	–9,329
Net gains from property disposal	19	–106,082	–33,413
Receipts from sale of promotional properties		34,986	20,808
Payments for investments in promotional properties		–17,627	–21,047
Non-cash change in provisions		97	–113
Changes in net working capital		–993	3,244
Net cash from operating activities		**33,346**	45,633
Payments for investments in investment properties		–39,127	–22,341
Receipts from disposals of investment properties		116,986	73,846
Payments for investments in development properties		–27,320	–17,668
Receipts from disposals of development properties		0	12,089
Payments for purchase of participations		–247	0
Payments for purchases of other equipment and intangible assets		–74	–93
Net cash from investing activities		**50,218**	45,833
Proceeds from financial liabilities	12	119,820	41,250
Repayment of financial liabilities	12	–156,000	–80,100
Dividend payment		–47,500	–46,960
Purchase of treasury shares	14	–1,654	–1,298
Sale of treasury shares	14	0	11,958
Net cash used for financing activities		**–85,334**	–75,150
Change in cash		**–1,770**	16,316
Cash at beginning of reporting period		33,471	17,155
Cash at end of reporting period		**31,701**	33,471

The disclosures in the notes form an integral port 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», «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.

Trade receivables

This position includes receivables from ordinary 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. The investment properties are divided into categories according to the predominant type of use. Reclassifications between the categories and between investment, development and promotional properties are approved by the Board of Directors at the request of the Executive Board.

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 existance of a legally binding building 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 const-

ruction 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.

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 comprises of software and is recognised at acquisition cost less amortisation. The amortisation 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, private placements 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 sometimes in 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 holding period based on the asset strategy 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.

Leasing

Contracts for the use of land for which ground rent is paid are assessed to determine whether they are to be classified as operating leases or finance leases. Payments under operating leases are recognised in the income statement over the term of the lease or building lease and are disclosed in the notes.

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 managment

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 heterogenous, 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 58 million or 4.3% (CHF 48 million or 3.8%) or a decrease amounting to CHF 58 million or 4.3% (CHF 48 million or 3.8%) 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 adequalty 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 0.2 million (CHF 0.9 million) whereas an increase in short-term rates would give rise to a reduction of CHF 0.2 million (CHF 0.7 million). The influence of the cash flow hedges on equity following an increase of 50 basis points would amount to CHF 2.0 million (CHF 2.6 million). With a decrease of 50 basis points, the effect would amount to CHF –2.1 million (CHF –2.8 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 40 million or 3.0% respectively (CHF 33 million or 2.6%), whereas a corresponding increase in the discount rate would reduce it by CHF 40 million or 3.0% respectively (CHF 33 million or 2.6%).

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 353 million (CHF 211 million). The group had no callable credit line 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 56.8% (51.6%), and equity amounted to CHF 810 million (CHF 711 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

In the year under review, Orubi SA, Vernier, was acquired.

As at the balance sheet date, the Intershop Holding AG 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
- Intershop Bau AG, Basle; Switzerland
- Intershop Management AG, Zurich; Switzerland
- Orubi SA, Vernier; 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 116 and 117.

3 Acquisition of Orubi SA

As at 14 December 2021, 100% of the shares of Orubi SA in Vernier were acquired for CHF 0.25 million in cash. With the acquisition of the company on 14 December 2021, the company was fully consolidated for the first time. The fair values of the assets and liabilities of Orubi SA at the time of initial consolidation were as follows:

(in CHF 1,000)	14.12.2021
Cash	1
Development properties	1,595
Other assets	187
Total assets	**1,783**
Liabilities	1,536
Shareholders' equity	247
Total liabilities and shareholders' equity	**1,783**

4 Investment policy

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

5 Cash

(in CHF 1,000)	**31.12.2021**	31.12.2020
Bank and cash balances	31,701	33,471
Short-term bank deposits	0	0
Total	**31,701**	33,471

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

(in CHF 1,000)	**31.12.2021**	31.12.2020
Rating AAA	3,198	2,014
Rating AA	3,512	1,519
Rating A	11,232	16,692
Rating BBB	8,124	12,836
No rating available	5,635	410
Total	**31,701**	33,471

The classification is based on 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, an amount of CHF 9.8 million (CHF 16.4 million) disclosed under Rating A can be fully offset against significantly higher financial liabilities should the bank in question become insolvent.

6 Short-term receivables

(in CHF 1,000)	**31.12.2021**	31.12.2020
Net trade receivables	252	324
Other receivables	5,944	9,284
Total receivables	**6,196**	9,608
Accrued income and prepaid expenses	966	849
Total	**7,162**	10,457

Other short-term receivables mainly include 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)	**31.12.2021**	31.12.2020
Gross trade receivables	1,024	923
Allowance for doubtful debts	–772	–599
Net trade receivables	**252**	324

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)	**2021**	2020
Balance as at 1.1.	599	968
Increase	427	174
Allowance used	–71	–263
Decrease	–183	–280
Balance as at 31.12.	**772**	599

7 Promotional properties

(in CHF 1,000)	**2021**	2020
Balance as at 1.1.	54,485	32,249
Investments	18,288	22,236
Disposals	–27,527	0
Transfer from development properties	–178	0
Balance as at 31.12.	**45,068**	54,485

In the period under review the 30 commonhold apartments of the «Gellertstrasse» project were sold and some parking spaces of the «edeneins» und «edendrei» projects were allocated to the investment property Zürich, Staffelstrasse 8/10/12. Income from the sale of promotional properties amounted to CHF 41.0 million (CHF 0.0 million). The fire insurance value and the construction period insurance of the promotional properties amounted to CHF 57 million (CHF 74 million). Details of the promotional properties are shown on pages 90 to 91.

Current status of promotianal properties

Basle, «Gellertstrasse»

Project description: In the project at Gellertstrasse 151, 157, 163 in Basle 30 commonhold apartments were built.

Project status: All apartments were handed over to the prospective purchasers in the first half-year 2021. There are 10 parking spaces left in the Group's portfolio.

Baden, «Römerstrasse»

Project description: At the property at Römerstrasse 36-36c in Baden, 78 commonhold apartments are being realised

Project status: The partial demolition of the existing buildings and the new construction started at the beginning of 2020. Completion is scheduled in two stages for the 4th quarter 2022 and the 1st quarter 2023.

Sales status: Sales commenced in April 2020 and there are notarised purchase contracts for all 78 apartments.

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 1.1.2020[1]	761,872	315,280	74,413	1,151,565
Investments	9,725	2,906	8,175	20,806
Disposals	0	–36,212	–14,230	–50,442
Changes in fair value 2020	4,643	5,462	–844	9,261
Balance as at 31.12.2020	776,240	287,436	67,514	1,131,190
Investments	8,579	3,548	26,678	38,805
Disposals	–34,354	0	0	–34,354
Changes in fair value 2021	5,739	416	–2,917	3,238
Transfer from and to development properties	0	14,710	0	14,710
Transfer from promotional properties	178	0	0	178
Reclassification as at 31.12.2021	41,021	–117,684	76,663	0
Balance as at 31.12.2021	797,403	188,426	167,938	**1,153,767**

1) Includes an investment property (residential property) held for disposal TCHF 14,209.

In the year under review, the two investment properties Studen, Sägeweg 7 and Zurich, Hohlstrasse 190/192 were sold. The newly built assembly plant at Fabrikstrasse 2 in Winterthur was reallocated from development to investment properties, and individual parking spaces from the «edeneins» and «edendrei» projects were reallocated from promotion to investment properties. A largely unused parcel of land on the Centre St-Roch site was separated and reallocated to the development properties. The properties at 42/44 Rue de Lausanne, Geneva, and Hofweg/Dammweg, Berne, were reclassified from commercial to residential properties, and Yverdon, Centre St-Roch from commercial to office properties.

In the previous year, the investment properties Kilchberg, Schlossmattstrasse 9 and Dietikon, Lagerstrasse 6-8 were sold.

Details of the purchases and disposals are shown on pages 90 and 91. 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:

	Acquisition costs[1]		Market value[2]	
(in CHF 1,000)	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Investment properties				
Office properties				
Zurich area	371,671	395,961	509,097	524,298
Lake Geneva area	201,635	158,082	201,473	163,003
Basle / Berne / Midlands	81,749	86,019	83,195	85,588
Other areas	3,674	3,674	3,638	3,351
Total office properties	**658,729**	643,736	**797,403**	776,240
Commercial properties				
Zurich area	78,802	63,768	81,103	60,661
Lake Geneva area	45,840	126,674	52,827	160,681
Basle / Berne / Midlands	15,824	24,126	21,529	32,194
Other areas	30,344	29,468	32,967	33,900
Total commercial properties	**170,810**	244,036	**188,426**	287,436
Residential properties				
Lake Geneva area	39,576	0	63,460	0
Basle / Berne / Midlands	98,508	61,759	104,478	67,514
Total residential properties	**138,084**	61,759	**167,938**	67,514
Total investment properties	**967,623**	949,531	**1,153,767**	1,131,190

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 92 to 96)

The fire insurance value of the investment property portfolio amounts to CHF 1,318 million as at 31 December 2021 (CHF 1,367 million). Details of the investment property portfolio are shown on pages 86 to 89.

9 Development properties

(in CHF 1,000)	**2021**	2020
Balance as at 1.1.	147,649	128,954
Purchases	1,595	0
Investments	24,890	18,038
Disposals	0	–3,453
Changes in fair value	29,035	4,110
Transfer to promotional properties	–14,710	0
Balance as at 31.12.	**188,459**	147,649

During the in the period under review, the Orubi development project in Vernier, Chemin de l'Emeraude 10, 22, 24 was acquired and the newly built assembly plant Winterthur, Fabrikstrasse 2 was transferred from development properties to investment properties. A largely unused parcel of land on the site of the Centre St-Roch investment property was separated and reassigned to the development properties as Yverdon, Ave. des Sports 32. In the previous year, In the previous year, a plot of land amounting to 16,325 m² on the industrial park Oberwinterthur-Neuhegi in Winterthur was sold.

Acquisition costs and market value by region:

	Acquisition costs[1]		Market value[2]	
(in CHF 1,000)	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Development properties				
Zurich area	140,221	133,106	170,350	138,307
Lake Geneva area	5,605	0	6,602	0
Basle/Berne/Midlands	11,007	8,244	10,114	7,973
Other areas	1,974	1,974	1,393	1,369
Total development properties	**158,807**	143,324	**188,459**	147,649

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 92 to 96)

As at 31 December 2021 and 31 December 2020, no development properties were carried at cost. The fire insurance value of the development property portfolio amounts to CHF 370 million (CHF 437 million) as at 31 December 2021. Details of the development property portfolio are shown on pages 90 and 91.

10 Liabilities

(in CHF 1,000)	**31.12.2021**	31.12.2020
Trade payables	21,664	31,127
Accrued expenses and deferred income	19,016	24,316
Total	**40,680**	55,443

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)	**31.12.2021**	31.12.2020
Warranties	3,240	5,411
Other	836	1,239
Total	**4,076**	6,650
thereof short term	1,335	3,134
thereof long term	2,741	3,516

Additional information:

(in CHF 1,000)	Warranties[1]	Other[2]	Total
Balance as at 1.1.2020	6,969	1,203	8,172
Provisions used	–241	0	–241
Increase	0	36	36
Decrease	–1,317	0	–1,317
Balance as at 31.12.2020	5,411	1,239	6,650
Provisions used	0	–516	–516
Increase	1,050	153	1,203
Decrease	–3,221	–40	–3,261
Balance as at 31.12.2021	3,240	836	**4,076**

1) In the previous year, provisions for warranties were utilised. Furthermore, provisions from previous disposals were reversed in the reporting period and in the previous year.

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

12 Financial liabilities

(in CHF 1,000)	**31.12.2021**	31.12.2020
Mortgages, loans and private placements	34,000	156,000
Total current financial liabilities	**34,000**	156,000
Mortgages and loans	195,000	209,000
Bonds	199,892	100,094
Total long-term financial liabilities	**394,892**	309,094
Total financial liabilities	**428,892**	465,094

Current financial liabilities are mortgages, loans and private placements whose contractual term ends within 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 2021:

(in CHF 1,000)	Maturities	Fixed interest term
2022	34,000	14,000
2023	100,052	100,052
2024	0	0
2025	0	0
2026	99,840	99,840
thereafter	195,000	195,000
Total	**428,892**	**408,892**

The total book value of pledged assets amounts to CHF 385 million (CHF 804 million). Financial liabilities totalling CHF 209 million (CHF 365 million) are secured through property mortgages.

Financial liabilities are reported at nominal value. Their fair value lies CHF 12 million higher (CHF 19 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 1.47% (1.88%) with an average fixed interest period of 65 months (58 months), taking into account current interest rate hedging transactions. At the balance sheet date, 100% (89%) were fixed-rate mortgages, interest rate hedged rollover loans or fixed-rate bonds and 0% (11%) 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 covenants would allow the bank to demand immediate repayment of the loan regardless of the contractually agreed term.

In the first half of 2021, a CHF 100 million bond with a term of 5 years was issued as a green bond listed on the SIX Swiss Exchange. The coupon of 0.3% is payable annually on 29 June. The outstanding bonds are reported as follows and is shown as long term financial liabilities in the consolidated balance sheet.

(in CHF 1,000)	**2021**	**2020**
Balance as at 1.1.	100,094	100,136
Repayment	99,821	0
Amortisation issue premium and issue costs	–23	–42
Balance as at 31.12.	**199,892**	**100,094**

The outstanding bonds were issued on the following terms:

	1.125% bond 2015–2023	**0.3% Green Bond 2021-2026**
Volume	CHF 100 million	CHF 100 million
Term	8 years (17.4.2015–17.4.2023)	5 years (29.6.2021-29.6.2026)
Coupon	1.125%, payable annually on 17.4.	0.3%, payable annually on 29.6.
effective interest rate	1.09%	0.35%
Listing	SIX Swiss Exchange	SIX Swiss Exchange
Swiss security number	27,577,643	111 139 299

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. The proceeds from the green bond are used for the financing of sustainable investments on the basis of the Green Bond Framework. 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 62 million (CHF 157 million) were in place. The details are shown in the tables below:

31.12.2021 (in CHF 1,000)

Maturity	Interest rate	Contract value	Fair value positive	Fair value negative
2028	1.46%	24,000	-	2,473
2028	1.47%	38,000	-	3,964
Total		**62,000**	-	**6,437**

31.12.2020 (in CHF 1,000)

Maturity	Interest rate	Contract value	Fair value positive	Fair value negative
2021	1.19%	45,000	-	677
2021	0.93%	30,000	-	392
2021	1.33%	20,000	-	106
2028	1.46%	24,000	-	3,528
2028	1.47%	38,000	-	5,769
Total		157,000	-	10,472

Changes in the fair value of interest rate hedges of CHF 4.0 million (CHF 1.8 million) were recognized directly in equity after taking into account the corresponding taxes of CHF –1.0 million (CHF –0.4 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:

	31.12.2021		31.12.2020	
(in CHF 1,000)	Assets	Liabilities	Assets	Liabilities
Properties	0	124,622	0	111,680
Employee pensions	0	33	0	126
Other balance sheet items	78	0	92	0
Losses	77	0	69	0
Total	**155**	**124,655**	161	111,806

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

Temporary differences relating to subsidiaries of Intershop Holding AG's, on which no deferred tax liabilities are recognized, amounted to CHF 605 million (CHF 517 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 31.12.2020	1,900,000	19,000
Issued share capital as at 31.12.2021	**1,900,000**	**19,000**

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Treasury shares

	(Number)	(in CHF 1,000)
Balance as at 1.1.2020	20,000	9,979
Purchase of treasury shares	2,122	1,298
Share-based payments (participation plan)	–2,122	–1,009
Capital reduction	–20,000	–11,958
Price difference	-	1,690
Balance as at 31.12.2020	0	0
Purchase of treasury shares	2,694	1,654
Share-based payments (participation plan)	–1,654	–1,018
Price difference	-	–5
Balance as at 31.12.2021	**1,040**	**631**

15 Net asset value (NAV) per share

	31.12.2021	31.12.2020
Shareholders' equity[1)]	809,736	710,632
Number of shares outstanding[2)]	1,898,960	1,900,000
Shareholders, equity per share (Net asset value, NAV)[3)]	**426.40**	374.02

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 %)	**31.12.2021**	31.12.2020
Patinex AG, Wilen (Martin und Rosmarie Ebner)	35.3	35.3
AXA Leben AG, Winterthur	3.8	3.8
Relag Holding AG, Hergiswil	3.5	3.5
Hansjörg Graf, Wollerau	3.2	3.2
BlackRock Inc., New York, USA	≥3.0	≥3.0
Credit Suisse Funds AG, Zürich	≥3.0	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 35.3%. 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 3.5 million (CHF 3.4 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 34 to 38 and in the individual financial statements of Intershop Holding AG (Note 12) on page 108 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)	**2021**	2020
Investment properties		
Office properties	46,561	44,128
Commercial properties	13,452	21,098
Residential properties	4,238	2,811
Development properties	8,841	9,133
Disposals	2,036	2,562
Total	**75,128**	79,732

The income from the properties reallocated within the investment properties as at 31.12.2021 are shown in the new category in 2021.

Real estate income declined due to the disposal of properties in the previous year and the increase in vacancy rates.

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

(in % of rental income)	**31.12.2021**	31.12.2020
Residential	6.0	5.4
Parking without fixed maturity	3.8	n/a
Without fixed maturity	13.6	18.0
< 1 year	7.9	6.5
1 to 2 years	10.6	14.7
2 to 3 years	13.4	10.5
3 to 4 years	12.4	12.1
4 to 5 years	9.9	12.0
> 5 years	22.4	20.8
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)	**31.12.2021**	31.12.2020
Canton of Vaud	6.7	6.6
Sauvin Schmidt SA	5.0	4.4
Canton of Zurich	4.5	4.9
Migros	3.2	3.5
Oertli Werkzeuge AG	2.2	2.2
Total	**21.6**	21.6

The share of the public sector, which includes all lease agreements with the Confederation, cantons, municipalities or related legal entities and organisations, amounted to 13.7% (14.1%) as at the balance sheet date.

19 Net gains from property disposals

(in CHF 1'000)	**2021**	2020
Sales proceeds investment properties	117,200	74,100
Change in provision for warranties	2,731	1,318
Fair value at the beginning of the year	–34,296	–50,368
Investments current year	–58	–75
Gross gains from property disposals	85,577	24,975
Disposal costs	–314	–352
Net gains investment properties	**85,263**	24,623
Sales proceeds development properties	0	12,244
Fair value at the beginning of the year	0	–1,894
Investments current year	0	–1,487
Gross gains from property disposals	0	8,863
Disposal costs	0	–73
Net gains development properties	**0**	8,790
Sales proceeds promotional properties	41,047	0
Adjustments of provisions and accruals for warranties	6,351	0
Value at the beginning of the year	–20,821	0
Investments current year	–4,955	0
Gross gains from property disposals	21,622	0
Disposal costs	–803	0
Net gains promotional properties	**20,819**	0
Total	**106,082**	33,413

In the year under review, the 30 commonhold apartments of the «Gellertstrasse» promotional project and the two investment properties Studen, Sägeweg 7 and Zurich, Hohlstrasse 190/192 were sold. Additional income was recorded from the sale of investment properties and promotional properties due to adjustments and reversals of provisions and accruals for warranties from previous disposals. In the previous year, Intershop sold the investment property at Zürcherstrasse 15-21 in Winterthur. Detailed information on the disposals is shown on pages 90 and 91.

20 Other income

(in CHF 1,000)	**2021**	2020
Service income Realconsult (Facility Management)	2,456	2,502
Service income WTCL	982	1,045
Service income Intershop Management	428	533
Other revenues	384	108
Total	**4,250**	4,188

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

21 Property expense

(in CHF 1,000)	**2021**	2020
Investment properties		
Office properties	4,967	4,742
Commercial properties	1,214	1,930
Residential properties	794	433
Development properties	1,139	2,059
Disposals	190	126
Total	**8,304**	9,290

The expenses of the properties reallocated within the investment properties as at 31.12.2021 are shown in the new category in 2021.

Property expense is comprised of the following:

(in CHF 1,000)	**2021**	2020
Maintenance and repair	3,193	3,340
Third-party rent	30	25
Insurance expense	1,012	1,023
Taxes and duties	826	809
Ground rent	820	860
Property management fees	393	430
Non-recoverable service charges	1,495	2,171
Other expenses	535	632
Total	**8,304**	9,290

22 Personnel expense

(in CHF 1,000)	**2021**	2020
Wages and salaries	7,275	7,178
Performance-related compensation	2,612	2,197
Social security	941	889
Pension contributions	662	651
Other personnel expenses	256	234
Total	**11,746**	11,149

23 Administrative expense

(in CHF 1,000)	**2021**	2020
Administrative and general expense	2,113	2,138
Capital tax	355	362
Depreciation	136	142
Total	**2,604**	2,642

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 31.12.2021	Waiver of use 2021	Balance sheet 31.12.2021	Creation in 2021	Balance sheet 31.12.2020	Result from ECR 2021	2020
Pension plans	170	–	170	–	596	–426	–342
Total	**170**	**–**	**170**	**–**	**596**	**–426**	–342

Economic benefit, economic liability and pension expense

(in CHF 1,000)	Excess cover/ shortfall 31.12.2021	Economic benefit of the organisation 31.12.2021	31.12.2020	Change to 2020 or effecting income statement in 2021	Contributions accrued for the period	Pension expense in personnel expense 2021	2020
Pension plans without excess cover/ shortfall	–	–	–	–	254	254	246
Pension plans with excess cover	0	–	–	–	408	408	405
Total	**0**	**–**	**–**	**–**	**662**	**662**	**651**

25 Changes in fair value of properties

(in CHF 1,000)	**2021**	2020
Increase in value of investment properties	31,003	21,189
Decrease in value of investment properties	–27,765	–11,928
First time valuation of newly acquired properties	81	0
Increase in value of development properties	31,537	5,018
Decrease in value of development properties	–2,583	–908
Total	**32,273**	13,371

The report of the external property valuers, KPMG AG, is shown on pages 92 to 96 of this annual report.

The increase in value of investment properties comprised CHF 15.2 million (CHF 12.8 million) for office properties, CHF 3.4 million (CHF 8.4 million) for commercial properties and CHF 12.4 million (CHF 0.0 million) for residential properties. The decrease in value of investment properties comprised CHF 21.4 million (CHF 8.2 million) for office properties, CHF 3.5 million (CHF 2.9 million) for commercial properties and CHF 2.9 million (CHF 0.8 million) for residential properties.

26 Financial result

(in CHF 1,000)	**2021**	2020
Interest income	169	78
Other financial income	8	0
Total financial income	**177**	78
Interest expense	–7,950	–8,924
Other financial expense	–16	–8
Total financial expense	**–7,966**	–8,932

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)	**2021**	2020
Ordinary income tax	30,198	20,345
Deferred taxes	12,855	68
Total	**43,053**	20,413

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

(in CHF 1,000)	**2021**	2020
Profit before taxes	187,290	98,769
Average tax rate	18.70%	18.70%
Income tax at average rate	35,023	18,470
Taxes at other rates[1)]	9,516	3,493
Tax rate reductions	–3	–1,429
Adjustments in respect of prior years,	–1,483	–121
Total tax expense	**43,053**	20,413

1) Includes the effects of property gains taxes

28 Earnings per share

	2021	2020
Net income[1)]	144,237	78,356
Average number of shares outstanding[2)]	1,899,971	1,880,392
Number of shares outstanding for the calculation of diluted earnings[3)]	1,899,971	1,880,392
Earnings per share[5)]	**75.92**	41.67
Diluted earnings per share[5)]	**75.92**	41.67
Net income[1)]	144,237	78,356
Changes in fair value of properties[1)]	–32,273	–13,371
Deferred tax on changes in fair value of properties[1) + 4)]	10,057	3,539
Net income excluding changes in fair value of properties	122,021	68,524
Average number of shares outstanding[2)]	1,899,971	1,880,392
Earnings per share excl. changes in fair value of properties	**64.22**	36.44

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 deferred tax rate per property.
5) In CHF

29 Contingent liabilities

As in the previous year, there were no contingent liabilities or guarantees as at 31 December 2021.

30 Operating leases

As at 31 December 2021, there were future obligations of CHF 55.7 million (CHF 49.8 million) for operating lease agreements not recognised in the balance sheet, in particular ground rent. Of this amount, CHF 49.9 million is due in more than five years. The ground rents have remaining terms of between 37 and 64 years and a weighted average remaining term of 46 years.

31 Investments

For the coming five years, total planned investments amount to CHF 339 million (CHF 304 million) excluding promotional properties and major development projects such as AuPark.

30 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 34 to 37.

31 Events after the balance sheet date

These consolidated financial statements were approved for publication by the Board of Directors on 23 February 2022. They are subject to approval by the Annual General Meeting on 31 March 2022.

Up to 23 February 2022, no significant events occurred after the balance sheet date.

Detailed information on the investment property portfolio

Balance as at 31. December 2021

Location	Adress	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Year of construction	Year of renovation
Office properties							
Zurich area							
Cham	Gewerbestrasse 11	SGIC	AE	100%	2006	1990/91	–
Dielsdorf	Honeywellplatz 1	SGIC	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	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							
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	–
Yverdon	Centre St-Roch, Rue des Pêcheurs 8	SGI	AE	100%	1997	1956	since 1998
	Lake Geneva area						
Basle / Berne / Midlands							
Basle	Lehenmattstrasse 260	DB	AE	100%	2006	1962	–
Belp	Hühnerhubelstrasse 58, 60, 62, 64, 66	SGI	SW	95.0%	1997	1992	–
Berne	Waldhöheweg 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
	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

Abreviations are shown on page 90

	Leasable area (in m²)									Rental income (in TCHF) [2]		
Area (in m²)	Office	Retail	Industrial/storage	Residential	Other	Total	Number of parking spaces	Target rent (in TCHF)	Vacancy rate[1] (in %)	Gross	Expense	Net
4,109	5,429	0	1,778	0	16	7,223	159	1,610	20.8			
8,361	3,331	0	5,678	0	292	9,301	152	1,372	19.9			
9,434	3,723	0	4,030	0	0	7,753	95	1,465	11.3			
28,381	9,993	0	11,541	273	1,121	22,928	164	4,582	6.7			
4,658	10,748	1,424	579	0	0	12,751	42	4,547	9.2			
7,567	6,592	1,286	1,144	0	4,488	13,510	79	5,127	4.7			
1,428	2,734	427	913	0	0	4,074	84	1,003	11.7			
3,212	5,438	0	2,636	0	0	8,074	41	1,966	1.5			
4,009	8,167	0	4,204	0	135	12,506	96	2,982	10.3			
12,656	12,772	0	1,880	272	430	15,354	165	5,228	1.1			
83,815	**68,927**	**3,137**	**34,383**	**545**	**6,482**	**113,474**	**1,077**	**29,882**	**7.5**	**27,491**	**2,347**	**25,144**
14,651	16,019	69	1,723	0	1,058	18,869	663	6,697	29.7			
3,178	2,313	0	578	0	0	2,891	53	965	1.5			
36,319	29,518	1,691	10,789	560	508	43,066	377	7,358	1.5			
54,148	**47,850**	**1,760**	**13,090**	**560**	**1,566**	**64,826**	**1,093**	**15,020**	**14.1**	**13,398**	**1,589**	**11,809**
1,842	0	1,028	221	0	121	1,370	0	233	3.6			
28,738	11,405	0	8,393	202	1,946	21,946	306	2,867	36.1			
1,178	0	2,111	449	780	0	3,340	32	731	1.0			
787	537	0	519	0	0	1,056	13	146	9.1			
2,283	2,386	1,173	285	949	185	4,978	85	684	14.4			
5,920	1,946	0	1,400	151	63	3,560	83	472	26.1			
4,389	4,534	1,259	1,816	0	935	8,544	140	1,494	10.8			
5,346	0	823	1,327	326	1,450	3,926	62	525	2.5			
50,483	**20,808**	**6,394**	**14,410**	**2,408**	**4,700**	**48,720**	**721**	**7,152**	**20.4**	**5,531**	**1,006**	**4,525**
866	810	0	507	0	0	1,317	18	247	45.0			
866	**810**	**0**	**507**	**0**	**0**	**1,317**	**18**	**247**	**45.0**	**141**	**25**	**116**
189,312	**138,395**	**11,291**	**62,390**	**3,513**	**12,748**	**228,337**	**2,909**	**52,301**	**11.3**	**46,561**	**4,967**	**41,594**

Detailed information on the investment property portfolio (continued)

Balance as at 31. December 2021

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Year of construction	Year of renovation
Commercial properties							
Zurich area							
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	–
Winterthur	Fabrikstrasse 2	SGIC	AE	100%	2012	2021	–
Wurenlos	Landstrasse 2	SGI	AE	100%	2002	1984	–
	Zurich area						
Lake Geneva area							
Vernier	Chemin de Morglas 8	SGI	BR	100%	2002	2000–02	–
Yverdon	Rue des Uttins 27	SGI	AE	100%	2007	1970	2007–08
	Lake Geneva area						
Basle/Berne/Midlands							
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	1960/87	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							
Lake Geneva area							
Geneva	Rue de Lausanne 42+44	SGI	AE	100%	99/05	1961	2019–22
	Lake Geneva area						
Basle/Berne/Midlands							
Basle	Redingstrasse 10/12+20/22	DB	AE	100%	2006	1969	2020–22
Berne	Hofweg 5/Dammweg 27	SGI	AE	100%	2005	1935/56	2020–22
	Basle/Berne/Midlands						
Total residential properties							
Total investment properties							

1) As at the balance sheet date
2) During the reporting period

Abreviations are shown on page 90

Area (in m²)	Office	Retail	Leasable area (in m²) Industrial/storage	Residential	Other	Total	Number of parking spaces	Target rent (in TCHF)	Vacancy rate[1] (in %)	Rental income (in TCHF)[2] Gross	Expense	Net
10,622	3,787	0	10,566	0	110	14,463	125	1,663	0.0			
16,471	1,828	0	12,323	211	0	14,362	69	1,726	4.3			
6,949	879	0	3,857	0	0	4,736	80	586	0.1			
13,228	0	0	8,161	0	0	8,161	0	1,365	0.0			
5,877	502	0	5,914	386	292	7,094	63	716	3.1			
53,147	**6,996**	**0**	**40,821**	**597**	**402**	**48,816**	**337**	**6,056**	**1.6**	**4,515**	**290**	**4,225**
30,725	0	0	41,496	0	0	41,496	0	4,120	0.0			
3,101	1,801	0	382	0	0	2,183	40	407	24.5			
33,826	**1,801**	**0**	**41,878**	**0**	**0**	**43,679**	**40**	**4,527**	**2.2**	**4,474**	**471**	**4,003**
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	430	1,680	33.2			
2,220	0	0	1,230	0	0	1,230	11	164	0.0			
50,595	**3,162**	**0**	**15,407**	**0**	**70**	**18,639**	**461**	**2,059**	**27.1**	**1,449**	**248**	**1,201**
16,540	2,627	0	9,814	0	133	12,574	151	1,234	2.2			
2,905	1,717	0	3,652	170	0	5,539	59	593	0.0			
2,307	88	0	2,075	1,107	0	3,270	12	318	5.8			
3,528	2,463	0	4,464	0	0	6,927	79	957	0.9			
25,280	**6,895**	**0**	**20,005**	**1,277**	**133**	**28,310**	**301**	**3,102**	**1.7**	**3,014**	**205**	**2,809**
162,848	**18,854**	**0**	**118,111**	**1,874**	**605**	**139,444**	**1,139**	**15,744**	**5.1**	**13,452**	**1,214**	**12,238**
948	1,889	682	0	3,934	0	6,505	0	2,213	18.4			
948	**1,889**	**682**	**0**	**3,934**	**0**	**6,505**	**0**	**2,213**	**18.4**	**1,349**	**272**	**1,077**
11,966	0	0	0	17,177	0	17,177	188	2,950	32.5			
1,875	143	0	2,182	1,353	0	3,678	10	720	3.2			
13,841	**143**	**0**	**2,182**	**18,530**	**0**	**20,855**	**198**	**3,670**	**26.7**	**2,889**	**522**	**2,367**
14,789	**2,032**	**682**	**2,182**	**22,464**	**0**	**27,360**	**198**	**5,883**	**23.6**	**4,238**	**794**	**3,444**
366,949	**159,281**	**11,973**	**182,683**	**27,851**	**13,353**	**395,141**	**4,246**	**73,928**	**11.0**	**64,251**	**6,975**	**57,276**

Detailed information on the development and promotional property portfolio

Balance as at 31. December 2021

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	n/a	–
Basle	Gellertstrasse 151, 157, 163[3]	DB	SW	2.7%	2006	2021	–
Biel	Maurerweg 10+12	SGI	AE	100%	1998	n/a	–
Flurlingen	Winterthurerstrasse 702 (Arova-Hallen)	SGI	AE	100%	2007	1875–1963	2018
Pfäffikon SZ	Talstrasse 35–37	SGI	BR	100%	2000	1987	2020–22
St. Gallen	Oststrasse 23	SGI	AE	100%	2019	1920–1970	–
Vernier	Chemin de l'Emeraude 10, 22, 24	OR	BR	100%	2021	2022–2023	–
Winterthur	Industriepark Oberwinterthur-Neuhegi	SGIC	AE	100%	2012	1947–2005	–
Wohlen	Nordstrasse 1	SGI	AE/BR	100%	2018	1972–1987	2021–22
Yverdon	Avenue des Sports 32	SGI	AE	100%	1997	1956	–
Land plots							
Solothurn	Oberer Brühl (Am Wildbach)[3]	SGI	AE	100%	1998	n/a	n/a
Total development and promotional properties							

Detailed information on the acqusitions and disposals of property

Balance as at 31. December 2021

Location	Address	Owner	Type of ownership	Percentage of ownership	Year of acquisition	Transfer date
Disposals						
Basle	Gellertstrasse 151, 157, 163[3) 4)]	DB	SW	97.3%	2006	04.21-06.21
Zurich	Staffelstrasse 14–22 (edendrei)[3) 4)]	SGI	SW	0.1%	1998	06.21
Studen	Sägeweg 7	SGI	AE	100%	1998	12.21
Zurich	Hohlstrasse 190/192	SGIC	AE	100%	2007	12.21

1) As at the balance sheet date
2) During the reporting period
3) Promotional properties
4) Partial disposal

Abreviations

Owner:	DB	= De Bary & Co. AG
	OR	= Orubi SA
	SGI	= SGI Schweizerische Gesellschaft für Immobilien AG
	SGIC	= SGI City Immobilien AG
	SGIP	= SGI Promotion AG
Type of ownership:	AE	= Freehold
	BR	= Leasehold
	ME	= Joint ownership
	SW	= Joint ownership; the percentage shown represents the part owned by Intershop

Area (in m²)	Office	Retail	Leasable area (in m²) Industrial/storage	Residential	Other	Total parking spaces	Number of	Target rent (in TCHF)	Vacancy rate[1] (in %)	Rental income (in TCHF)[2] Gross	Expense	Net
42,965	0	0	0	0	0	0	0	n/a	n/a			
9,274	0	0	0	0	0	0	0	n/a	n/a			
136	0	0	0	0	0	0	10	n/a	n/a			
1,492	0	0	0	0	0	0	0	n/a	n/a			
54,001	4,151	0	32,851	268	413	37,683	256	3,180	37.6			
9,349	4,446	0	4,073	97	6	8,622	142	922	38.4			
1,728	0	0	632	306	0	938	1	73	0.0			
7,165	0	0	0	0	0	0	0	n/a	n/a			
106,600	10,388	0	42,077	0	4,355	56,820	553	6,416	13.1			
17,414	3,232	0	9,879	0	0	13,111	164	833	54.3			
21,526	0	144	284	302	208	938	264	246	0.2			
37,557	0	0	0	0	0	0	0	n/a	n/a			
309,207	**22,217**	**144**	**89,796**	**973**	**4,982**	**118,112**	**1,390**	**11,720**	**24.5**	**8,841**	**1,139**	**7,702**

Area (in m²)	Office	Retail	Leasable area (in m²) Industrial/storage	Residential	Other	Total parking spaces	Number of
4,885	0	0	0	3,517	86	3,603	38
3	0	0	0	0	0	0	1
5,663	1,540	0	1,309	107	28	2,984	79
3,884	4,047	1,086	2,872	163	68	8,236	193

KPMG

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, 2021

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, 2021. This relates to a total of 39 investment properties and 9 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.

The breakout of the coronavirus (COVID-19) has an impact on the global financial markets. Market activity across a broad array of sectors is being impacted and its consequences for the economy as a whole, including the real estate market, are not yet foreseeable, because there are not yet sufficient comparative transactions under the current condition. As a result, previous market data can only have limited significance to assess fair market values. Consequently, the current valuation uncertainty is increased and hence the appraisal should be viewed with greater caution than otherwise.

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4. Valuation result

Taking into account the above, KPMG estimates the market value of the 48 valued investment and development properties as of 31 December 2021 at total (rounded):

CHF 1,342,226,000

(one billion three hundred forty-two million two hundred twenty-six thousand Swiss francs)

5. Change in value

The fair value of Intershop Group's investment and development properties thus increases by CHF 63.39 million or 5.0% 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, 17. February 2022

KPMG AG

Ulrich Prien
Partner

Florian Moritz Meier
Assistant Manager

KPMG

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 a 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, while the exit value is estimated at the end of year 10 (in arrear). The nominal discount rates for years 1 to 10 range between 3.20% and 6.40% for Intershop Group's properties valued as of December 31, 2021. The capital-weighted average nominal discount rate is 4.41% for the investment properties and 4.60% 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

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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	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Exit
Growth rate	0.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

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, 2021, 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

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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

Zürich

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 2021, 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 principles.

In our opinion, the consolidated financial statements (pages 58 to 91) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and 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 4,000,000

Our audit addressed the Group’s income, assets and liabilities. We performed a full scope audit of three group companies and specified procedures at five group companies. Our procedures therefore addressed 97% of the operating income and 98% of the assets of the group.

As key audit matters the following areas of focus have been 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.

Based on 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 4,000,000
Benchmark applied	Net assets (Equity)
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.

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 10 other Group companies in Switzerland, including five real-estate companies and five service companies. We performed a full scope audit of three group companies and specified procedures at five 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
The Group's non-current assets consist mainly of investment properties and development properties valued at CHF 1,154 million and CHF 188 million, respectively, as at 31 December 2021. 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). We consider the valuation of the property portfolio a key audit matter owing to its significance in relation to total assets (approx. 94%) 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. Please refer to the accounting principles (page 62 et seq.), the note on valuation methods and assumptions (pages 94 et seq.), Note 8 and 9 'Investment and development properties' (pages 73 and 75) and the report of the independent property appraiser (pages 92 and 96).	We performed the following audit procedures, among others: 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. 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 on a sample basis, 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. On the basis of our audit procedures, we obtained adequate assurance with regard to the appropriateness of the valuation of the property portfolio.

Deferred tax liabilities arising from property valuation differences

Key audit matter	How our audit addressed the key audit matter
Deferred tax liabilities on property valuation differences amount to approximately CHF 125 million as at 31 December 2021. 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 20% 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 62 et seq.) and Note 13 'Deferred tax assets and liabilities' (page 78).	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 by management.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER, the provisions of article 17 of the 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 located at 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, 23 February 2022

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Balance sheet

(in CHF 1,000)

	Notes	2021	2020
Assets			
Current assets			
Cash		1,682	8,131
Other receivables			
from Group companies		2,458	86,225
from third parties		2	1
Accrued income and prepaid expenses			
from third parties		108	0
Total current assets		**4,250**	94,357
Non-current assets			
Loans			
to Group companies		229,000	0
Investments in subsidiaries	1	233,211	232,963
Total non-current assets		**462,211**	232,963
Total assets		**466,461**	327,320
Shareholders' equity and liabilities			
Current liabilities			
Bonds	2 / 3	20,000	0
Other liabilities			
to Group companies		38,547	30,827
to third parties		8	41
Accrued expenses and deferred income			
to third parties		1,508	1,486
Total current liabilities		**60,063**	32,354
Non-current liabilities			
Bonds	2 / 3	200,000	100,000
Total non-current liabilities		**200,000**	100,000
Total liabilities		**260,063**	132,354
Shareholders' equity			
Share capital	4	19,000	19,000
General legal reserve		3,800	3,800
Other general reserve	5	51,070	51,701
Reserve for treasury shares		631	0
Retained earnings brought forward		72,965	74,355
Profit for the year		58,932	46,110
Total shareholders' equity		**206,398**	194,966
Total shareholders' equity and liabilities		**466,461**	327,320

Income statement

(in CHF 1,000)

	Notes	**2021**	2020
Income from participations	6	60,060	48,215
Other expense	7	–1,291	–1,555
Operating result before interest and taxes		**58,769**	46,660
Financial income	8	1,562	926
Financial expense	9	–1,341	–1,347
Profit before taxes		**58,990**	46,239
Tax expense		–58	–129
Profit		**58,932**	46,110

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».

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 **Scope of consolidation**

In the year under review, Orubi SA, Vernier, was acquired. Details of the particiations are shown on pages 116 and 117.

2 **Bonds and private placements**

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.

In the 2021 financial year, a CHF 100 million bond with a term of 5 years (29.6.2021-29.6.2026) was issued as a green bond, which is listed on the SIX Swiss Exchange. The coupon of 0.3% is payable annually on 29 June. The premium and issuing costs are recognised as accrued expenses and will be amortised over the term of the bond.

In addition, several private placements were issued in the 2021 financial year. As at 31 December, a private placement of CHF 20 million with a maturity of 3 months (3.12.2021-3.3.2022) was outstanding. The coupon of 0.05% is payable at maturity. The premium and issuing costs are recognised as accrued expenses and will be amortised over the term of the private placement.

Outstanding bonds and private placements:

(in CHF 1,000)	**31.12.2021**	31.12.2020
1.125% bond 2015–2023	100,000	100,000
0.3% green bond 2021-2026	100,000	0
0.05% private placement 2021-2022	20,000	0
Total outstanding bonds and private placements	**220,000**	100,000

3 Maturity structure of the interest-bearing liabilities

(in CHF 1,000)	**31.12.2021**	31.12.2020
under 5 years	258,547	130,827
Total liabilities	**258,547**	130,827

4 Share capital

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

Information on the key shareholders is provided in the consolidated financial statements in note 16 on page 79.

5 Treasury shares/ Reserve for treasury shares

	(Number)	(in CHF 1,000)
Balance as at 1.1.2020	20,000	9,979
Purchase of treasury shares	2,122	1,298
Share-based payments (participation plan)	–2,122	–1,009
Sale of treasury shares	–20,000	–11,958
Price difference	-	1,690
Balance as at 31.12.2020	**0**	**0**
Purchase of treasury shares	2,694	1,654
Share-based payments (participation plan)	–1,654	–1,018
Price difference	-	–5
Balance as at 31.12.2021	**1,040**	**631**

The Company held no treasury shares as of 31.12.2021 and 31.12.2020. A corresponding «Reserve for treasury shares» was created for the 1,040 shares in Intershop Holding AG held by a subsidiary as of 31.12.2021.

6 Income from participations

(in CHF 1,000)	**2021**	2020
Dividends from Group companies	60,060	48,215
Total income from participations	**60,060**	48,215

7 Other operating expense

(in CHF 1,000)	**2021**	2020
Compensation of the Board of Directors	319	319
Other operating expense Group companies	725	900
Other operating expense third parties	247	336
Total other operating expense	**1,291**	1,555

8 Financial income

(in CHF 1,000)	**2021**	2020
Interest income Group companies	1,555	921
Other financial income third parties	7	5
Total financial income	**1,562**	926

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

9 **Financial expense**

(in CHF 1,000)	**2021**	2020
Interest expense bonds	1,269	1,094
Interest expense Group companies	60	235
Other financial expense third parties	12	18
Total Finanzaufwand	**1,341**	1,347

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)	**31.12.2021**	31.12.2020
Dieter Marmet, Chairman of the Board of Directors	3,300	3,300
Ernst Schaufelberger, Member of the Board of Directors	300	250
Kurt Ritz, Member of the Board of Directors	100	100
Cyrill Schneuwly, CEO	6,882	6,233
Christian Baldinger, Head of Building and Development	2,891	2,567
Thomas Kaul, CFO	3,292	3,000
Andreas Wirz, Head of Portfolio Management	3,673	3,484
Total	**20,438**	18,934

The Board of Directors and Executive Board together held 1.08% (1.00%) 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 37 to 38.

13 **Contingent liabilities**

As at 31 December 2021, letters of comfort and guarantees in favour of Group companies amounted to CHF 102 million (CHF 155 million)

14 **Pledged assets**

No assets were pledged as of 31 December 2021.

15 **Events after the balance sheet date**

Up to 23 February 2021, no significant events occurred after the balance sheet date.

Proposed appropriation of retained earnings for the financial year 2021

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

(in CHF)	**2021**	2020
Retained earnings brought forward	72,964,720	74,354,728
Profit for the year	58,932,141	46,109,992
Total retained earnings available for distribution	**131,896,861**	120,464,720
Dividend[1)]	–47,500,000	–47,500,000
Retained earnings carried forward	**84,396,861**	72,964,720

[1)] 2020: 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 7 April 2022 (ex date 5 April 2022):

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

Zürich

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 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 104 to 109) as at 31 December 2021 comply with Swiss law and the company's 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 1,030,000

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 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.

Based on 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 1,030,000
Benchmark applied	Net assets (Equity)
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.

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 investments in group companies

Key audit matter	How our audit addressed the key audit matter
The Company recorded as at 31 December 2021 direct investments (100%) in five real-estate companies and three service companies for a total book value of CHF 233 million. All these investments concern Swiss companies. 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. We consider the impairment testing of investments as a key audit matter owing to their significance on the balance sheet. Please refer to the accounting principles and note 1 (page 106).	To identify potential impairments, management followed the required process to assess recoverability of the investments. We performed the following audit procedures, among others: - Comparison of the book value with the economic equity value of each of the investments. On the basis of our audit, we obtained adequate assurance with regard to the impairment testing of the investments.

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 either intends 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 located at 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, 23 February 2022

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Subsidiaries and participations

As at 31 Dezember 2021

(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
Intershop Bau AG, Basle	▲	100.00
Intershop Management AG, Zurich	▲	100.00
Orubi SA, Vernier	■	100.00
Realconsult AG, Zurich	▲	100.00
SGI City Immobilien AG, Zurich	■	100.00
SGI Promotion AG, Zurich	■	100.00
SGI 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	100,000 CHF	full consolidation
Intershop Holding AG	250,000 CHF	full consolidation
Intershop Holding AG	100,000 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

		2021	2020	2019	2018	2017
Assets						
Current assets	m CHF	84	98	75	201	65
Tangible assets	m CHF	1,342	1,279	1,267	1,251	1,346
Financial assets	m CHF	1	1	1	2	2
Total assets	m CHF	1,427	1,378	1,343	1,454	1,413
Liabilities						
Short term financial liablities	m CHF	88	234	125	199	71
Long term financial liabilities	m CHF	529	433	552	565	723
Total shareholders' equity Intershop Group	m CHF	810	711	666	690	619
Net rental income	m CHF	67	70	74	78	79
Changes in fair value of properties	m CHF	32	13	17	16	4
Net gains from property disposals	m CHF	106	33	7	82	10
Operating result (EBIT)	m CHF	195	108	89	167	85
Earnings before taxes	m CHF	187	99	79	154	75
Net income Intershop Group	m CHF	144	78	71	120	64
Cash flow from operations	m CHF	33	46	36	23	50
Return on equity Intershop Group						
based on the average shareholders' equity	%	20.1	11.8	10.9	19.3	10.7
Net income Intershop Group						
per outstanding share of CHF 10	CHF	75.92	41.67	37.33	59.84	31.76
Net income Intershop Group excluding changes in fair value						
per outstanding share of CHF 10	CHF	64.22	36.44	31.47	53.60	30.16
Payout ratio[1]	%	38.9	68.6	82.1	41.0	72.9
Investments in real estate	m CHF	84	62	35	37	17
Equity per share outstanding (NAV)	CHF	426	374	354	348	310
Number of employees		74	71	72	70	68

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

Intershop Holding AG

Five year overview

		2021	2020	2019	2018	2017
Share capital (nominal)						
Number of shares of CHF 10		1,900,000	1,900,000	1,900,000	2,000,000	2,000,000
Nominal amount	m CHF	19.0	19.0	19.0	20.0	20.0
Share capital outstanding as at 31.12.						
Number of shares of CHF 10		1,898,960	1,900,000	1,880,000	1,986,709	2,000,000
Nominal amount	m CHF	19.0	19.0	18.8	19.9	20.0
Share price (high/low)[1]	CHF	637/568	686/476	576/491	508/465	507/471
Share price as at 31.12.	CHF	612.00	615.00	567.00	488.00	487.00
Market capitalisation as at 31.12.	m CHF	1'163	1,169	1,077	976	974
Net income Intershop Holding AG	m CHF	58.9	46.1	118.4	42.7	37.0
per outstanding share of CHF 10	CHF	31.02	24.27	62.99	21.49	18.50
Dividend per share	CHF	25.00[2]	25.00	25.00	22.00	22.00

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)	**2021**	2020
Rental income of the investment properties	66,287	70,599
Effect of property disposals	–2,036	–2,562
Adjusted rental income of the investment properties[1)]	64,251	68,037
Fair value of the investment properties	1,153,767	1,131,190
Adjustment for property reclassified as at the reporting date	–21,638	0
Adjusted fair value of the investment properties	1,132,129	1,131,190
Gross yield of the investment property portfolio	**5.7%**	6.0%

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)	**2021**	2020
Adjusted rental income of the investment properties	64,251	68,037
Property expense of the investment properties	–7,165	–7,231
Effect of property disposals	188	126
Intercompany property management fees	–1,920	–2,003
Adjusted net rental income of investment properties[1)]	55,354	58,929
Fair value of the investment properties[1)]	1,132,129	1,131,190
Net yield of the investment property portfolio	**4.9%**	**5.2%**

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)	**2021**	2020
Net income[1)]	144,237	78,356
Average equity[1)]	717,860	665,870
Return on equity	**20.1%**	11.8%
Net income excl. changes in fair value of properties[2)]	122,021	68,524
Return on equity excl. changes in fair value of properties	**17.0%**	10.3%

1) based on monthly figures
2) see note 28, p 84

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

Property held for investment that is valued at market value and shown in the consolidated balance sheet. Changes to the market values are recorded under changes in fair values of properties 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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59th Annual General Meeting
Thursday, 31 March 2022
Cigarettenfabrik Eventhalle 268
Sihlquai 268, 8005 Zurich

Reporting

Presentation of Annual Report	1 March 2022
Presentation of Half-Year Report 2022	23 August 2022

Listing
SIX Swiss Exchange

Investment products	**Security number**	**Ticker**
Registered share	27 377 479	ISN
1.125% bond 2015 – 2023	27 577 643	ISH15
0.3% green bond 2021 – 2026	111 139 299	ISH21

Swiss tax value as at 31.12.2021

Registered share	CHF 612.00
1.125% bond 2015–2023	101.48
0.3% green bond 2021 – 2026	101.10

Investor Relations
Cyrill Schneuwly
Thomas Kaul

Languages
German and English

Visualisation title
Nightnurse Images AG

This Annual report 2021 is a translation of the Annual report 2021 in German. Only the Annual report in German which is available on www.intershop.ch is legally binding.

www.intershop.ch