

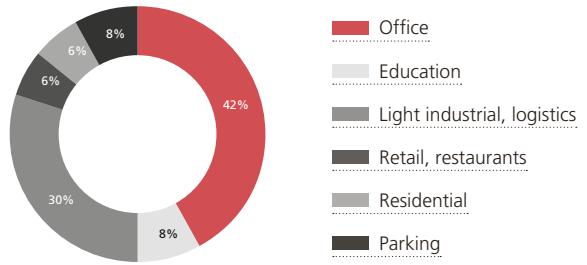


**Summary  
Half-year report**

**2017**

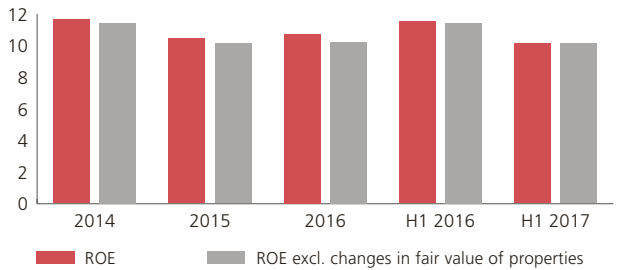
## Portfolio by use

(in CHF)



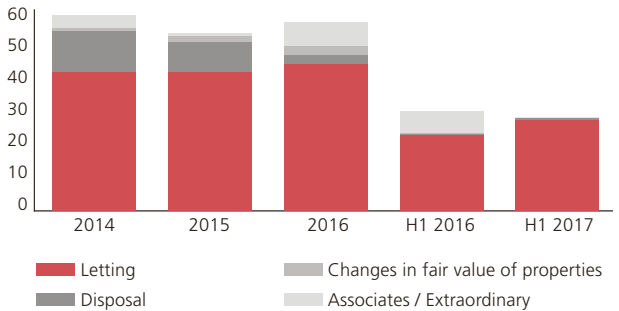
## Return on equity

(in percent)



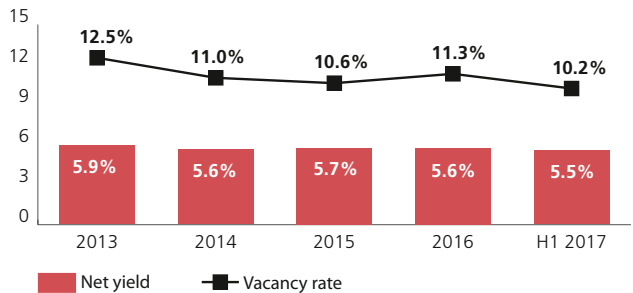
## Net income

(in CHF m)



## Net yield and vacancy rate

(in %)



## Key figures Intershop Group

1<sup>st</sup> HY 2017      1<sup>st</sup> HY 2016

### Financials

Net rental income	m CHF	39.6	37.6
Net gains from property disposal	m CHF	1.1	0.2
Changes in fair value of properties	m CHF	0.1	0.4
Operating result (EBIT)	m CHF	36.4	34.1
Earnings before taxes (EBT)	m CHF	31.4	33.9
Net income	m CHF	29.4	31.4
<hr/>			
Cash flow from operations	m CHF	22.1	18.9
Investments in properties	m CHF	6.3	9.6
<hr/>			
Total assets <sup>2)</sup>	m CHF	1,403.9	1,397.0
Total properties <sup>2)</sup>	m CHF	1,364.2	1,362.0
Financial liabilities <sup>2)</sup>	m CHF	641.4	620.4
Shareholders' equity <sup>2)</sup>	m CHF	584.9	590.9
<hr/>			
Return on equity <sup>1)</sup>		10.1%	11.5%
Return on equity excluding changes in fair value of properties <sup>1) 6)</sup>		10.1%	11.4%

### Portfolio

Number of investment properties <sup>2)</sup>		48	49
Number of development properties <sup>2) 7)</sup>		9	9
Lettable area <sup>2)</sup>	in m <sup>2</sup>	589,898	593,608
Gross yield <sup>2) 3) 4)</sup>		6.3%	6.4%
Net yield <sup>2) 3) 5)</sup>		5.5%	5.6%
Vacancy rate <sup>2) 3)</sup>		10.2%	11.3%

### Personnel

Number of employees <sup>2)</sup>		68	69
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### Share

Earnings per share	CHF	14.69	15.72
Earnings per share excluding changes in fair value of properties <sup>6)</sup>	CHF	14.67	15.58
Net asset value per share (NAV) <sup>2)</sup>	CHF	292.44	295.47
Share price at balance sheet date <sup>2)</sup>	CHF	481.00	501.00

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

2) Figures as per 30.6.2017 and per 31.12.2016

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

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

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

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

7) Including promotional properties

## Letter to shareholders

Dear shareholders, businesspartners and employees

Intershop successfully concluded a challenging half-year. Net income amounted to CHF 29.4 million and is thus 6.5% below the result for the prior-year period. Earnings per share amounted to CHF 14.69, corresponding to an annualised return on equity of more than 10%. The decline in profits can be attributed to the fact that, in the prior-year period, Intershop was able to realise a profit of almost CHF 8 million from the disposal of its shareholding in Corestate Capital Holding S.A. The tax expense in the prior-year period was positively influenced by the reversal of no longer required liabilities. In the first half to 30<sup>th</sup> June 2017, the Group was able to reduce the deferred tax liability by more than CHF 3 million as a result of a reduction in tax rates. The leasing market for commercial real estate, especially the market for office space in the greater Zurich area, remained challenging. During the half-year under review, Intershop focused intensively on new lettings and the renewal of existing contracts and this has led to a positive shift in the vacancy rate as at 30<sup>th</sup> June 2017. In a largely unchanged low-interest-rate environment, the real estate values were overall stable. Positive effects in the residential property portfolio together with effects from successful re-letting were offset by devaluations in some properties where the Group has invested in planning costs. These costs have led to a devaluation as the projects have neither been approved nor realised.

Despite the sale of two investment properties during the second half of the prior year, rental income increased in line with expectations by more than 5% following the acquisition of the World Trade Center in Lausanne last year. The vacancy rate for the investment properties decreased to 10.2%. Net yield of the portfolio remained high at an attractive 5.5%.

At the end of the reporting period, Group equity amounted to CHF 585 million and was, despite a dividend distribution of CHF 40 million, only CHF 6 million below the level at the start of the year. Net asset value (NAV) amounted to CHF 292 per share.

### Business review

Interest rates in Switzerland remained at a low level during the first half-year of the current year, despite a slight increase in the ten-year swap rate at the end of June. Uncertainty about future economic development in Europe declined and the Swiss franc lost some of its appeal as a «safe haven». However, the demand for allegedly low-risk investments with positive returns, in particular real estate remained at a high level. This demand can be attributed almost entirely to Swiss investors. Their enthusiasm for residential property remains

as strong as ever. In addition, the demand for commercial properties situated in prime locations also remained unchanged. Consequently, transactions continue to take place in these segments at prices that can barely be justified in a higher interest rate environment.

The supply of challenging commercial property has also increased during the period. In Intershop's opinion, many potential sellers, are not taking into account the inherent risks, or are failing to do so adequately, when setting their prices. Although several dozen offers were assessed during the reporting period, no acquisitions were made, since in each case, the offer failed to meet the price expectations by a significant margin. Intershop continues to earn stable rental income and has attractive development opportunities within its own portfolio and, as a result, is not under pressure to effect acquisitions. The financial targets for acquisitions have therefore not been changed.

As part of the ongoing active portfolio management, a small, old commercial property in Winterthur has been sold.

### Leasing activity and the focus on developments

In a challenging environment for commercial real estate, a decision was made to prioritise the letting business. Through focused customer orientation, flexibility and rapid decision-making, it was possible, not only to effect early extensions to various contracts, but also to win new tenants. The decrease in the vacancy rate for the investment property portfolio can also be attributed to two significant lettings. These areas are still under construction, but are no longer designated as vacant. One of these two tenants will move out from its former location in another Intershop property. This will give rise to a corresponding increase in the vacancy rate at this property during the second half of this year.

Current development projects were also a point of focus. During the reporting period, all of the sales agreements for the apartments and commercial units in the «eden7» project were notarised. The building work is proceeding according to plan. The «AuPark» development plan and the revised zoning plan are still being reviewed by the authorities. The discussions with the canton of Zurich regarding the future site of the «Zimmerberg secondary school» are continuing. In Basel, work is progressing on the application for building permission for the entire site known as «Alban-teich-Promenade», which is expected to be submitted jointly with the owners of the neighbouring properties at the end of 2017. During the second half-year,

planning work will commence for the change of use of «Römerstrasse» in Baden. The pavilions, which are currently still being used for commercial purposes, are likely to be vacated by the current tenant by the end of 2018 and it is expected they will be redeveloped for residential usage in the future. In Furlingen, «Building S» will be completely renovated to increase the attractiveness of the site. The corresponding construction works will commence during the second half of this year. In Geneva, the preparatory works are in progress for the planned renovation and addition of more storeys to the properties in Rue de Lausanne. Construction works are planned to start in 2018.

Demand for rented apartments remained high, in particular in the low and middle price range in which Intershop is primarily active. Despite this apparent high demand, rental income is anticipated to fall following a further decline in the reference interest rate.

### **A challenging regulatory environment**

The political and regulatory uncertainties have not abated during the first half-year. Neither the implementation of the immigration initiative nor the question as to how to respond to the rejection of the 3<sup>rd</sup> Corporate Tax Reform have been finally clarified. Furthermore, during the spring, the Swiss Federal Council began a consultation process on a possible tightening of the Lex Koller rules (the Swiss Federal Act on Acquisition of Real Estate by Persons Abroad). Proposals for discussion were submitted during this process. Among others, the question was raised as to whether foreigners should continue to be allowed to purchase shares in listed Swiss real estate companies. Since similar motions were already rejected three years ago by the Council of States, the new proposals put forward by the Swiss Federal Council are barely understandable. In particular, its argument that the additional money from foreigners would drive up rental prices appears to be utterly unfounded. Even the regulatory impact assessment commissioned by the federal government found that there was no link between the development of rental prices and foreign investments in the Swiss real estate market. Owing to the mostly negative opinions expressed during the consultation process, the hope remains that this issue will be dropped from the agenda in the foreseeable future.

### **Outlook**

There have been increasingly positive developments in the economy during the past few months. Nevertheless, commercial letting remains challenging in the medium term due to a combination of continued political uncertainty and oversupply in some areas. Following

the reduction in the reference interest rate to 1.50% in June, revenues from residential properties will continue to fall. Intershop expects the vacancy rate for investment properties to increase slightly during the second half-year and move to a level similar to that of the previous year end. Due to the restructuring of some interest rate hedges in the first half of 2017, the Group anticipates a slight reduction in financing costs. Furthermore, the low-interest-rate environment continues to encourage property sales at attractive prices. At the end of October, the property in Moosseedorf will be purchased by its tenant. Intershop will continue to follow the transaction market with great attention and seize any opportunities for attractive acquisitions. Although it is not possible to predict the impact of property revaluations at the end of the current year, Intershop once again expects a pleasing operating result, which should make it possible to maintain the attractive dividend policy.



Dieter Marmet  
Chairman of the  
Board of Directors

Cyrill Schneuwly  
Chief Executive Officer

Zurich, 25<sup>th</sup> August 2017

## Consolidated balance sheet

(in CHF 1,000)

	30.6.2017	31.12.2016
<b>Assets</b>		
<b>Current assets</b>		
Cash	20,421	15,236
Securities and short term deposits	13,978	15,104
Trade receivables	1,143	1,151
Other receivables	480	547
Promotional properties	9,407	7,607
Accrued income and prepaid expenses	1,843	1,039
<b>Total current assets</b>	<b>47,272</b>	40,684
<b>Non-current assets</b>		
Investment properties	1,239,177	1,239,067
Development properties	115,578	115,277
Other equipment	160	121
Intangible assets	142	150
Deferred tax assets	131	147
Assets from pension benefits	1,442	1,568
<b>Total non-current assets</b>	<b>1,356,630</b>	1,356,330
<b>Total assets</b>	<b>1,403,902</b>	1,397,014
<b>Shareholders' equity and liabilities</b>		
<b>Current liabilities</b>		
Short term financial liabilities	51,350	78,350
Trade payables	8,138	5,776
Tax liabilities	4,879	5,970
Derivative financial instruments	0	804
Short term provisions	1,438	1,543
Accrued expenses and deferred income	22,540	23,638
<b>Total current liabilities</b>	<b>88,345</b>	116,081
<b>Non-current liabilities</b>		
Long term financial liabilities	590,033	542,036
Derivative financial instruments	16,371	21,347
Deferred tax liabilities	121,558	123,932
Long term provisions	2,712	2,712
<b>Total non-current liabilities</b>	<b>730,674</b>	690,027
<b>Total liabilities</b>	<b>819,019</b>	806,108
<b>Shareholders' equity</b>		
Share capital	20,000	20,000
Capital reserves	6,025	6,058
Retained earnings	558,858	564,848
<b>Total shareholders' equity</b>	<b>584,883</b>	590,906
<b>Total shareholders' equity and liabilities</b>	<b>1,403,902</b>	1,397,014

## Consolidated income statement

(in CHF 1,000)

	1 <sup>st</sup> HY 2017	1 <sup>st</sup> HY 2016
Rental income	44,411	42,049
Net gains from property disposal	1,118	232
Other income	2,057	1,418
<b>Total operating income</b>	<b>47,586</b>	43,699
Property expense	4,826	4,438
Personnel expense	4,988	4,657
Administrative expense	1,464	918
<b>Total operating expense</b>	<b>11,278</b>	10,013
Changes in fair value of properties	61	367
<b>Operating result (EBIT)</b>	<b>36,369</b>	34,053
Financial income	2,076	1,893
Financial expense	-7,001	-9,647
Result from associated company	0	7,624
<b>Profit before taxes</b>	<b>31,444</b>	33,923
Tax expense	-2,066	-2,487
<b>Net income</b>	<b>29,378</b>	31,436
Earnings per share (CHF)	<b>14.69</b>	15.72

**Contact**

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**Annual General Meeting 2018**

Wednesday, 28<sup>th</sup> March 2018  
Cigarettenfabrik Eventhalle 268  
Sihlquai 268, 8005 Zurich

**Reporting**

Presentation of Annual Report	28 <sup>th</sup> February 2018
Presentation of Half-Year Report 2018	29 <sup>th</sup> August 2018

**Investment products**

	<b>Security number</b>	<b>Ticker</b>	<b>Tax value</b>
Registered share	27 377 479	ISN	CHF 501.00
1.5% bond 2014–2019	23 483 367	ISH14	102.30
1.125% bond 2015–2023	27 577 643	ISH15	102.45

**Investor Relations**

Cyrrill Schneuwly

This Summary is a translation of the Summary of the Half-Year Report 2017 in German. Only the Half-Year Report 2017 in German which is available on [www.intershop.ch](http://www.intershop.ch) is legally binding.