

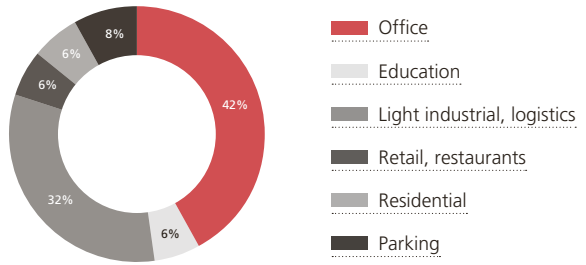
Summary
Half-year report

2019



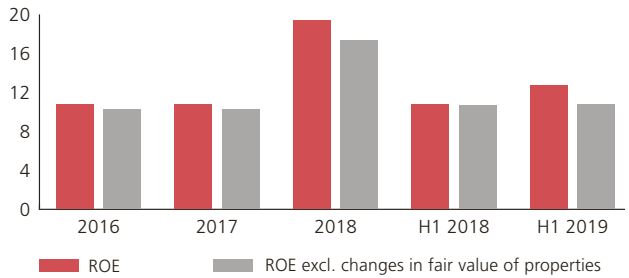
Portfolio by use

(in CHF)



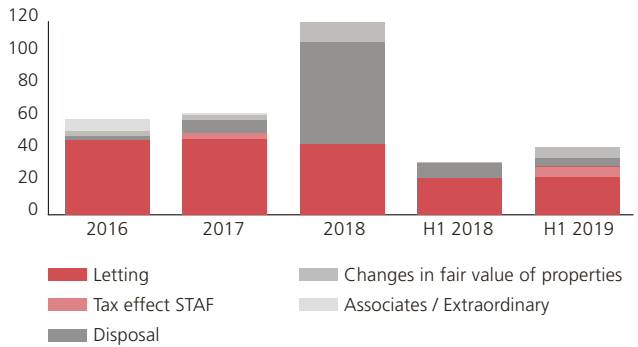
Return on equity

(in percent)



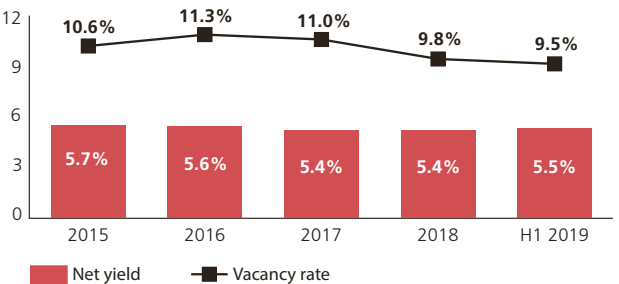
Net income

(in CHF m)



Net yield and vacancy rate

(in percent)



Key figures Intershop Group

1st HY 2019 1st HY 2018

Financials

Net rental income	m CHF	37.7	39.0
Net gains from property disposal	m CHF	6.4	12.1
Changes in fair value of properties	m CHF	8.4	0.6
Operating result (EBIT)	m CHF	48.0	46.9
Earnings before taxes (EBT)	m CHF	42.9	40.7
Net income	m CHF	41.9	32.7
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Cash flow from operations	m CHF	8.1	31.5
Investments in properties	m CHF	12.6	11.9
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Total assets ²⁾	m CHF	1,305.9	1,454.5
Total properties ²⁾	m CHF	1,279.9	1,302.7
Financial liabilities ²⁾	m CHF	507.9	589.0
Shareholders' equity ²⁾	m CHF	635.0	690.1
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Return on equity ¹⁾		12.7%	10.7%
Return on equity excluding changes in fair value of properties ^{1) 6)}		10.7%	10.6%

Portfolio

Number of investment properties ²⁾		42	43
Number of development properties ^{2) 7)}		11	11
Lettable area ²⁾	in m ²	563,911	578,127
Gross yield ^{2) 3) 4)}		6.4%	6.3%
Net yield ^{2) 3) 5)}		5.5%	5.4%
Vacancy rate ^{2) 3)}		9.5%	9.8%

Personnel

Number of employees ²⁾		72	70
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Share

Earnings per share	CHF	21.77	16.35
Earnings per share excluding changes in fair value of properties ⁶⁾	CHF	18.34	16.12
Net asset value per share (NAV) ²⁾	CHF	337.75	347.69
Share price at balance sheet date ²⁾	CHF	497.00	488.00
Dividend per share ⁸⁾	CHF	22.00	22.00

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

2) Figures as per 30.6.2019 and per 31.12.2018

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

8) Dividend paid for the financial year 2018 and 2017 in the 1st half-year

Letter to shareholders

Dear shareholders, business partners and employees

Intershop's business performance continued to show positive progress in the first half of 2019. Net income increased 28% to CHF 41.9 million, corresponding to a profit of CHF 21.77 per share. The return on equity amounted to 12.7%. As anticipated, rental income has decreased due to several disposals, but the reduction of 4% in the first half of the year was less than expected thanks to various letting successes. From the sale of the «Werkhaus» at Zürcherstrasse 15-21 in Winterthur, the profit before tax amounted to approx. CHF 6 million. Due to the repayment of the CHF 125 million bond, the interest expense declined by almost 20%. After the Swiss population approved the STAF tax reform (Federal Law on Tax Reform and AHV Financing) in the spring of 2019, various cantons have already decided to reduce their income tax rates substantially. As a consequence of these tax reductions, the Group was able to reverse some CHF 6.8 million in deferred taxes, which has reduced the tax expense accordingly.

Although the economic upturn has lost some of its momentum, demand for larger office space in good locations remained steady. The letting of smaller office spaces and, in particular, the marketing of retail space still, however, proves to be challenging. The split in the residential segment has become even more pronounced. While the demand for affordable apartments remains high in the major centres, the oversupply in the agglomerations, and particularly in locations on the outskirts, continues to increase.

At the time of our last shareholder letter about six months ago, we expected that the interest rates might continue to rise and that there could be a departure from the extremely low interest rate environment. After the US Federal Reserve abandoned its path of interest rate increases and the departing head of the ECB, Mr. Draghi, announced in June that the ECB was able to further reduce the base rate and if necessary could expand the bond purchase programme again, interest rates went down. Demand for real estate remained high in this environment. Various purchase offers were reviewed, but the indicative offers made by Intershop were not competitive on the properties offered in an auction process.

From 6th March to 19th March 2019, Intershop publicly offered to buy back its own shares for capital reduction purposes. A total of 100,000 shares were purchased at a fixed price of CHF 515 and then cancelled. At the end of the reporting period, equity amounted to CHF 635 million and thus was CHF 55 million less compared to

the beginning of the year after a dividend payment of CHF 41.3 million and the share buyback of CHF 51.5 million. The net asset value per share, based on the new number of registered shares outstanding of 1,900,000, was CHF 338 at the end of the reporting period.

Business review

As previously mentioned, interest rates fell significantly against a background of a global economic slowdown and the intensification of trade wars. At the end of June, the 10-year swap rate was almost 50 base points below the level at the beginning of the year. The difference in yield between this long-term interest rate and the net yield of properties has thus grown, which is why demand for real estate investments remains high. Investors continue to favour multi-family dwellings in major centres and commercial properties in good locations with long-term leases. Accordingly, their prices have continued to rise. There are, however, no clear trends for more challenging commercial properties. While some transactions have not yet been settled, others occurred at prices that, from Intershop's perspective, do not, or at best, inadequately consider the inherent risk. Development of our own portfolio was, once again, the focus of our business activity and included the preparation of smaller consolidating purchases. The «Werkhaus» in Winterthur was disposed of, the sale of which was already agreed at the end of 2018.

Lettings and developments remain the priority

A key operative focus was the leasing up of vacant space and areas where contracts have already been terminated. Although a virtually fully leased property was sold, the vacancy rate reduced by 9.8% during the reporting period to 9.5%. The net yield of the investment property portfolio amounted to an attractive 5.5% in the first half of the year.

The second focus was on development properties. Construction of the «Gellertstrasse» promotional project in Basel started in June 2019 simultaneously with the sales process. At the time of creating this report, 11 of the 30 commonhold apartments have already been reserved in writing. Directly adjacent to this, is the «Albanteichpromenade» project. Here, building permission for expansion of the existing high-rise buildings was received in August.

At its meeting of 8th July 2019, the municipal council of Wädenswil approved the private design plan for the «AuPark» site. A legislative referendum against this decision was subsequently taken up and the population of Wädenswil are expected to vote on this in November this year. The renovation and addition of extra stories at Rue de Lausanne 42+44 in Geneva started in the 2nd quarter of 2019. In Baden, Römerstrasse, the conversion of the previous office pavilions into residential space is envisaged. The corresponding planning permission is still pending, due to differences between the city and the canton. The renovation work on the «Zwirneri» in Flurlingen was completed. Preparatory work is also underway at our industrial site in Oberwinterthur-Neuhegi with a view to marketing the land plot. After the balance sheet date, work commenced on the requisite new access road.

development has already been completed, or if an offer already adequately compensates for such potential added value. No forecast can be made regarding the development of market values. Excluding changes in market values, Intershop once again expects a positive year-end 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, 22th August 2019

Organisation

At the 56th Annual General Meeting, Kurt Ritz was elected as successor to the deceased Charles Stettler to the Board of Directors and the Remuneration Committee. Both Dieter Marmet, as chairman, and Ernst Schaufelberger as member were re-elected.

Outlook

As a consequence of the current interest rate level, there are still large amounts of money circulating in the real estate markets. Not only does this impact on the transaction market itself, but also on the levels of new construction. The continuing high level of construction of new buildings has led to an increased supply of real estate, which, in turn, is preventing any sustained easing of the rental market.

The decline in rental income in the first half of the year caused by disposals is expected to continue somewhat further in the second half of the year, in particular as the ending of the rental income in Baden is not anticipated to be fully compensated. However, with reference to vacancy rates, Intershop does expect a further decline to around 9% by the end of the year. In addition to the afore-mentioned consolidating purchases, Intershop would like to pursue additional acquisition opportunities, provided they allow to generate sustainable added value. In addition, Intershop intends to make use of the current vendor market in order to sell properties where

Consolidated balance sheet

(in CHF 1'000)

Assets	30.6.2019	31.12.2018
Current assets		
Cash	11,207	133,784
Securities and short term deposits	0	8,274
Trade receivables	83	750
Other receivables	11,838	6,403
Investment properties for disposal	0	42,486
Promotional properties	9,426	8,823
Accrued income and prepaid expenses	1,455	798
Total current assets	34,009	201,318
Non-current assets		
Investment properties	1,126,890	1,112,004
Development properties	143,542	139,380
Other equipment	224	268
Intangible assets	19	26
Deferred tax assets	130	138
Assets from pension benefits	1,133	1,330
Total non-current assets	1,271,938	1,253,146
Total assets	1,305,947	1,454,464
Shareholders' equity and liabilities		
Current liabilities		
Short term financial liabilities	79,790	160,846
Trade payables	3,376	2,493
Tax liabilities	6,087	6,877
Derivative financial instruments	0	335
Short term provisions	1,836	1,836
Accrued expenses and deferred income	22,306	26,991
Total current liabilities	113,395	199,378
Non-current liabilities		
Long term financial liabilities	428,156	428,176
Derivative financial instruments	14,899	12,256
Deferred tax liabilities	107,821	117,190
Long term provisions	6,706	7,396
Total non-current liabilities	557,582	565,018
Total liabilities	670,977	764,396
Shareholders' equity		
Share capital	19,000	20,000
Capital reserves	6,071	6,035
Retained earnings	609,899	664,033
Total shareholders' equity	634,970	690,068
Total shareholders' equity and liabilities	1,305,947	1,454,464

Consolidated income statement

(in CHF 1'000)

	1st HY 2019	1st HY 2018
Rental income	41,944	43,724
Net gains from property disposal	6,433	12,119
Other income	2,223	2,026
Total operating income	50,600	57,869
Property expense	4,204	4,678
Personnel expense	5,361	5,473
Administrative expense	1,410	1,431
Total operating expense	10,975	11,582
Changes in fair value of properties	8,401	595
Operating result (EBIT)	48,026	46,882
Financial income	45	82
Financial expense	-5,147	-6,294
Profit before taxes	42,924	40,670
Tax expense	-1,022	-7,991
Net income	41,902	32,679
Earnings per share (CHF)	21.77	16.35

Contact

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Annual General Meeting 2020

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

Reporting

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

Investment products

Registered share
1.125% bond 2015–2023

Security number

27'377'479
27'577'643

Ticker

ISN
ISH15

Tax value

CHF 488.00
100.05

Investor Relations

Cyrell Schneuwly
Thomas Kaul

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