

Press release of 29th August 2019

Continued successful course of business in the first half of the year

Intershop has completed the first half of 2019 very successfully:

- **Net profit rose to CHF 41.9 million, or CHF 21.77 per share, which equates to a return on equity of 12.7%.**
- **Shareholders' equity as at 30.06.2019 amounted to CHF 635.0 million or CHF 337.75 per share. This results in an equity ratio of 48.6%.**
- **The investment portfolio generated a net yield of 5.5%.**
- **Due to the improved letting situation, the vacancy rate for investment properties decreased to 9.5%.**

A pleasing business performance in the first half of 2019 brought Intershop a 28% increase in net profit to CHF 41.9 million and an attractive return on equity of 12.7%. The Company optimized its equity base by repurchasing 5% of its own shares worth CHF 51.5 million and subsequently reducing its capital. Despite this transaction, and the dividend payment of CHF 41.3 million, the equity ratio of Intershop amounted to 48.6% as at the balance sheet date.

As at the balance sheet date, the **portfolio** comprised 53 properties, including development and promotion properties. Rental income in the reporting period was generated by the following types of use: 48% office and education, 32% light-industrial and logistics, 6% retail and restaurants, and 14% residential and parking.

The **market value of the properties** amounted to CHF 1,280 million at the end of the reporting period. After deduction of the investments made, the market value increased by CHF 8.4 million or 0.7% of the portfolio value. The increase is mainly attributable to the improved letting situation, to investments made, and in part to lower discount rates.

As a result of several property disposals in 2018 and 2019, **rental income** declined by 4.2% to CHF 41.9 million. However, thanks to successful lettings, the reduction was lower than expected. The **gross yield** on investment properties rose slightly to 6.4%.

Primarily the **sale** of the property at Zürcherstrasse 15-21 in Winterthur resulted in a profit of CHF 6.4 million.

Due to lower than anticipated, non-recoverable, service charges from previous years, **property expense** was reduced by 10% and amounted to a low 10.0% of rental income. The **net yield** of the yield portfolio reached a 5.5%.

Both **personnel expense** and **administrative expense** fell slightly by 2.0% and 1.5% respectively.

Interest expense decreased by CHF 1.1 million to CHF 5.1 million due to reduced debt and lower interest rates.

Tax expense fell significantly by CHF 7.0 million to CHF 1.0 million, primarily due to tax rate reductions resulting from the tax reform (STAF) and the resulting adjustment of deferred taxes.

Against a background of falling interest rates, demand for real estate remained very high. This had a corresponding impact on transaction prices, and Intershop again refrained from major acquisitions, although various offers have been reviewed. The focus continued to be on letting vacant space, which is reflected in the reduction of the vacancy rate to 9.5%, and on the development of the existing portfolio.

Construction and sales of the «Gellertstrasse» project in Basel began in June of the reporting semester, and as of August 22nd, 2019, 11 of the 30 commonhold apartments were reserved. In addition, work began in the second quarter on the renovation and extension of the property on Rue de Lausanne 42-44 in Geneva. Preparatory work for marketing the land parcel on the «Neuhegi» industrial site in Oberwinterthur has begun and construction of the requisite new access road began after the balance sheet date.

While the municipal council of Wädenswil approved the private design plan for the «AuPark» site in July 2019, the building permit for the conversion of the Römerstrasse in Baden is still pending. A legislative referendum against the decision was subsequently taken up and the population of Wädenswil are expected to vote on this in November 2019.

The total return of the share price in the first half of the year, which is made up of the price gain and the dividend paid, amounted to 6.4% and was thus below the benchmark index SXI Swiss Real Estate Shares TR at 15.1%.

Outlook

Due to the level of interest rates, the Swiss real estate market remains the focus of investors, which on the one hand has an impact on the transaction market and on the other hand keeps new construction activity at a high level. The resulting increase in the supply of rental space is not expected to lead to a sustained easing of the letting situation.

The sales-related decline in rental income is expected to decline further in the second half of the year, as the ending of rental income from the development property in Baden is not anticipated to be fully offset by new lettings.

It should be possible to further reduce the vacancy rate. In addition, smaller consolidating purchases are planned in the existing portfolio.

In the transaction market, acquisitions will continue to be undertaken when sustainable added value can be generated. In addition, Intershop intends to make use of the current vendor market in order to sell properties where development has already been completed, or if an offer already adequately compensate for such potential added value.

Overall, Intershop once again expects a pleasing operating year-end result, which should make it possible to maintain its attractive dividend policy.

Attachment

Key figures Intershop Group

Contact

Cyrill Schneuwly, CEO
Thomas Kaul, CFO

Company portrait

Intershop is a real estate company listed on the SIX Swiss Exchange and active in Switzerland, which invests principally in commercial properties. As at 30/06/2019, its portfolio comprised 53 properties with a lettable area of approx. 564,000 m² and a market value of some 1.3 billion Swiss francs. Intershop invests mainly in the Zurich area, around Lac Lemman and along the main traffic arteries. Its portfolio combines high yields with security, thanks to diversification by geography and type of use, with considerable potential for value appreciation in the properties with development potential.

Agenda

24/02/2020	Publication of annual report 2019 with media and financial analysts conference
02/04/2020	Annual General Meeting 2020
27/08/2020	Publication of half-year report 2020 with online presentation for media and financial analysts

[Summary half-year report 2019 \(Download, pdf\)](#)

Further information on Intershop is available from the website www.intershop.ch

Key figures Intershop Group

1st Sem. 2019 1st Sem. 2018

FINANCIALS			
Net rental income	CHF m	37.7	39.0
Net gains from property disposal	CHF m	6.4	12.1
Changes in fair value of properties	CHF m	8.4	0.6
Operating result (EBIT)	CHF m	48.0	46.9
Earnings before taxes (EBT)	CHF m	42.9	40.7
Net income	CHF m	41.9	32.7
Cash flow from operations	CHF m	8.1	31.5
Investments in properties	CHF m	12.6	11.9
Total assets ²⁾	CHF m	1,305.9	1,454.5
Properties ²⁾	CHF m	1,279.9	1,302.7
Financial liabilities ²⁾	CHF m	507.9	589.0
Shareholders' equity ²⁾	CHF m	635.0	690.1
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
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 paid ⁸⁾	CHF	22.00	22.00

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

2) Figures as per 30/06/2019 and 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 any directly attributable property expenses (excluding interest expense) in proportion to the market value of the properties at the balance sheet date

6) Not accounting for changes in fair value of properties and the associated deferred tax

7) Including promotional properties

8) Dividends paid in the first half of the year for the 2018 and 2017 financial years respectively