

Press release dated 24 February 2020

Intershop can report on another positive financial result in 2019 and proposes an increase in dividend

The Intershop Group is able to report on another positive financial result in 2019:

- **Group profit reached CHF 71.0 million or CHF 37.33 per share, representing a return on equity of 10.9%. This result is thus 41% below the exceptional prior year's result.**
- **As at 31 December, equity fell to CHF 666 million as a result of the share buy-back, now stands at CHF 354.33 per share. This corresponds to an equity ratio of 49.6%.**
- **Profitability on investment property portfolio remained high with a net yield of 5.4%.**
- **The vacancy rate on the investment property portfolio fell to 8.0%.**
- **The Board of Directors proposes to the Annual General Meeting an increase in the dividend of CHF 3, to CHF 25 per share**

As expected, **rental income** fell to CHF 82.8 million as a result of the disposal of investment property and the vacating of a large development property. However, letting successes reflected in the reduction of the vacancy rate, have helped to limit the decline in earnings in 2019. The **gross profit** of the investment properties amounted to 6.2%.

As of the balance sheet date, the **portfolio** comprised 54 properties, including development and promotional properties. Analysed by usage, the rental income for the year under review was: 48% office and education, 32% trade and logistics, 6% retail and catering, 6% residential and 8% parking.

The **value of the property portfolio** amounted to CHF 1,313 million as at the balance sheet date, representing a marginal increase of 0.5% over the previous year. The valuation of the investment and development properties by KPMG resulted in a revaluation surplus of 1.3% or CHF 16.6 million.

The **sale** of real estate resulted in income of CHF 7.4 million.

Due to the increased demand in commercial space, especially in the major centres, the **vacancy rate** of investment property portfolio was reduced considerably by 1.8 percentage points to 8.0% despite the sale of a fully-let property.

Property expense fell by 8.3% to CHF 8.9 million due to strict cost controls and lower non-recoverable service charges, and now accounts for a just 10.8% of rental income. The **net yield on** the investment property portfolio remained at an attractive 5.4%.

Despite the increase in the number of employees to 72, **personnel expense** dropped by 4.6% to CHF 10.9 million due to lower performance-related bonuses. The **administrative expense** including capital taxes, recorded, as expected, a slight increase of 2.7% to CHF 2.9 million.

The **financial expense** fell by CHF 2.5 million to CHF 9.9 million due to a net reduction in **financial liabilities** of CHF 85 million and lower interest rates and including the effect of negative interest. The **average interest rate** amounted to 1.79% with an average fixed-interest period of 64 months.

Equity fell to CHF 666 million as a result of the CHF 51.5 million share buyback and corresponds to an equity ratio of 49.6%.

Against the background of an unchanged market and interest rate environment, demand for real estate remained very high. For this reason, the purchase prices for Core Plus real estate and property with value added potential, which are of particular interest to Intershop, remain high. As the inherent risks were not adequately compensated for, Intershop again refrained from making major acquisitions, although numerous offers were examined. Only two smaller acquisitions were completed that complimented the existing portfolio. In addition to the reduction of vacancy rate, the focus continued to be on the further development of the Group's own portfolio.

The construction of three apartment blocks comprising 30 commonhold apartments at Gellertstrasse in Basel is progressing according to plan. As at the balance sheet date, 15 apartments were already under contract and further three have been reserved. After obtaining planning permission for the construction of around 80 commonhold apartments at Römerstrasse in Baden, Intershop was also able to commence the first demolition works just before the year end. The sales launch is planned for the second quarter of 2020.

In addition, the renovation of, and addition of extra stories to the property at 42-44 Rue de Lausanne in Geneva began in the second quarter of 2019 and development of the access roads to the land plot in Oberwinterthur-Neuhegi is progressing. On the same plot, construction of an assembly plant is planned on a part of the site measuring approximately 13,250 m²; and the application for the building permission was submitted in February 2020. At the same time, Intershop has signed a conditional contract for the disposal of almost 16,500 m² of this land plot at a price of CHF 750/m² to a company that is planning to build and operate a data processing centre with an option of a further 11,500 m² for a possible expansion.

After the voters of Wädenswil clearly approved the private design plan for the "AuPark" site, the documents were submitted to the Office for Spatial Development of the Canton of Zurich in January 2020 for their approval. In addition, the plans for the extensive renovation and the preparation for multi-tenant usage of the commercial property in Pfäffikon SZ were completed and construction work was commenced at the beginning of 2020.

In consideration of the continuing good business performance, the Board of Directors has decided to propose to the Annual General Meeting an increase in the dividend of CHF 3, to CHF 25. This corresponds to a distribution volume of CHF 47.5 million.

The total return on Intershop shares, which consists of the change in the stock market price plus the dividend paid, amounted to 20.7% and was, in contrast to the previous year, significantly below the benchmark index SXI Swiss Real Estate Shares TR at 40.2%.

Press release dated 24th February 2020

With the 2019 Annual Report, Intershop is publishing its first comprehensive sustainability report in accordance with the standards of the GRI (Global Reporting Initiative™).

Outlook

Intershop is confident about the current financial year. Following the significant decline in rental income in 2019, Intershop predicts only a slight decline, excluding the effects of any transactions. In addition to the ongoing development projects, the reduction of vacancy rate will remain the key focus of operating activities. This is particularly the case considering that the largest tenant in the World Trade Centre in Lausanne will be leaving the building during the course of the year. For this reason, Intershop expects that the vacancy rate for investment property portfolio to increase to approximately 10% by the end of 2020.

The construction of the promotional project "Gellertstrasse" in Basel should be completed by the end of 2020 and Intershop expects to achieve a profit in the low double-digit million range from the sale of all apartments. However, it is currently unclear how many of these apartments will be transferred to their owners by the end of the current financial year.

Intershop continues to expect a multi-year average return on equity of at least 8%.

Annex

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 of 31/12/2019, its portfolio included 54 properties with a lettable area of approx. 566,000 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

02/04/2020 Annual General Meeting 2020

27/08/2020 Publication of half-year report 2020 with online presentation for media and financial analysts

Download/Links

[Summary annual report 2019 \(download as pdf file\)](#)

[Intershop Investor Relations](#)

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

Key figures Intershop Group

		2019	2018
FINANCIALS			
Net rental income	million CHF	73.9	78.2
Net gains from property disposal	million CHF	7.4	82.0
Changes in fair value of properties	million CHF	16.6	16.2
Operating result (EBIT)	million CHF	88.9	166.7
Earnings before taxes (EBT)	million CHF	79.1	154.4
Profit	million CHF	71.0	119.6
Cash flow from operations	million CHF	36.0	23.1
Investments in properties	million CHF	35.3	37.1
Total assets	million CHF	1,343.0	1,454.5
Total properties	million CHF	1,312.8	1,302.7
Financial liabilities	million CHF	504.0	589.0
Shareholders' equity	million CHF	666.1	690.1
Return on equity ¹⁾		10.9%	19.3%
Return on equity excluding changes in fair value of properties ¹⁾		8.9%	17.3%
PORTFOLIO			
Number of investment properties		42	43
Number of development properties ³⁾		12	11
Lettable area	in m ²	565,880	578,127
Gross yield ^{2) 4)}		6.2%	6.3%
Net yield ^{2) 5)}		5.4%	5.4%
Vacancy rate ²⁾		8.0%	9.8%
PERSONNEL			
Number of employees		72	70
SHARE			
Earnings per share ⁶⁾	CHF	37.33	59.84
Earnings per share excluding changes in fair value of properties ⁷⁾	CHF	30.45	53.60
Net asset value per share (NAV) ⁸⁾	CHF	354.33	347.69
Share price at balance sheet date	CHF	567.00	488.00
Dividend per share ⁹⁾	CHF	25.00	22.00

1) Based on the average shareholders' equity during the period, see «Alternative Performance Measures», Annual report 2019, p 118

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

3) Including promotional properties

4) Effective annual gross rental income in proportion to the market value of the properties at the balance sheet date, see «Alternative Performance Measures», Annual report 2019, p 118

5) Effective annual gross rental income less directly attributable property costs (excluding interest expense) in proportion to the market value of the properties at the balance sheet date, see «Alternative Performance Measures», Annual report 2019, p 118

6) See «Earnings per share», Annual report 2019, p 81

7) After deducting changes in fair value of properties and associated deferred tax, see «Earnings per share», Annual report 2019, p 81

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

9) 2019: Proposal of the Board of Directors