

Quarterly Statement Q1- Q3 2020

1 January – 30 September 2020

Letter to Our Stockholders

Dear stockholders and business partners,

We are happy to report a successful course of business in the first nine months of 2020 - despite the additional unexpected challenges which we faced as a result of the coronavirus pandemic.

In particular the cloud business, our strategic focal point, experienced dynamic growth over the past months; the corresponding recurring revenue meanwhile accounts for more than one third of our total revenue. Thus, our business model's stability has increased as well as planning reliability. Furthermore, after completing our transition to the cloud business, we now have a portfolio of solutions which takes adequate account of digital challenges. Today, our customers can quickly and easily launch a high-performance e-commerce solution to expand their digital business - without having to develop their own resources and without lengthy implementation processes.

While the corona crisis has led to temporary project delays with some customers in the service segment, market participants are conducting a comprehensive re-evaluation of the prospects of their own distribution channels for the future. This shows more than ever that the digitalization trend in global commerce cannot be reversed and that the dynamic of this transformation process will increase even more as a result of the pandemic, in particular in the B2B market. Therefore, the barometer for future investment decisions has continued to significantly shift in our direction, and we hope that we will overall emerge stronger from the corona crisis as one of the leading cloud providers of omni-channel solutions.

Also, as a result of the warrant bond issued in summer, we currently have a solid financial basis and will continue our growth path, while, at the same time, maintaining our cost discipline. Our new customer pipeline remains well-filled, and we see some business opportunities in the fourth quarter as well which we will systematically investigate and pursue.

We thank you for your trust.

Best regards,



Dr. Jochen Wiechen



Markus Klahn

Key Figures for the Group

in EUR thousand	9-Months 2020	9-Months 2019	Change
Revenues			
Revenues	24,258	23,354	4%
Software and Cloud Revenues	13,974	11,955	17%
Services Revenues	10,284	11,399	-10%
Revenues Europe	17,251	14,841	16%
Revenues USA	3,690	5,056	-27%
Revenues Asia/Pacific	3,317	3,457	-4%
Cloud order entry	11,290	4,826	95%
Net New ARR	1,599	1,288	24%
Earnings			
Cost of revenues	13,313	15,644	-15%
Gross profit	10,945	7,710	42%
Gross margin	45%	33%	
Operating expenses, operating income	10,350	12,344	-16%
Research and development	2,657	3,515	-24%
Sales and marketing	5,485	6,478	-15%
General and administrative	2,233	2,511	-11%
Other operating income/expenses	(25)	(160)	-84%
EBIT	595	(4,634)	++
EBIT-Margin	2%	-20%	
EBITDA	3,189	(1,469)	++
EBITDA margin	13%	-6%	
Net result	402	(4,849)	++
Earnings per share (EUR)	0.03	(0.37)	++
Net Assets			
Shareholders' equity	16,156	17,531	-8%
Equity ratio	56%	62%	
Balance sheet total	28,881	28,079	3%
Noncurrent assets	12,200	13,348	-9%
Current assets	16,681	14,731	13%
Noncurrent liabilities	3,117	1,054	++
Current liabilities	9,608	9,494	1%
Financial Position			
Cash and cash equivalents	11,290	8,906	27%
Net cash operating activities	3,404	(1,688)	++
Depreciation and amortization	2,594	3,165	-18%
Net cash used in investing activities	(1,706)	(2,701)	-37%
Net cash provided by financing activities	1,917	6,071	-68%
Employees	298	336	-11%

Business development

Business performance during the first nine months of 2020

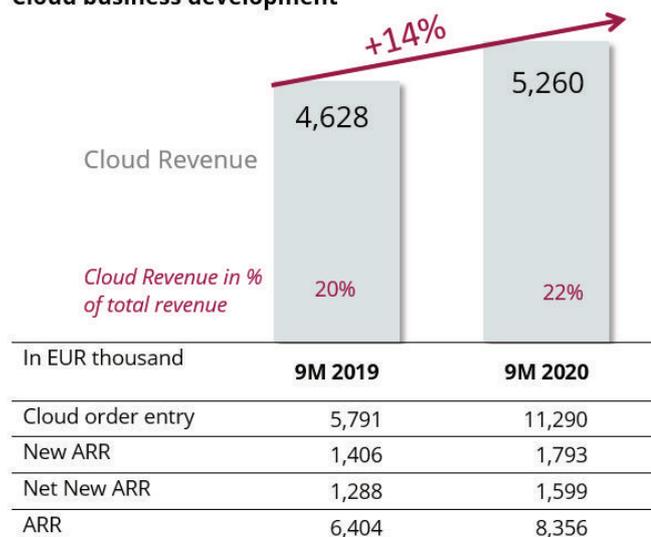
In the first nine months of 2020, the Intershop Group generated revenue of EUR 24.3 million (prior year: EUR 23.4 million), which represents an increase of 4% over the same period in the prior year. As in the first two quarters, Intershop was also able to record a positive result in the third quarter of 2020. Overall, the operating result (EBIT) for the first nine months of 2020 improved to EUR 0.6 million after EUR -4.6 million in the previous-year period. The Group's most important financial key ratios (KPI's) are shown in the following overview (in EUR thousand):

KPI's	9-Months 2020	9-Months 2019	Change
Revenue	24,258	23,354	4%
EBIT	595	(4,634)	++
Cloud order entry	11,290	5,791	95%
Net New ARR	1,599	1,288	24%

Intershop continues its growth path in the cloud business

In the first nine months of 2020, Intershop reached its strategic goal of continued growth, in particular in the cloud segment, and of increasing the amount of recurring revenue (ARR), all while continuing its strict cost management. Accordingly, incoming cloud orders increased by 95% to EUR 11.3 million in the reporting period. Cloud and subscription revenue rose by 14% to EUR 5.3 million. The share of recurring revenue (ARR) in the total revenue increased to 34% (prior year: 27%). The net new ARR (new ARR less ARR for terminations and currency changes) improved by 24% to EUR 1.6 million. In the past nine months, 13 new cloud customers were added, six of them in the third quarter. In addition, Intershop has a strong new customer pipeline, in particular in the cloud segment.

Cloud business development



ARR development in the first nine months of 2020

In EUR thousand	
ARR December 31, 2019	6,757
New ARR new customers	1,532
New ARR existing customers	261
New ARR total	1,793
Churn	(142)
Currency changes	(52)
Net New ARR	1,599
ARR September 30, 2020	8,356

While the corona crisis resulted temporarily in delays and project postponements in the service segment, overall the current crisis has had a favorable impact on companies such as Intershop since many market participants are re-evaluating their digital strategies. While digital pioneers continue to systematically expand their online business, other companies are realizing that they must supplement their traditional distribution channels even faster now in order to keep up with the competition. In times of restricted freedom of movement and resources, digital availability of sales, services, and products around the clock has become more important than ever. The trend towards cloud applications will continue as well since it offers major advantages to companies in terms of infrastructure, costs, and flexibility.

The positive trend seen over the past quarters is underlined by ambitious, successfully completed customer projects. This includes Dynapac's and Trouw Nutrition's new Intershop-based commerce platforms which could be implemented within a short period of time to the customers' satisfaction. Furthermore, vast synergy effects result from partnerships with other experienced B2B players. One of these partners is the leading digital agency Evident which recently joined the group of Intershop platinum partners.

In May 2020, the Intershop solution was once again classified as a "Strong Performer" by the sector analysts at Forrester Research and therefore leading compared to competitors. The internationally renowned analysts emphasized that Intershop offers the ideal solution for manufacturers wishing to digitize their after-sales and service business using a customer portal.

In order to ensure long-term competitiveness and to present itself as an appealing employer, Intershop supports scientific e-commerce projects. Thus, Intershop is currently participating in a new research project titled "Smart HaPSSS" in cooperation with the universities of Leipzig, Erlangen, and Nuremberg. The project studies how innovations such as IoT applications, together with hardware and software, can help to harmonize new business segments and develop and deploy them efficiently.

Revenue Development

The Intershop Group achieved sales revenue of EUR 24.3 million in the first nine months of 2020, which represents an increase of 4% over the prior-year period. The following table shows the trend in revenue by area (in EUR thousand):

Months ended September 30,	2020	2019	Change
Software and Cloud Revenues	13,974	11,955	17%
Licenses and Maintenance	8,714	7,327	19%
Licenses	2,678	1,314	104%
Maintenance	6,036	6,013	0%
Cloud and Subscription	5,260	4,628	14%
Service Revenue	10,284	11,399	-10%
Revenues total	24,258	23,354	4%

During the reporting period, **Software and cloud** revenue rose by 17% to EUR 14.0 million. Within this segment, the realized **Cloud and subscription** revenue increased by 14% to EUR 5.3 million. Incoming cloud orders (new and existing customers) in the first nine months totaled EUR 11.3 million, which constitutes an increase by 95% (prior year: EUR 5.8 million). The cloud ARR (Annual Recurring Revenue) increased by 30% to EUR 8.4 million at the end of September 2020 (prior year: EUR 6.4 million). The share of ARR in the total revenue increased to 34% (prior year: 27%). After nine months, the new ARR (New Annual Recurring Revenue) amounted to EUR 1.8 million in 2020 (prior year: EUR 1.4 million). The net new ARR totaled EUR 1.6 million (prior year: EUR 1.3 million). The share of cloud revenue increased to 22% in the reporting period (prior year: 20%). Totalling EUR 6.0 million, **Maintenance revenue** remained at the prior year's level. **Revenue from licenses**, which totaled EUR 2.7 million, significantly exceeded the amount in the previous-year period (EUR 1.3 million). Only the revenue in the **service** segment decreased compared to the first nine months of the previous year by 10% and totaled EUR 10.3 million. The decisive factor here were project postponements and delays due to the coronavirus pandemic. Overall, the share of software and cloud sales in total sales increased by seven percentage points to 58% (prior year: 51%).

In the first nine months of 2020, Intershop experienced double-digit growth in the Group's key **business region**, Europe. Revenue in that region increased by 16% from EUR 14.8 million in the prior-year period to EUR 17.3 million. The share of European customers in total revenue rose by seven percentage points to 71%. However, revenues in the other regions of Intershop declined. Revenue in the United States dropped, in particular in the service segment, by 27% to EUR 3.7 million due to the coronavirus pandemic. Thus, the share of revenue in the total revenue decreased to 15%. In the Asia-Pacific region, Intershop recorded revenue of EUR 3.3 million (prior year: EUR 3.5 million), which accounts for 14% of the total revenue.

Earnings Development

Thanks to increasing revenues and a tighter cost base, Intershop generated slightly positive results in the third quarter of 2020, just as in the first two quarters. Hence, the trend towards profitable growth after the profound transformation from a license to a cloud provider, which Intershop completed over the past two years, has solidified.

The Group's **gross profit** on sales increased in the reporting period by 42% to EUR 10.9 million. The gross margin increased by twelve percentage points to 45%. The cloud gross margin increased from 36% in the prior-year period to the current level of 38%. **Operating expenses** fell by 16% to EUR 10.4 million as a result of the cost reduction measures. In the process, marketing and sales costs fell by 15% to EUR 5.5 million. Costs for research and development dropped by 24% to EUR 2.7 million. Furthermore, administrative expenses fell by 11% to EUR 2.2 million. The **total costs** amounted to EUR 23.7 million and thus were 15% lower than those in the prior year.

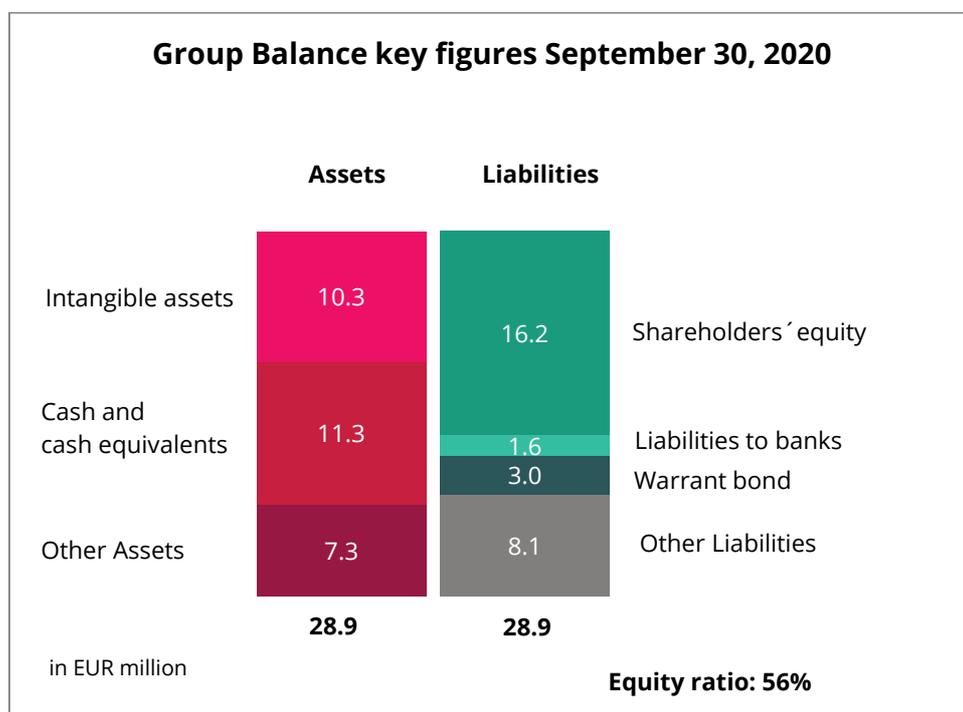
Overall, the operating result (**EBIT**) amounted to EUR 0.6 million (prior year: EUR -4.6 million). The operating result before depreciation and amortization (**EBITDA**) amounted to EUR 3.2 million (prior year: EUR -1.5 million). The **Earnings after tax** amounted to EUR 0.4 million (prior year: EUR -4.8 million), which corresponds to earnings per share of EUR 0.03 (prior year: EUR -0.37).

Net Assets and Financial Position

As at the interim balance sheet date of September 30, 2020, the **balance sheet total** of the Intershop Group amounted to EUR 28.9 million. Compared to year-end 2019, this represents an increase of 5%.

On the **assets side**, non-current assets decreased slightly to EUR 12.2 million due to the lower capitalized rights of use (December 31, 2019: EUR 13.0 million). Current assets increased by 14% to EUR 16.7 million compared to the end of December 2019. This was due to the increase in cash and cash equivalents as a result of the warrant bond issued in the third quarter 2020 and a significantly improved result in the current financial year.

On the **liabilities side**, equity increased by 3% to EUR 16.2 million. In this regard, the simplified capital decrease at a ratio of 3:1 resolved at the extraordinary Annual Stockholders' Meeting on December 20, 2019, which became legally effective upon registration in the Commercial Register on February 4, 2020, resulted in losses and other impairment losses being compensated. Because of this simplified capital decrease, the subscribed capital was reduced (September 30, 2020: EUR 14.2 million; December 31, 2019: EUR 42.6 million) and the items Capital reserve and other reserves were adjusted. The **equity ratio** totaled 56% as at the interim balance sheet date December 31, 2019: 57%). Non-current liabilities increased to EUR 3.1 million, mainly as a result of the warrant bond issued in July 2020. The bond in a nominal amount of EUR 3.1 million has a term of five years and bears interest of 3% p.a. The holders of the corresponding warrants are thus entitled to subscribe to a total of 1,419,178 shares at an option price per share of EUR 2.19. The revenues are to be used to further expand the cloud business. Current liabilities decreased from EUR 11.4 million to EUR 9.6 million in the first nine months.



The **cash flow** from current business operations totaled EUR 3.4 million in the reporting period compared to EUR -1.7 million in the prior-year period. This is mainly due to the significantly improved period result and the reduction of trade receivables. Cash outflows from investing activities fell from EUR 2.7 million to EUR 1.7 million. The cash inflow from financing activities came to EUR 1.9 million in the reporting period; the proceed from the issue of the warrant bond of 3.1 million Euro were offset by payments of leasing liabilities of 1.2 million Euro. In the prior-year period, the cash inflow amounted to EUR 6.1 million due to two capital increases. Overall, cash and cash equivalents increased by 46% to EUR 11.3 million compared to the end of 2019.

Employees

At the end of September 2020, Intershop had 298 full-time employees worldwide. Compared to prior year's reporting date, this constitutes a decrease by 38 employees. The decrease is primarily the result of the cost reduction project pursued in the past fiscal year to complete the transition to a cloud service provider. The following overview shows the breakdown of full-time employees by business unit.

Employees by department*	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2019
Technical Departments (Service functions and Research and Development)	227	243	255
Sales and Marketing	41	39	45
General and administrative	30	32	36
	298	314	336

*based on full time staff, including students and trainees

At the interim balance sheet date, the number of employees in Europe was 248 or 83% of the workforce. In the Asia-Pacific region, there were 30 employees (10%); in the U.S., the share was 7% with 20 employees.

Outlook

The coronavirus is having a major impact on the global economy. Many Intershop customers are also directly and/or indirectly impacted. At the same time, the crisis has changed the assessment of future prospects with regard to their own distribution channels, which are the barometer for investment decisions. This shows more than ever that the digitalization trend in global commerce cannot be reversed and that the dynamic of this transformation process will increase even more as a result of the pandemic, in particular in the B2B market. This also applies to the trend towards cloud applications since these offer major advantages to companies in terms of infrastructure, costs, and flexibility. After the completion of the transition process to a cloud service provider last year, the focus in the current 2020 fiscal year is to consistently expand the cloud customer base while, at the same time, ensuring the largest degree of cost efficiency. The cost reduction project at the end of 2019 and the measures initiated to tackle the corona crisis, such as a hiring freeze, reduced working hours, and reducing expenses for third-party services, have also had a considerable impact in the reporting period. It is important to find a balance between the variety of sales opportunities that the market continues to offer and the market uncertainties and to respond accordingly.

Due to the positive results in the first nine months and a well-stocked new business pipeline, Intershop management is convinced that Intershop will continue to manage the potential coronavirus effects well and that the accelerated digitization trend in the trade segment will increase the business opportunities for the company. Intershop continues to expect a slight increase in the Group's revenue in the 2020 financial year. With a slight improvement in the gross profit and gross margin, a slightly positive operating result (EBIT) is projected.

Jena, October 19, 2020

The Management Board of INTERSHOP Communications Aktiengesellschaft



Dr. Jochen Wiechen



Markus Klahn

Consolidated Balance Sheet

in EUR thousand	September 30, 2020	December 31, 2019
ASSETS		
Noncurrent assets		
Intangible assets	10,310	9,908
Property, plant and equipment	509	608
Rights of use IFRS 16	658	1,763
Other noncurrent assets	16	17
Restricted cash	635	635
Deferred tax assets	72	76
	12,200	13,007
Current assets		
Trade receivables	4,342	5,528
Other receivables and other assets	1,049	1,360
Cash and cash equivalents	11,290	7,731
	16,681	14,619
TOTAL ASSETS	28,881	27,626
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	14,194	42,582
Capital reserve	2,575	1,082
Other reserves	(613)	(27,933)
	16,156	15,731
Noncurrent liabilities		
Warrant bond	3,010	0
Liabilities to banks	0	250
Leasing liabilities IFRS 16	107	207
	3,117	457
Current liabilities		
Other current provisions	451	428
Liabilities to banks	1,626	1,301
Trade accounts payable	1,614	1,656
Income tax liabilities	44	62
Leasing liabilities IFRS 16	568	1,583
Other current liabilities	2,214	3,089
Deferred revenue	3,091	3,319
	9,608	11,438
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	28,881	27,626

Consolidated Statement of Comprehensive Income

in EUR thousand	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues				
Software and Cloud Revenues	4,395	3,981	13,974	11,955
Service Revenues	3,404	4,153	10,284	11,399
	7,799	8,134	24,258	23,354
Cost of revenues				
Cost of revenues - Software and Cloud	(1,830)	(1,871)	(5,631)	(5,776)
Cost of revenues - Services	(2,429)	(3,543)	(7,682)	(9,868)
	(4,259)	(5,414)	(13,313)	(15,644)
Gross profit	3,540	2,720	10,945	7,710
Operating expenses, operating income				
Research and development	(839)	(1,036)	(2,657)	(3,515)
Sales and marketing	(1,906)	(1,910)	(5,485)	(6,478)
General and administrative	(688)	(789)	(2,233)	(2,511)
Other operating income	36	133	219	225
Other operating expenses	(42)	(9)	(194)	(65)
	(3,439)	(3,611)	(10,350)	(12,344)
Result from operating activities	101	(891)	595	(4,634)
Interest income	0	1	0	13
Interest expense	(39)	(36)	(85)	(147)
Financial result	(39)	(35)	(85)	(134)
Earnings before tax	62	(926)	510	(4,768)
Income taxes	(18)	(18)	(108)	(81)
Earnings after tax	44	(944)	402	(4,849)
Other comprehensive income:				
Exchange differences on translating foreign operations	(17)	15	(51)	17
Other comprehensive income from exchange differences	(17)	15	(51)	17
Total comprehensive income	27	(929)	351	(4,832)
Earnings per share (EUR, basic, diluted)	0.00	(0.07)	0.03	(0,37)

Consolidated Statement of Cash Flows

in EUR thousand	Nine months ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	510	-4.768
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	85	134
Depreciation and amortization	2,594	3,165
Other noncash expenses and income	23	0
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	1,092	(584)
Other assets	294	(77)
Liabilities and provisions	(847)	(234)
Deferred revenue	(180)	848
Net cash provided by (used in) operating activities before income tax and interest	3,571	(1,516)
Interest received	1	12
Interest paid	(46)	(88)
Income taxes paid	(122)	(96)
Net cash provided by (used in) operating activities	3,404	(1,688)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	0	(635)
Payments for investments in intangible assets	(1,609)	(1,875)
Proceeds on disposal of equipment	5	0
Purchases of property and equipment	(102)	(191)
Net cash provided by (used in) investing activities	(1,706)	(2,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received warrant bond	3,108	0
Expenses of cash received for warrant bond	(43)	0
Cash received from loan	453	0
Repayments of loans	(375)	(1,375)
Cash received for unregistered stock	0	8,813
Expenses of cash received for unregistered stock	0	(97)
Payments for leasing liabilities	(1,226)	(1,270)
Net cash provided by (used in) financing activities	1,917	6,071
Effect of change in exchange rates	(56)	0
Net change in cash and cash equivalents	3,559	1,682
Cash and cash equivalents, beginning of period	7,731	7,224
Cash and cash equivalents, end of period	11,290	8,906

Consolidated Statement of Shareholders' Equity

in EUR thousand				Other reserves			Total shareholders' equity
	Common shares (Number shares)	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/ loss	Cumulative currency differences	
Balance, January 1, 2020	42,582,492	42,582	1,082	(93)	(29,959)	2,119	15,731
Total comprehensive income					402	51	351
Simplified capital decrease	(28,388,328)	(28,388)	1,419		26,969		0
Issue of warrant bond			74				74
Balance, September 30, 2020	14,194,164	14,194	2,575	(93)	(2,588)	2,068	16,156
Balance, January 1, 2019	34,851,831	34,851	9,738	(93)	(32,827)	1,977	13,646
Total comprehensive income					(4,849)	17	(4,832)
Issue of new shares	7,730,661	7,731	986				8,717
Balance, September 30, 2019	42,582,492	42,582	10,724	(93)	(37,676)	1,994	17,531

Intershop-Shares

Stock Market Data on Intershop Shares	
ISIN	DE000A254211
WKN	A25421
Stock market symbol	ISHA
Admission segment	Prime standard/ Regulated market
Sector	Software
Membership of Deutsche Börse indices	CDAX, Prime All Share, Technology All Share

intershop®

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