



Group Management Report For The Six Months Ended  
June 30, 2017



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## Letter to Our Stockholders

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Dr. Jochen Wiechen    Axel Köhler

Dear stockholders and business partners,

After a good start to the new year, Intershop's positive business trend strengthened in the second quarter. In the first six months, we recorded overall double-digit sales growth and slightly higher earnings with increased expenses for marketing and sales. Of particular note is the large number of new customers we acquired in the first half of the year, particularly in the license area. A significant number of these companies come from the wholesale segment, which we consider to be very promising. The good business development of the first half-year is mainly attributable to our new "Lighthouse 2020" strategy and the related repositioning and industry focus.

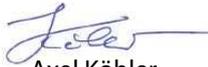
We continue to receive positive feedback for our new strategy from analysts as well as from partners and customers, and all in all feel confirmed in our view of the market. It is becoming increasingly clear that we are on course in the right market with the right product. We are therefore confident that this is a long-term development and that we can still gain a significant number of additional new customers in the rest of this year, especially in the B2B sector.

The number of our cloud customers has also been continuously on the rise since we entered into a partnership with Microsoft. Our cloud offering is highly competitive due to its scalability and low setup costs and we expect continued growth in this area. At the same time, we will be deepening our cooperation with Microsoft. The aim is to perfect the interplay of all components of the new offering and reduce the setup costs of new shops even further through the creation of standard integrations. We also seek to increase the efficiency of our non-cloud offerings through "out-of-the-box" availability of features and tools.

On the whole, we believe that Intershop is well-positioned to benefit from the increasing digitalization in the retail market and successfully support the transformation of our customers.

Sincerely,

  
Dr. Jochen Wiechen

  
Axel Köhler

## Key Figures for the Group

in EUR thousand	6-Months 2017	6-Months 2016	Change
<b>Revenue</b>			
Revenue	17,956	16,338	10%
Product Revenue	7,647	6,617	16%
Services Revenue	10,309	9,721	6%
Revenue Europe	13,319	12,118	10%
Revenue U.S.A.	2,090	1,314	59%
Revenue Asia/Pacific	2,547	2,906	-12%
<b>Earnings</b>			
Cost of revenues	9,010	8,836	2%
Gross profit	8,946	7,502	19%
Gross margin	50%	46%	
Operating expenses, operating income	8,749	8,820	-1%
Research and development	2,687	3,146	-15%
Sales and marketing	4,202	3,669	15%
General and administrative	1,828	1,912	-4%
Other operating income/expenses	32	93	-66%
EBIT	197	(1,318)	115%
EBIT Margin	1%	-8%	
EBITDA	1,403	(135)	++
EBITDA Margin	8%	-1%	
Net result	28	(1,550)	102%
Earnings per share (EUR)	0.00	(0.05)	100%
<b>Net Assets</b>			
Shareholders' equity	16,050	17,507	-8%
Equity ratio	60%	61%	
Balance sheet total	26,593	28,924	-8%
Noncurrent assets	10,338	10,537	-2%
Current assets	16,255	18,387	-12%
Noncurrent liabilities	2,046	3,096	-34%
Current liabilities	8,497	8,321	2%
<b>Financial Position</b>			
Cash and cash equivalents	10,600	11,760	-10%
Net cash operating activities	1,816	(1,429)	++
Depreciation and amortization	1,206	1,183	2%
Net cash used in investing activities	(1,091)	(1,006)	-8%
Net cash used in financing activities	(1,000)	(1,000)	0%
<b>Employees</b>	326	377	-14%

# Group Management Report

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## Overall Economy and Industry

The International Monetary Fund (IMF) confirms the recovery trend of the world economy in its latest forecast of July 2017 and expects global economic growth of 3.5% for 2017. In industrialized countries, which include some of Intershop's important target markets, the combined GDP is expected to grow by 2.0%. For Germany, the IMF anticipates growth of 1.8% in 2017.

The global e-Commerce market continues to be characterized by dynamic growth rates. According to the market research company eMarketer, global B2C e-Commerce sales will rise by 23.2% in 2017. In Intershop's most important target region of Western Europe, the high level of market maturity will also fuel double-digit growth again in 2017 with 12.2%.

The increasing digitalization in various business segments and sectors as well as the growing acceptance of cloud-based enterprise applications provide strong momentum. The global enterprise software market in particular continues to experience strong growth. Increased expenditure of 7.6% for 2017 is expected in this sector. According to the IT analyst firm Gartner, growth in the IT services market will reach 3.1%. As in prior years, the software sector still continues to be the key growth driver of the German IT industry as well. The German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) anticipates growth of 6.3% for this sector. The market for IT services in Germany is expected to increase by 2.3%.

## Business performance during the first six months of 2017

In the first half of 2017, the Intershop Group generated revenue of EUR 18.0 million (prior year: EUR 16.3 million). While product revenue grew by 16% to EUR 7.6 million, the service area reported an increase of 6% to EUR 10.3 million. In addition, Intershop recorded a slightly positive operating result (EBIT) of EUR 0.2 million.

### **Positive new customer development: "Lighthouse 2020" strategy delivers initial success**

For the Intershop Group, the first six months of 2017 were characterized by the implementation of the "Lighthouse 2020" roadmap. In the course of this, initial success was achieved with the newly implemented industry-specific sales and marketing concept for wholesale industry customers. Intershop was thus able to acquire more than twice as many new customers in the first half of 2017 as in the comparable prior-year period, of which half are wholesale companies. Included among these is Intergastro Handels GmbH & Co. KG, one of the leading wholesalers for catering supplies. The company plans to expand internationally beyond its core DACH sales region. The Intershop solution makes it possible to achieve this internationalization at lower operating costs based on a leading global, flexible and future-proof commerce platform. Another new customer is the Dutch conglomerate Imbema. The new B2B webshop encompasses a range of 180,000 products spanning the five business sectors of Building and Infrastructure, Gas, Water and Energy, Offshore and Maritime, and Mobility. The family-owned enterprise Gebrüder Limmert AG, one of the most successful electrical engineering wholesalers in Austria, is also implementing the international expansion of its digital business together with Intershop. Also among the new customers is the international risk management company SAI Global, which is digitalizing its product catalog as part of a comprehensive digitalization strategy. In addition, long-time Intershop customer Lechler GmbH is migrating to the company's latest platform version. The Finnish company Alko received the 2017 "IT Project of the Year" award for the relaunch of its new e-Commerce website. The state-owned alcoholic beverage monopoly went live with the Intershop-based website in November 2016.

A further component of the "Lighthouse 2020" strategy is the expansion of the cloud business. The partnership with Microsoft plays an important role in these activities, where the current focus on increasing the number of standard integrations will lead to reduced setup costs for new shops and allow even faster implementation of projects. By perfecting the interaction of the Intershop Commerce Suite with Microsoft NAV on the Microsoft Azure cloud platform, both companies expect to be able to generate a large number of new digital customer projects in the years to come.

The addition of corresponding specialists to the business and technology partner landscape is also linked to the new industry and cloud focus. For example, in the first quarter of 2017, the partnership with MAC IT-Solutions GmbH was expanded. Intershop and MAC now offer an integrated Microsoft Dynamics NAV and Commerce solution on Microsoft's Azure cloud solution. The expansion of the partnership with Blue-Zone AG, which also complements the performance scope of the Intershop solution, was announced in mid-July. For example, the blue-app from Blue-Zone is a cloud-based mobile solution for automating and accelerating sales processes as well as digitizing them on an even larger scale.

Intershop is also experiencing additional tailwind due to the various positive analyst ratings. Of particular note are the two "Forrester Wave" studies published by the prestigious Forrester Research IT analyst firm in March 2017. In the reports, Intershop was once again named leading provider of omni-channel commerce solutions in both the B2B and B2C segments. At the beginning of June, the international market research and consulting firm Quadrant Knowledge Solutions chose Intershop as 2017 Company of the Year in the global digital commerce platform market.

## Revenue Development

The Intershop Group achieved revenue of EUR 18.0 million in the first six months of 2017, which represents an increase of 10% over the prior-year period. Based on the good new customer development, the strategically important product revenue increased by 16% from EUR 6.6 million to EUR 7.6 million. The development of the service area was also positive overall. Revenue increased from EUR 9.7 million to EUR 10.3 million, corresponding to an increase of 6% over the prior-year period. The share of product revenue in total revenue rose slightly from 41% to 43%. Within the product segment, Intershop increased its license revenue by 37% from EUR 2.6 million in the previous year to EUR 3.6 million. Around half of the revenue generated came from new customers, including a large number of wholesale customers. Downstream maintenance revenue, which is also included under product revenue and license revenue, increased by 1% to EUR 4.0 million. Consulting and training revenues, as the most important sales group with a 38% share in total revenue, fell by 6% to EUR 6.9 million. This decline was offset by a significant increase in full-service revenue of 48% to EUR 3.2 million. The increase was due to the good new customer development in this area as well.

The following table shows the trend in revenue by area (in EUR thousand):

Six Months ended June 30,	2017	2016	Change
<b>Product Revenue</b>	<b>7,647</b>	<b>6,617</b>	<b>16%</b>
Licenses	3,603	2,622	37%
Maintenance	4,044	3,995	1%
<b>Service Revenue</b>	<b>10,309</b>	<b>9,721</b>	<b>6%</b>
Consulting/Training	7,098	7,547	-6%
Full Service	3,211	2,174	48%
<b>Revenue total</b>	<b>17,956</b>	<b>16,338</b>	<b>10%</b>

In the regional breakdown of sales, the dominance of the European markets continued to increase slightly in the reporting period. Revenues in this region rose by 10% to EUR 13.3 million (prior year: EUR 12.1 million). As in the prior year, the share of European customers in total revenue came to 74%. Revenue generated in the US market rose significantly from EUR 1.3 million to EUR 2.1 million, corresponding to a revenue share of 12%. In the Asia Pacific region, Intershop recorded lower revenue of EUR 2.5 million (prior year: EUR 2.9 million), which corresponds to a share of 14%.

## Earnings Development

During the first six months of 2017, Intershop generated gross profit on sales of EUR 8.9 million, a significant increase of 19% over the prior-year figure of EUR 7.5 million. The gross margin improved from 46% to a very good level of 50%. In the first half of 2017, a cost reduction was achieved in all business areas as part of the "Lighthouse 2020" program due to personnel adjustments and efficiency improvements in administrative functions. As a result, administrative expenses fell by 4% to EUR 1.8 million. Costs for research and development decreased by 15% to EUR 2.7 million. As announced, the financial scope achieved through the cost savings was also used to expedite the implementation of the new industry and cloud focus by making further investments in marketing and sales. This resulted in a cost increase in this area of 15% to EUR 4.2 million. On the whole, operating expenses (OPEX) of EUR 8.7 million were slightly below the level of the prior year (prior year: EUR 8.8 million).

Based on the positive revenue development and adjusted cost structure, Intershop significantly improved its earnings situation over the prior-year period in the first half of 2017. The operating result before depreciation and amortization (EBITDA) thus came to EUR 1.4 million in the reporting period (prior year: EUR -0.1 million). The operating result (EBIT) was also positive and amounted to EUR 0.2 million in the first six months (prior year: EUR -1.3 million); the EBIT margin came in at 1% (prior year: -8%). Depreciation was at the level of the prior year with EUR 1.2 million. The result for the period was EUR 28 thousand (prior year: EUR -1.6 million), which corresponds to earnings per share of EUR 0.00 (prior year: EUR -0.05).

## Net Assets and Financial Position

On the interim balance sheet date of June 30, 2017, the Intershop Group had total assets of EUR 26.6 million. Compared to year-end 2016, this represents a slight decrease of 2%. On the assets side, current assets dropped by 2% due to lower trade receivables as well as cash and cash equivalents. As of the interim balance sheet date, equity was at the same level as of year-end 2016 with EUR 16.1 million. Current liabilities rose by 7% to EUR 8.5 million. This is due to a rise in deferred revenue from EUR 1.9 million to EUR 3.1 million. Liabilities to banks decreased to EUR 2.8 million due to the scheduled repayment of EUR 1 million for the loan taken out in 2015. The equity ratio increased from 59% as of December 31, 2016 to 60%. On the whole, Intershop shows a solid asset and capital structure as of the interim balance sheet date of June 30.

In view of the financial position, Intershop posted very positive operating cash flow of EUR 1.8 million (prior year: EUR -1.4 million) in the first half of the year. This is mainly due to the improved result for the period as well as the increase in deferred revenue. The cash outflow from investment activities came to EUR 1.1 million (prior year: EUR -1.0 million). Overall, cash and cash equivalents fell slightly by EUR 0.3 million compared to the end of 2016.

## Research and Development

In the course of the expansion of the Microsoft partnership, the focus of the activities in the area of Research and Development (R&D) is currently on the ongoing close interconnection of the cloud offering with the Microsoft solutions and related systems. The goal is to perfect the interplay of all components of the new offering and reduce the setup costs of new shops through the creation of standard integrations. Another aim is to increase overall efficiency through "out-of-the-box" availability of features and tools.

In addition, Intershop is continuously working on the further development of its Intershop Commerce Suite omni-commerce platform. In December 2016, Intershop released its new version 7.8, which includes a further development of the content management system and extended SEO functions for the orchestration of marketing campaigns. The new version 7.8 also has an extended cloud offering, which now provides the full infrastructure of the Intershop commerce system on the Microsoft Azure cloud platform. This enables Intershop to offer its customers a universal, industry-oriented cloud offering as a scalable solution.

## Supervisory Board

At this year's Annual Stockholders' Meeting on May 9, 2017, Supervisory Board members Christian Oecking, Ulrich Prädel and Prof. Dr. Louis Velthuis were confirmed in their current positions by a large majority. At the subsequent constituent meeting of the Supervisory Board, Christian Oecking was once again elected Chairman of the Supervisory Board. His Deputy Chairman is Ulrich Prädel.

## Employees

At the end of June 2017, Intershop had 326 full-time employees around the world. Compared to the previous year's reporting date, this represents a decrease of 51 employees. The number of employees decreased by 29 full-time employees compared to year-end 2016. The reduction is due in part to the implementation of the "Lighthouse 2020" strategy program adopted in October 2016, which also involved personnel adjustments.

The following overview shows the breakdown of full-time employees by business unit.

Employees by department*	June 30, 2017	December 31, 2016	June 30, 2016
Technical Departments (Service functions and Research and Development)	243	268	286
Sales and Marketing	42	45	49
General and administrative	41	42	42
<b>Total</b>	<b>326</b>	<b>355</b>	<b>377</b>

\*\* based on full time staff, including students and trainees

As of the interim balance sheet date, the number of employees in Europe was 281 or 86% of the workforce. In the Asia Pacific region, there were 29 employees (9%); in the US, the share was 5% with 16 employees.

## Group Risks

For information on the Company's risks, please refer to the detailed explanations in the 2016 Annual Report.

## Outlook

The dynamic growth of the global e-Commerce market will continue unabated for years to come. According to estimates by eMarketer, the market volume of B2C e-Commerce will double to around US\$ 4.5 trillion by 2021. The potential for companies like Intershop will also remain high in industrialized countries. In the "Digital Maturity & Transformation Report 2017" of the University of St. Gallen published in May, in which ECC Köln and Intershop participated, it was shown that German retail and consumer goods companies still have quite a bit of catching up to do regarding the digital transformation.

The strongest growth prospects are in the B2B segment because this is where the digital transformation results in big changes in the sales process, for which many companies are still not sufficiently prepared. Due to the growing online competition and new market players, pressure to invest is now increasing rapidly. Intershop offers the right solutions for the challenges of wholesalers thanks to the Synaptic Commerce® approach, and therefore decided in October 2016 to focus on this market, in particular for wholesale. The share of new customers acquired within a few months and the high number of customer leads underscore the right course that Intershop has set for the future.

Intershop is also expanding its cloud solutions business. Thanks to the cooperation with Microsoft, Intershop now offers a comprehensive scalable B2B and B2C solution with its Cloud Commerce, which allows customers to digitize their sales processes quickly and easily as well as reduce costs and boost sales. This opens up new market segments and customer groups for Intershop, which also promises further growth in the coming years.

On the whole, the good business situation was solidified after the successful start to the year in the first quarter of 2017. In particular, the new customer development confirms that the "Lighthouse" strategy is gradually taking hold. Intershop's Management Board is therefore confident that the forecast for the whole of 2017 set out in the 2016 annual report will be met. Accordingly, Intershop expects the Group to see slightly higher revenues. In addition, a slight increase in the gross result and the gross margin is expected to result in a balanced operating result (EBIT).

## Consolidated Balance Sheet

in EUR thousand	June 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Noncurrent assets</b>		
Intangible assets	8,710	8,806
Property, plant and equipment	547	567
Other noncurrent assets	15	52
Deferred tax assets	1,066	1,068
	<b>10,338</b>	<b>10,493</b>
<b>Current assets</b>		
Trade receivables	4,880	5,129
Other receivables and other assets	775	591
Cash and cash equivalents	10,600	10,898
	<b>16,255</b>	<b>16,618</b>
<b>TOTAL ASSETS</b>	<b>26,593</b>	<b>27,111</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Subscribed capital	31,683	31,683
Capital reserve	7,806	7,806
Other reserves	(23,439)	(23,434)
	<b>16,050</b>	<b>16,055</b>
<b>Noncurrent liabilities</b>		
Liabilities to banks	1,768	2,772
Deferred revenue	278	348
	<b>2,046</b>	<b>3,120</b>
<b>Current liabilities</b>		
Other current provisions	363	690
Liabilities to banks	1,000	1,000
Trade accounts payable	1,268	1,350
Income tax liabilities	48	71
Other current liabilities	2,716	2,911
Deferred revenue	3,102	1,914
	<b>8,497</b>	<b>7,936</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>26,593</b>	<b>27,111</b>

## Consolidated Statement of Comprehensive Income

in EUR thousand	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
<b>Revenues</b>				
Product Revenues	3,577	3,890	7,647	6,617
Service Revenues	5,237	5,182	10,309	9,721
	<b>8,814</b>	<b>9,072</b>	<b>17,956</b>	<b>16,338</b>
<b>Cost of revenues</b>				
Cost of revenues - Product	(950)	(944)	(1,954)	(1,331)
Cost of revenues - Services	(3,371)	(3,805)	(7,056)	(7,505)
	<b>(4,321)</b>	<b>(4,749)</b>	<b>(9,010)</b>	<b>(8,836)</b>
Gross profit	4,493	4,323	8,946	7,502
<b>Operating expenses, operating income</b>				
Research and development	(1,379)	(1,476)	(2,687)	(3,146)
Sales and marketing	(2,100)	(1,858)	(4,202)	(3,669)
General and administrative	(943)	(946)	(1,828)	(1,912)
Other operating income	43	56	90	96
Other operating expenses	(107)	(27)	(122)	(189)
	<b>(4,486)</b>	<b>(4,251)</b>	<b>(8,749)</b>	<b>(8,820)</b>
Result from operating activities	7	72	197	(1,318)
Interest income	2	8	3	15
Interest expense	(56)	(85)	(111)	(170)
<b>Financial result</b>	<b>(54)</b>	<b>(77)</b>	<b>(108)</b>	<b>(155)</b>
Earnings before tax	(47)	(5)	89	(1,473)
Income taxes	<b>(20)</b>	<b>(58)</b>	<b>(61)</b>	<b>(77)</b>
Earnings after tax	(67)	(63)	28	(1,550)
Other comprehensive income				
Exchange differences on translating foreign operations	(70)	(4)	(33)	(24)
<b>Other comprehensive income from exchange differences</b>	<b>(70)</b>	<b>(4)</b>	<b>(33)</b>	<b>(24)</b>
<b>Total comprehensive income</b>	<b>(137)</b>	<b>(67)</b>	<b>(5)</b>	<b>(1,574)</b>
Earnings per share (EUR, basic, diluted)	0.00	0.00	0.00	(0.05)
Weighted average shares outstanding (basic, diluted)	31,683	31,683	31,683	31,683

## Consolidated Statement of Cash Flows

in EUR thousand	Six months ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings before tax	89	(1,473)
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	108	155
Depreciation and amortization	1,206	1,183
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	159	(631)
Other assets	(157)	(188)
Liabilities and provisions	(562)	(987)
Deferred revenue	1,162	860
Net cash provided by operating activities before income tax and interest	2,005	(1,081)
Interest received	3	15
Interest paid	(116)	(183)
Income taxes received	4	0
Income taxes paid	(80)	(180)
Net cash (used in) operating activities	1,816	(1,429)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Restricted cash	0	375
Payments for investments in intangible assets	(988)	(1,242)
Proceeds on disposal of equipment	6	1
Purchases of property and equipment	(109)	(140)
Net cash used in investing activities	(1,091)	(1,006)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted cash	0	1,200
Repayments of loans	(1,000)	(2,200)
Net cash provided by/used in financing activities	(1,000)	(1,000)
Effect of change in exchange rates	(23)	(37)
Net change in cash and cash equivalents	(298)	(3,472)
Cash and cash equivalents, beginning of period	10,898	15,232
Cash and cash equivalents, end of period	10,600	11,760

## Consolidated Statement of Shareholders' Equity

in EUR thousand				Other reserves			
	Common shares (Number shares)	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/ loss	Cumulative currency differences	Subscribed capital
<b>Balance, January 1, 2017</b>	<b>31,683,484</b>	<b>31,683</b>	<b>7,806</b>	<b>(93)</b>	<b>(25,421)</b>	<b>2,080</b>	<b>16,055</b>
Total comprehensive income					28	(33)	(5)
Balance, June 30, 2017	31,683,484	31,683	7,806	(93)	(25,393)	2,047	16,050
<b>Balance, January 1, 2016</b>	<b>31,683,484</b>	<b>31,683</b>	<b>7,806</b>	<b>(93)</b>	<b>(22,433)</b>	<b>2,118</b>	<b>19,081</b>
Total comprehensive income					(1,550)	(24)	(1,574)
Balance, June 30, 2016	31,683,484	31,683	7,806	(93)	(23,983)	2,094	17,507

# Notes on the Consolidated Financial Statements as of June 30, 2017

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## General disclosures

The consolidated financial statements of INTERSHOP Communications AG as of December 31, 2016 were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as well as the provisions required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). Accordingly, the Group's interim report as of June 30, 2017 was prepared in accordance with IAS 34, Interim Financial Reporting.

This interim report as of June 30, 2017 is unaudited and must be read in conjunction with the consolidated financial statements and the associated notes to the consolidated financial statements for fiscal year 2016. The consolidated financial statements and the notes to the consolidated financial statements are contained in the Company's Annual Report for the fiscal year ended December 31, 2016. The 2016 Annual Report is available on the Company's web site at <http://www.intershop.com/investors-financial-reports>.

## Accounting principles (Compliance statement)

The interim consolidated financial statements of INTERSHOP Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date, which include standard (IFRS, IAS) adopted by IASB, and the Interpretations (IFRIC, SIC) issued by the International Financial Reporting Interpretations Committee (IFRS IC), as adopted by the EU. The interim consolidated financial statements have been prepared in euros. Unless stated otherwise, all amounts are given as thousands of euros (EUR thousand). Figures are rounded to the nearest thousand and totals may not sum due to rounding.

## Basis of consolidation

The scope of consolidation of the entities of INTERSHOP Communications AG includes, as of June 30, 2017, in addition to the parent company, the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd, Intershop Communications Asia Limited, The Bakery GmbH, Intershop Communications Ventures GmbH, Intershop Communications SARL as well as Intershop Communications LTD.

The consolidated financial statements of Intershop Communications AG include the consolidated results of the Company and all its German and foreign subsidiaries over whose financial and operating policies INTERSHOP Communications AG exercises direct or indirect control.

## Accounting policies

The same accounting policies were used to prepare this interim report as for the consolidated financial statements for fiscal year 2016. The policies used are described in detail on pages 48 to 53 of the 2016 Annual Report.

## Equity

The change in equity of INTERSHOP Communications AG is shown in the consolidated statement of changes in equity. As of June 30, 2017, subscribed capital was unchanged at EUR 31,683,484 and is divided into 31,683,484 non-par value bearer shares.

## Earnings per share

The calculation of basic and diluted earnings per share is based on the following data

In EUR thousand	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Basis for calculating basic and diluted earnings per share (earnings after tax)	(67)	(63)	28	(1,550)
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	31,683	31,683	31,683	31,683
<b>Earnings per share (basic/diluted) (in EUR)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.05)</b>

If the diluted earnings reduce the loss per share or increase the earnings per share, an adjustment is made to the amount of basic earnings per share (antidilutive effect) in accordance with IAS 33.43. If a basic result and diluted result are the same, this may be disclosed in one row as per IAS 33.67.

## Segment Reporting

Three months ended June 30, 2017					
in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consolidation	Group
<b>Revenues from external customers</b>					
<b>Product Revenues</b>	<b>2,672</b>	<b>551</b>	<b>354</b>	<b>0</b>	<b>3,577</b>
Licenses	1,094	386	155	0	1,635
Maintenance	1,578	165	199	0	1,942
<b>Service Revenues</b>	<b>3,654</b>	<b>635</b>	<b>948</b>	<b>0</b>	<b>5,237</b>
Consulting and training	2,504	514	563	0	3,581
Full Service	1,150	121	385	0	1,656
<b>Total revenues from external customers</b>	<b>6,326</b>	<b>1,186</b>	<b>1,302</b>	<b>0</b>	<b>8,814</b>
Intersegment revenues	121	0	96	(217)	0
<b>Total revenues</b>	<b>6,447</b>	<b>1,186</b>	<b>1,398</b>	<b>(217)</b>	<b>8,814</b>
<b>Result from operating activities</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>7</b>
<b>Financial result</b>					<b>(54)</b>
<b>Earnings before tax</b>					<b>(47)</b>
<b>Income taxes</b>					<b>(20)</b>
<b>Earnings after tax</b>					<b>(67)</b>

Three months ended June 30, 2016					
in EUR thousand	Europe	USA	Asia Pacific	Consolidation	Group
<b>Revenues from external customers</b>					
<b>Product Revenues</b>	<b>3,296</b>	<b>147</b>	<b>447</b>	<b>0</b>	<b>3,890</b>
Licenses	1,629	0	266	0	1,895
Maintenance	1,667	147	181	0	1,995
<b>Service Revenues</b>	<b>3,557</b>	<b>475</b>	<b>1,150</b>	<b>0</b>	<b>5,182</b>
Consulting and training	2,843	412	821	0	4,076
Full Service	714	63	329	0	1,106
<b>Total revenues from external customers</b>	<b>6,853</b>	<b>622</b>	<b>1,597</b>	<b>0</b>	<b>9,072</b>
Intersegment revenues	0	0	0	0	0
<b>Total revenues</b>	<b>6,853</b>	<b>622</b>	<b>1,597</b>	<b>0</b>	<b>9,072</b>
<b>Result from operating activities</b>	<b>34</b>	<b>16</b>	<b>22</b>	<b>0</b>	<b>72</b>
<b>Financial result</b>					<b>(77)</b>
<b>Earnings before tax</b>					<b>(5)</b>
<b>Income taxes</b>					<b>(58)</b>
<b>Earnings after tax</b>					<b>(63)</b>

Six months ended June 30, 2017					
in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consolidation	Group
<b>Revenues from external customers</b>					
<b>Product Revenues</b>	<b>6,235</b>	<b>769</b>	<b>643</b>	<b>0</b>	<b>7,647</b>
Licenses	2,909	433	261	0	3,603
Maintenance	3,326	336	382	0	4,044
<b>Service Revenues</b>	<b>7,084</b>	<b>1,321</b>	<b>1,904</b>	<b>0</b>	<b>10,309</b>
Consulting and training	4,896	1,085	1,117	0	7,098
Full Service	2,188	236	787	0	3,211
<b>Total revenues from external customers</b>	<b>13,319</b>	<b>2,090</b>	<b>2,547</b>	<b>0</b>	<b>17,956</b>
Intersegment revenues	152	0	114	(266)	0
<b>Total revenues</b>	<b>13,471</b>	<b>2,090</b>	<b>2,661</b>	<b>(266)</b>	<b>17,956</b>
<b>Result from operating activities</b>	<b>146</b>	<b>19</b>	<b>32</b>	<b>0</b>	<b>197</b>
<b>Financial result</b>					<b>(108)</b>
<b>Earnings before tax</b>					<b>89</b>
<b>Income taxes</b>					<b>(61)</b>
<b>Earnings after tax</b>					<b>28</b>

Six months ended June 30, 2016					
in EUR thousand	Europe	USA	Asia Pacific	Consolidation	Group
<b>Revenues from external customers</b>					
<b>Product Revenues</b>	<b>5,639</b>	<b>288</b>	<b>690</b>	<b>0</b>	<b>6,617</b>
Licenses	2,296	0	326	0	2,622
Maintenance	3,343	288	364	0	3,995
<b>Service Revenues</b>	<b>6,479</b>	<b>1,026</b>	<b>2,216</b>	<b>0</b>	<b>9,721</b>
Consulting and training	5,105	882	1,560	0	7,547
Full Service	1,374	144	656	0	2,174
<b>Total revenues from external customers</b>	<b>12,118</b>	<b>1,314</b>	<b>2,906</b>	<b>0</b>	<b>16,338</b>
Intersegment revenues	0	0	0	0	0
<b>Total revenues</b>	<b>12,118</b>	<b>1,314</b>	<b>2,906</b>	<b>0</b>	<b>16,338</b>
<b>Result from operating activities</b>	<b>(977)</b>	<b>(114)</b>	<b>(227)</b>	<b>0</b>	<b>(1,318)</b>
<b>Financial result</b>					<b>(155)</b>
<b>Earnings before tax</b>					<b>(1,473)</b>
<b>Income taxes</b>					<b>(77)</b>
<b>Earnings after tax</b>					<b>(1,550)</b>

## Litigation

In the first six months of fiscal year 2017, no changes took place with regard to the legal disputes disclosed on page 67 of the 2016 Annual Report.

## Directors' holdings and Securities transactions subject to reporting requirements

As of June 30, 2017, the company's executive body members held the following number of Intershop ordinary bearer shares:

Name	Function	Shares
Christian Oecking	Chairman of the Supervisory Board	20,000
Ulrich Prädel	Vice Chairman of the Supervisory Board	8,000
Prof. Dr. Louis Velthuis	Member of the Supervisory Board	5,000
Dr. Jochen Wiechen	CEO of the Board of Management	60,000
Axel Köhler	Member of the Board of Management	6,500

In the first six months of fiscal year 2017, the members of the company's executive bodies made the following purchases of Intershop ordinary bearer shares:

Name	Date	Type of transaction	Amount	Total value (EUR)
Christian Oecking	02/06/2017	Purchase	10,000	11,700
Ulrich Prädel	02/01/2017	Purchase	8,000	9,288

### Events subsequent to the balance sheet date

No material events that must be reported occurred after the balance sheet date.

### Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

## Intershop-Shares

Stock Market Data on Intershop Shares	
ISIN	DE000A0EPUH1
WKN	A0EPUH
Stock market symbol	ISH2
Admission segment	Prime standard/Regulated market
Sector	Software
Membership of Deutsche Börse indices	CDAX, Prime All Share, Technology All Share

Key figures for Intershop shares		6M 2017	2016	6M 2016
Closing price <sup>1</sup>	in EUR	1.66	1.10	1.45
Number of shares outstanding (end of period)	in million shares	31.68	31.68	31.68
Market capitalization	in EUR million	52.59	34.85	45.94
Earnings per share	in EUR	0.00	(0.09)	(0.05)
Cashflow per share	in EUR	0.06	(0.03)	(0.05)
Carrying amount per share	in EUR	0.51	0.51	0.55
Average trading volume per day <sup>2</sup>	Number	53,491	39,139	46,168
Free float	in %	66	66	66

<sup>1</sup> Basis: Xetra

<sup>2</sup> Basis: all stock exchanges

## Contact

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This interim report contains forward-looking statements regarding future events or the future financial and operational performance of Intershop, actual events or results may differ materially from the results presented in these forward-looking statements or from the results expected according to these statements, risks and uncertainties that could lead to such differences include Intershop's limited operating history, the limited predictability of revenues and expenses, and potential fluctuations in revenues and operating results, significant dependence on large individual customer orders, customer trends, the level of competition, seasonal fluctuations, risks relating to electronic security, possible state regulation, and the general economic situation.