

Quarterly Statement Q1 2020



January - March 2020

Letter to Our Stockholders

Dear stockholders and business partners,

Given a growth in sales of 15%, the incoming cloud orders tripling compared to the prior-year quarter, and the slightly positive result, we had a great start to the 2020 fiscal year. This trend is the direct result of the cost reduction measures we took in the fourth quarter of 2019 and the operational excellence measures initiated, including the improvement of lead generation. With the newly created corporate structure focusing primarily on the cloud business, Intershop has created a solid foundation for additional proficient growth. In addition, for us, the results are proof that we have made significant progress on our path towards positioning ourselves as an established cloud provider.

As for the further short-term development, it is difficult for Intershop, just as for many companies, to assess the situation due to the coronavirus crisis. A positive aspect is that the digitization of the global trade constitutes a fundamental development, which is further enhanced as a result of the current crisis and the corresponding shifts in the markets. 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 this such trend provides companies with major advantages in terms of infrastructure, costs, and flexibility - not only, but rather during such difficult periods in the markets. While the anticipated global recession could affect some of our customers and result in project delays or postponement of the conclusion of agreements in the following quarters, companies will also miss out on major future investments that would put them in a position to mitigate the impact of a crisis, the duration of which is yet uncertain.

Hence, due to the positive results in the first quarter and a well-stocked new business pipeline, we are positive that the global digitization trend in the trading business will help us through the crisis and we will be able to emerge stronger.

We thank all our shareholders for their trust.

Best regards,



Dr. Jochen Wiechen



Markus Klahn

Key Figures for the Group

in EUR thousand	Q1 2020	Q1 2019	Change
Revenues			
Revenues	8,443	7,323	15%
Software and Cloud Revenues	4,840	4,113	18%
Services Revenues	3,603	3,210	12%
Revenues Europe	5,968	5,194	15%
Revenues USA	1,307	1,112	18%
Revenues Asia/Pacific	1,168	1,017	15%
Cloud order entry	3,983	1,276	212%
Earnings			
Cost of revenues	4,670	4,908	-5%
Gross profit	3,773	2,415	56%
Gross margin	45%	33%	
Operating expenses, operating income	3,480	4,561	-24%
Research and development	1,009	1,257	-20%
Sales and marketing	1,747	2,434	-28%
General and administrative	766	880	-13%
Other operating income/expenses	(42)	(10)	++
EBIT	293	(2,146)	++
EBIT-Margin	3%	-29%	
EBITDA	1,186	(1,471)	++
EBITDA margin	14%	-20%	
Net result	234	(2,198)	++
Earnings per share (EUR)	0.02	(0.16)	++
Net Assets			
Shareholders' equity	15,817	16,411	-4%
Equity ratio	59%	62%	
Balance sheet total	26,916	26,389	2%
Noncurrent assets	12,727	10,969	16%
Current assets	14,189	15,420	-8%
Noncurrent liabilities	268	1,540	-83%
Current liabilities	10,831	8,438	28%
Financial Position			
Cash and cash equivalents	8,427	9,786	-14%
Net cash operating activities	2,027	(1,005)	++
Depreciation and amortization	893	675	32%
Net cash used in investing activities	(586)	(1,274)	54%
Net cash provided by financing activities	(548)	4,778	++
Employees	308	341	-10%

Business development

Business performance during the first three months of 2020

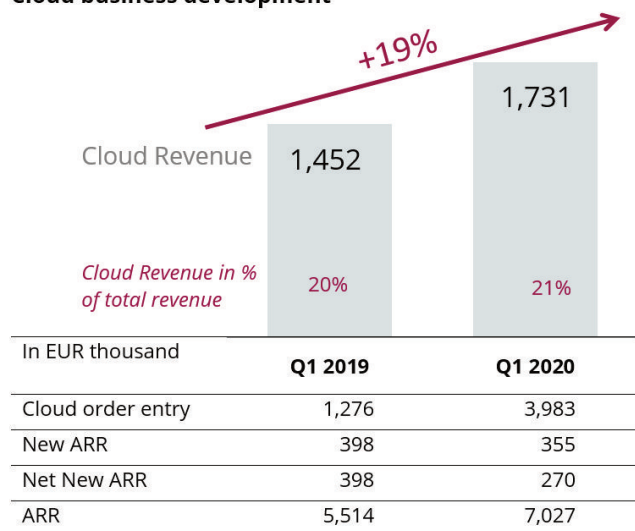
In the first three months of 2020, the Intershop Group generated revenues of EUR 8.4 million (prior year: EUR 7.3 million), which represents an increase of 15% over the same period in the prior year. The earnings before interest and taxes (EBIT) totaled a slightly positive EUR 0.3 million. The trend reflects the great progress the company has made on its path towards positioning itself as an established cloud provider while at the same time significantly reducing the cost structure.

Successful start to 2020 with a high influx of cloud orders

The first quarter of 2020 was primarily marked by a significantly positive trend of incoming cloud orders and the simultaneous adjustment of operations based on the cost reduction measures performed in the fourth quarter of 2019 to complete the transition to the cloud. The operational excellence measures initiated at the end of the year, including the improvement of lead generation, produced the first effects.

Ultimately, Intershop was able to significantly increase its revenue in the first quarter and generate a positive EBIT despite the overall economic and social impact of the coronavirus crisis steadily increasing in the month of March 2020. The new orders (new and existing customers) in the strategically crucial cloud business rose from EUR 1.3 million in the prior-year quarter to EUR 4.0 million and thus tripled. The cloud revenue generated in the first three months increased by 19% to EUR 1.7 million. Intershop acquired 6 new customers (prior year: 4 new customers), 4 of which are customers in the cloud segment.

Cloud business development



ARR development in Q1 2020

In EUR thousand	
ARR end of 2019	6,757
New ARR new customers	355
New ARR existing customers	0
New ARR total	355
churn	(85)
Net New ARR	270
ARR end of Q1 2020	7,027

Furthermore, the simplified capital decrease at a ratio of 3:1 resolved at the extraordinary Stockholders' Meeting on December 20, 2019 was registered in the commercial register on February 4, 2020 and thus became legally effective. Since that time, the Company's share capital has effectively decreased to EUR 14,194,164. For every three former stocks designated as ISIN DE000A0EPUH1, the stockholders were granted a new converted stock designated as ISIN DE000A254211 in the proportionate share in the capital stock of EUR 1.00 by way of combination on the eve of February 14, 2020.

Revenue Development

The Intershop Group achieved sales revenue of EUR 8.4 million in the first quarter of 2020, which represents an increase of 15% over the prior-year period. The following table shows the trend in revenue by area (in EUR thousand):

Months ended March 31,	2020	2019	Change
Software and Cloud Revenues	4,840	4,113	18%
Licenses and Maintenance	3,109	2,661	17%
Licenses	1,074	636	69%
Maintenance	2,035	2,025	0%
Cloud and Subscription	1,731	1,452	19%
Service Revenue	3,603	3,210	12%
Revenues total	8,443	7,323	15%

During the reporting period, **software and cloud** revenues rose by 18% to EUR 4.8 million. Within this segment, the realized **cloud and subscription** revenues increased by 19% to EUR 1.7 million. Incoming cloud orders (new and existing customers) in the first three months totaled EUR 4.0 million which constitutes an increase by 212% (Q1/2019: EUR 1.3 million). The cloud ARR (annual recurring revenue) increased by 27% to EUR 7.0 million at the end of March 2020 compared to the prior-year quarter (end of March 2019: EUR 5.5 million). The new ARR (new annually recurring revenue) increased slightly to EUR 0.4 million (Q1/2019: EUR 0.2 million). The net new ARR (new ARR less ARR for cancellations) decreased to EUR 0.3 million (prior year: EUR 0.4 million) as a result of one customer cancellation. The share of cloud revenue increased slightly to 21% in the reporting period (Q1/2019: 20%). Totalling EUR 2.0 million, **maintenance revenues** stayed at prior year's level. The **revenues from licenses**, which totaled EUR 1.1 million, significantly exceeded the low amount in the prior-year quarter, which totaled EUR 0.6 million. The revenues in the **service** segment increased drastically by 12% compared to March 2019 and totaled EUR 3.6 million. The share of software and cloud sales in total sales increased overall by one percentage point to 57% (Q1/2019: 56%).

In the first three months of 2020, Intershop experienced double-digit growth in all three of the Group's **regions**. In Europe, the most important Intershop market, revenues increased by 15% to EUR 6.0 million (prior year: EUR 5.2 million). The share of European customers in total revenue remained at the prior-year level of 71%. Revenues in the United States increased as well, namely by 18% to EUR 1.3 million. The revenue share was unchanged at 15%. Revenues generated in the Asia Pacific region increased by 15% to EUR 1.2 million, and the revenue share was 14% as in the prior-year period.

Earnings Development

Based on the generated revenues and due to a more stringent cost basis, Intershop generated slightly positive results in the first three months of 2020.

The most important financial figures in the group profit are shown in the overview below:

in EUR thousand	Q1 2020	Q1 2019
Revenue	8,443	7,323
Costs	8,150	9,469
EBIT	293	(2,146)
EBIT-Margin	3%	-29%
EBITDA	1,187	-1,471
EBITDA-Margin	14%	-20%
Earnings after tax	234	(2,198)

The Group's **gross profit from revenues** increased significantly in the reporting period by 55% to EUR 3.8 million. The gross margin increased by 12 percentage points to 45%. The cloud gross margin increased from 34% in the prior-year period to 39%. **Operating expenses and income** fell by 24% to EUR 3.5 million as a result of the comprehensive cost reduction project pursued in the fourth quarter of 2019. Thus, the marketing and sales costs fell by 28% to EUR 1.7 million. Costs for research and development dropped by 20% to EUR 1.0 million. Furthermore, administrative expenses fell by 13% to EUR 0.8 million. **Total costs** amounted to EUR 8.1 million and thus were 14% lower than those in the prior year.

Overall, the **operating result (EBIT)** amounted to EUR 0.3 million (prior year: EUR -2.1 million). The operating result before depreciation and amortization (EBITDA) amounted to EUR 1.2 million (prior year: EUR -1.5 million). The **earnings after tax** totaled EUR 0.2 million (prior year: EUR -2.2 million), which corresponds to a result per share of EUR 0.02 (prior year: EUR -0.16). The first quarter shows that Intershop with its new corporate structure primarily focusing on the cloud business is able to yield positive results when generating the corresponding revenues.

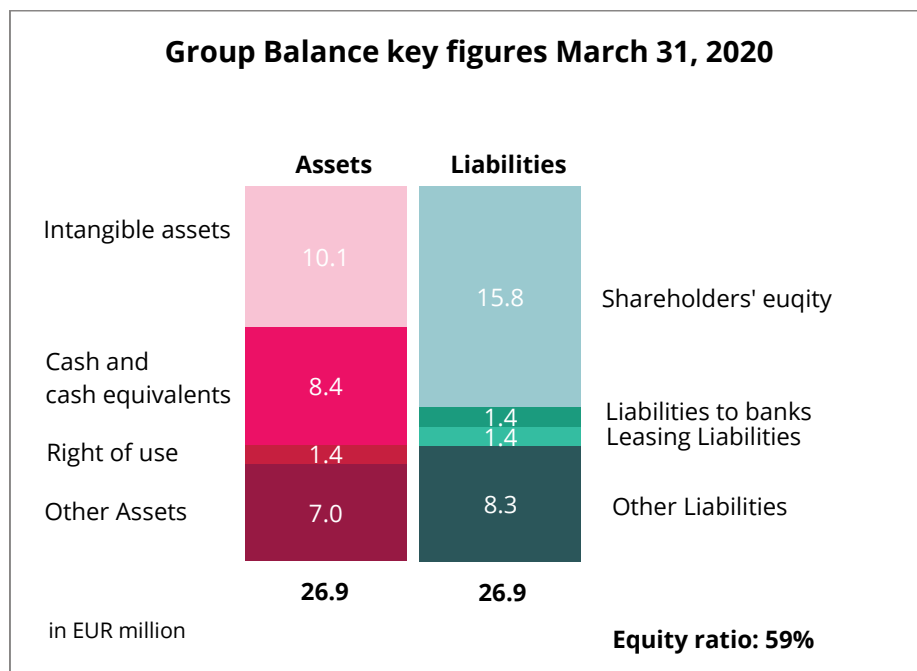
Net Assets and Financial Position

On the interim balance sheet date of March 31, 2020, the **balance sheet total** of the Intershop Group amounted to EUR 26.9 million. Compared to year-end 2019, this represents a decrease of 3%.

On the **assets side**, noncurrent assets decreased to EUR 12.7 million (December 31, 2019: EUR 13.0 million), in particular due to the decrease in rights of use pursuant to IFRS 16. Current assets fell by 3% to EUR 14.2 million compared to the end of December 2019. Due to the reporting date, the trade receivables were significantly lower at the end of first quarter (EUR 4.3 million) than at the end of the year (EUR 5.5 million).

On the **liabilities side**, equity increased by 1% to EUR 15.8 million. In this regard, the simplified capital decrease at a ratio of 3:1 resolved at the extraordinary Stockholders' Meeting, which became legally effective upon registration in the commercial register on February 4, 2020, resulted in losses and other impairment losses being compensated. As a result of the simplified capital decrease, the subscribed capital was reduced (March 31, 2020: EUR 14.2 million; December 31, 2019: EUR 42.6 million) and the items capital reserve and other reserves were adjusted. Noncurrent liabilities fell from EUR 0.5 million to EUR 0.3 million. Current liabilities also decreased from EUR 11.4 million to EUR 10.8 million in the first three months. The **equity ratio** increased from 57% to 59% as at the interim balance sheet date.

The **cash flow** resulting from operating activities totaled EUR 2.0 million in the reporting period compared to EUR -1.0 million in the prior-year period. This is mainly due to the drastically improved result for the period. The cash outflow from investment activities was EUR 0.6 million (prior year: EUR 1.3 million). The payments for investments in intangible assets included in this figure, as in the prior year, totaled EUR 0.6 million. The cash outflow for financing activities came to EUR 0.5 million after an inflow in the prior year in the amount of EUR 4.8 million due to the increase in capital. Overall, cash and cash equivalents declined by 14% to EUR 8.4 million compared to the first three months of 2019. In comparison to the year-end 2019, the cash and cash equivalents increased by 9%.



Employees

At the end of March 2020, Intershop had 308 full-time employees around the world. Compared to the prior year's reporting date, this represents a decrease of 33 employees. This is primarily the result of the cost reduction project pursued in the past fiscal year to complete the transition to a cloud service provider. Compared to the year-end 2019, the number of employees declined only slightly.

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

Employees by department*	March 31, 2020	December 31, 2019	March 31, 2019
Technical Departments (Service functions and Research and Development)	237	243	256
Sales and Marketing	39	39	47
General and administrative	32	32	38
	308	314	341

*based on full time staff, including students and trainees

At the interim balance sheet date, the number of employees in Europe was 259 or 84% of the workforce. In the Asia-Pacific region, there were 30 employees (10%); in the U.S., the share was 6% with 19 employees.

Outlook

The digitization of the global B2C and B2B business constitutes a fundamental development, which is further enhanced as a result of the coronavirus crisis and the corresponding shifts in the markets. 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 this such trend provides companies with major advantages in terms of infrastructure, costs, and flexibility - not only, but rather during such difficult periods in the markets. The transition process from a license provider to a provider of Commerce-as-a-Service solutions via the cloud, which was initiated in 2018, is based on this trend. After the completion of the transition process to a cloud service provider last year, the main focus in the current 2020 fiscal year is to consistently expand the cloud business while at the same time ensuring the largest degree of cost efficiency. The first step on the path to achieving this goal was made in the first quarter.

However, the further short-term development is difficult to predict for many companies and also for Intershop as a result of the coronavirus crisis. Project delays or postponed conclusion of agreements in the following quarters could result in particular from the expected major decline in the global economic performance and the corresponding impact on Intershop's customers. The Intershop management therefore implemented reduced working hours in basically all divisions in Germany in March 2020. In addition, we rolled out a recruitment freeze and implemented additional cost-saving measures in order to flexibly adapt the human resources and costs based on short-term fluctuations.

Due to the positive results in the first quarter and a well-stocked new business pipeline, the Intershop management is convinced that potential coronavirus effects will be well-compensated in the future quarters and that the global digitization trend in the trading business will help the Company through the crisis. Thus, Intershop is currently not modifying its projections for the entire 2020 fiscal year and continues to expect a slight increase in the Group's revenues. With a slight improvement in the gross profit and gross margin, a slightly positive operating result (EBIT) is projected.

Jena, April 23, 2020

The Management Board of INTERSHOP Communications Aktiengesellschaft



Dr. Jochen Wiechen



Markus Klahn

Consolidated Balance Sheet

in EUR thousand	March 31, 2020	December 31, 2019
ASSETS		
Noncurrent assets		
Intangible assets	10,103	9,908
Property, plant and equipment	555	608
Rights of use IFRS 16	1,351	1,763
Other noncurrent assets	18	17
Restricted cash	635	635
Deferred tax assets	65	76
	12,727	13,007
Current assets		
Trade receivables	4,336	5,528
Other receivables and other assets	1,426	1,360
Cash and cash equivalents	8,427	7,731
	14,189	14,619
TOTAL ASSETS	26,916	27,626
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	14,194	42,582
Capital reserve	2,501	1,082
Other reserves	(878)	(27,933)
	15,817	15,731
Noncurrent liabilities		
Liabilities to banks	125	250
Leasing liabilities IFRS 16	143	207
	268	457
Current liabilities		
Other current provisions	419	428
Liabilities to banks	1,297	1,301
Trade accounts payable	1,321	1,656
Income tax liabilities	46	62
Leasing liabilities IFRS 16	1,235	1,583
Other current liabilities	2,105	3,089
Deferred revenue	4,408	3,319
	10,831	11,438
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26,916	27,626

Consolidated Statement of Comprehensive Income

in EUR thousand	Three months ended March 31,	
	2020	2019
Revenues		
Software and Cloud Revenues	4,840	4,113
Service Revenues	3,603	3,210
	8,443	7,323
Cost of revenues		
Cost of revenues - Software and Cloud	(1,888)	(1,967)
Cost of revenues - Services	(2,782)	(2,941)
	(4,670)	(4,908)
Gross profit	3,773	2,415
Operating expenses, operating income		
Research and development	(1,009)	(1,257)
Sales and marketing	(1,747)	(2,434)
General and administrative	(766)	(880)
Other operating income	117	31
Other operating expenses	(75)	(21)
	(3,480)	(4,561)
Result from operating activities	293	(2,146)
Interest income	0	3
Interest expense	(27)	(35)
Financial result	(27)	(32)
Earnings before tax	266	(2,178)
Income taxes	(32)	(20)
Earnings after tax	234	(2,198)
Other comprehensive income:		
Exchange differences on translating foreign operations	(148)	58
Other comprehensive income from exchange differences	(148)	58
Total comprehensive income	86	(2,140)
Earnings per share (EUR, basic, diluted)	0.02	(0.16)

Consolidated Statement of Cash Flows

in EUR thousand	Three months ended March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	266	(2,178)
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	27	32
Depreciation and amortization	893	675
Other noncash expenses and income	46	0
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	1,109	(478)
Other assets	(65)	(40)
Liabilities and provisions	(1,322)	(130)
Deferred revenue	1,138	1,173
Net cash provided by (used in) operating activities before income tax and interest	2,092	(946)
Interest received	0	3
Interest paid	(21)	(43)
Income taxes received	0	0
Income taxes paid	(44)	(19)
Net cash provided by (used in) operating activities	2,027	(1,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	0	(635)
Payments for investments in intangible assets	(570)	(582)
Purchases of property and equipment	(16)	(57)
Net cash provided by (used in) investing activities	(586)	(1,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of loans	(125)	(125)
Cash received for unregistered stock	0	4,996
Expenses of cash received for unregistered stock	0	(63)
Payments for leasing liabilities	(423)	0
Net cash provided by (used in) financing activities	(548)	4,778
Effect of change in exchange rates	(197)	63
Net change in cash and cash equivalents	696	2,562
Cash and cash equivalents, beginning of period	7,731	7,224
Cash and cash equivalents, end of period	8,427	9,786

Consolidated Statement of Shareholders' Equity

in EUR thousand				Other reserves			
	Common shares (Number shares)	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/ loss	Common shares (Number shares)	Subscribed capital
Balance, January 1, 2020	42,582,492	42,582	1,082	(93)	(29,959)	2,119	15,731
Total comprehensive income					234	(148)	86
Simplified capital decrease	(28,388,328)	(28,388)	1,419		26,969		0
Balance, March 31, 2020	14,194,164	14,194	2,501	(93)	(2,756)	1,971	15,817
Balance, January 1, 2019	34,851,831	34,851	9,738	(93)	(32,827)	1,977	13,646
Total comprehensive income					(2,198)	58	(2,140)
Issue of new shares	4,356,478	4,357	547				4,904
Balance, March 31, 2019	39,208,309	39,208	10,285	(93)	(35,033)	2,036	16,411

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

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