

The Intershop logo is displayed in a bold, red, sans-serif font. It is positioned within a large white circle that overlaps a teal background. The background also features a larger teal circle behind the white one.

intershop[®]

Quarterly Statement

Q1 – Q3 2021

January - September 2021

Letter to Our Stockholders

Dear stockholders and business partners,

We continued on our profitable growth path in the third quarter, even though the period from July to September was challenging, as was the case in the past. The summer break was longer this year for many companies, especially after months of corona restrictions, resulting in a slight delay in customer decisions for some projects. But at the same time, we have also noticed that the positive trends for our industry seem to consolidate further. These primarily relate to the increasing digitization efforts in the industry, spurring the demand for sustainable solutions for digital trade in the medium term.

All in all, we are very satisfied with the first nine months and have almost doubled the EBIT to about EUR 1.2 million. We are particularly pleased with the fact that for the seventh consecutive quarter we have posted a positive operating result. Overall, our cloud key figures clearly show a positive trend: Incoming orders amounts to EUR 11.3 million at the prior-year level, the share of cloud revenue in the overall revenue has increased by 9 percentage points to 31%, and the Net New ARR amounts to EUR 2.1 million compared to EUR 1.6 million in the same period last year. Our profitability in the cloud has also continued to increase. With a cloud margin of 51% in the first nine months we were well over the previous year's figure of 38%.

I am especially proud of Intershop being named a leading global technology company again in the renowned Gartner® Magic Quadrant™ for Digital Commerce 2021. Our positioning as a niche player confirms our decision to focus on the B2B commerce segment and the cloud transformation of our platform and sends a strong signal to the competition. The award encourages us to further optimize our platform and to strengthen our position as a top provider in the B2B field.

Thanks to the satisfactory first nine months of the current financial year and with a continued attractive new customer pipeline we are convinced that we will be able to reach our goals for 2021.

We thank you for your trust.

Best regards,


Markus Klahn

Key Figures for the Group

in EUR thousand	9-Months 2021	9-Months 2020	Change
KPIs			
Cloud order entry	11,349	11,290	1%
Net New ARR	2,068	1,599	29%
Revenue	26,581	24,258	10%
EBIT	1,150	595	93%
REVENUES			
Revenues	26,581	24,258	10%
Licenses and Maintenance	6,790	8,714	-22%
Cloud and Subscription	8,125	5,260	54%
Service Revenues	11,666	10,284	13%
Revenues Europe	18,503	17,251	7%
Revenues USA	4,949	3,690	34%
Revenues Asia/Pacific	3,129	3,317	-6%
EARNINGS			
Cost of revenues	14,075	13,313	6%
Gross profit	12,506	10,945	14%
Gross margin	47%	45%	
Operating expenses, operating income	11,356	10,350	10%
Research and development	3,947	2,657	49%
Sales and marketing	5,594	5,485	2%
General and administrative	2,464	2,233	10%
Other operating income/expenses	(649)	(25)	++
EBIT	1,150	595	93%
EBIT-Margin	4%	2%	
EBITDA	3,521	3,189	10%
EBITDA margin	13%	13%	
Net result	764	402	90%
Earnings per share (EUR)	0.05	0.03	++
NET ASSETS			
Shareholders´ equity	17,322	16,156	7%
Equity ratio	45%	56%	
Balance sheet total	38,598	28,881	34%
Noncurrent assets	21,300	12,200	75%
Current assets	17,298	16,681	4%
Noncurrent liabilities	11,966	3,117	++
Current liabilities	9,310	9,608	-3%
FINANCIAL POSITION			
Cash and cash equivalents	11,709	11,290	4%
Net cash operating activities	3,210	3,404	-6%
Depreciation and amortization	2,371	2,594	-9%
Net cash used in investing activities	(931)	(1,706)	-45%
Net cash provided by financing activities	(2,180)	1,917	++
EMPLOYEES	290	298	-3%

Business development

Business performance during the first nine months of 2021

In the reporting period, the Intershop Group generated sales revenues of EUR 26.6 million, an increase of 10% compared to the same period last year. The operating result before interest and taxes (EBIT) is again positive in the third quarter and amounts to around EUR 1.2 million for the first nine months of 2021 (prior year: EUR 0.6 million).

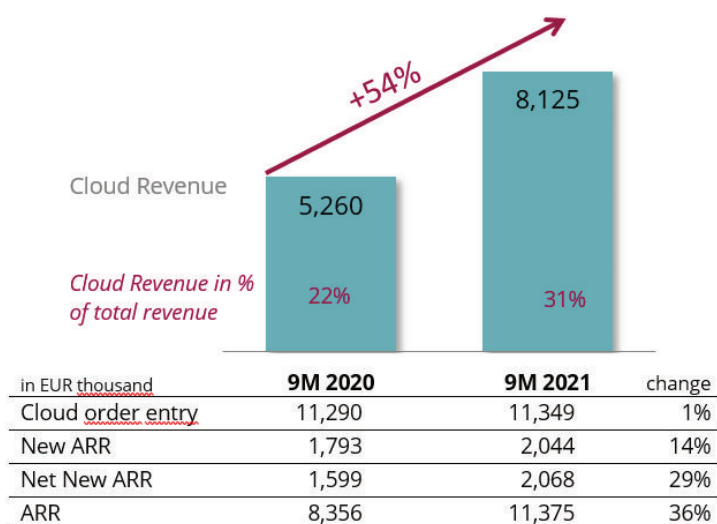
The Group's most important financial key figures (KPIs) are shown in the overview below.

in EUR thousand	9M 2021	9M 2020	Change
Cloud Order Entry	11,349	11,290	1%
Net New ARR	2,068	1,599	29%
Revenue	26,581	24,258	10%
EBIT	1,150	595	93%

The cloud business continues on its growth path

Intershop posted good development in the cloud business in the reporting period for the first nine months. Incoming cloud orders amounts to EUR 11.3 million at the prior-year level. EUR 6.5 million of this are attributable to new customers and EUR 4.8 million to existing customers. Overall, cloud and subscription revenues rose by EUR 8.1 million, representing an increase of 54%. Thanks to the strong growth, the share of cloud revenue in the overall revenue increased by 9 percentage points to 31% (prior year: 22%). The Net New ARR (new annual recurring revenue less ARR for cancellations and currency translation differences) increased by 29% to EUR 2.1 million compared to EUR 1.6 million in the previous year. Intershop was able to win over seven new customers in the first nine months. The latter contributed EUR 0.9 million to the New ARR, while a New ARR of EUR 1.2 million was achieved with existing customers. As of September 30, 2021 the ARR (annual recurring revenue) increased by 36% to EUR 11.4 million (prior year: EUR 8.4 million). With 51%, the cloud margin for the entire reporting period was well above that of the first three quarters of 2020 (prior year: 38%).

Cloud Business Development



ARR development in the first nine months of 2021

in EUR thousand	
ARR December 31, 2020	9,307
New ARR new customers	883
New ARR existing customers	1,161
New ARR total	2,044
Churn	(80)
Currency changes	104
Net New ARR	2,068
ARR September 30, 2021	11,375

Earnings Position

The development of the key earnings figures of the Group is shown in the overview below:

in EUR thousand	9M 2021	9M 2020	Change
Revenues	26,581	24,258	10%
Cost of revenues	14,075	13,313	6%
Gross margin	47%	45%	
Operating expenses, operating income	11,356	10,350	10%
EBIT	1,150	595	93%
EBIT margin	4%	2%	
EBITDA	3,521	3,189	10%
EBITDA margin	13%	13%	
Earnings after tax	764	402	90%

In the first nine months of 2021, the Intershop Group generated **revenues** in the amount of EUR 26.6 million, which corresponds to an increase of 10% over the same period in the prior year. For the third quarter, revenues amounted to EUR 8.3 million (prior year: EUR 7.8 million).

Revenues for the core group **software and cloud** rose by 7% to EUR 14.9 million, representing 56% of the total revenue. The core group includes the license and maintenance area as well as the cloud and subscription area, which developed in opposite directions in the reporting period. **licenses and maintenance** revenues amounted to EUR 6.8 million in the first nine months compared to EUR 8.7 million in the same period last year. In contrast, the **cloud and subscription** area showed a robust growth of 54% to EUR 8.1 million. **Service revenues** rose by 13% to EUR 11.7 million. Last year, this area experienced project delays and postponements in the course of the corona pandemic. These processes normalized in 2021, whereby recovery trends are now reflected in increasing revenues.

The following overview shows the development of revenues:

In EUR thousand	9M 2021	9M 2020	Change
Software and Cloud Revenues	14,915	13,974	7%
Licenses and Maintenance	6,790	8,714	-22%
Licenses	1,166	2,678	-56%
Maintenance	5,624	6,036	-7%
Cloud and Subscription	8,125	5,260	54%
Service Revenue	11,666	10,284	13%
Revenues total	26,581	24,258	10%

Europe is the core target region for Intershop. Here the Group grew by 7% to EUR 18.5 million in the first nine months of 2021. Thus, the share of European customers in total revenues is 70%. The U.S. region recorded a particularly strong growth. Revenues increased by 34% to EUR 4.9 million, representing a share of 18% of total revenues. In the Asia-Pacific region, revenues amounted to EUR 3.1 million (prior year: EUR 3.3 million). Thus, the region contributes 12% to the total revenues.

Gross profit increased by 14% to EUR 12.5 million in the reporting period. In particular, increased cloud revenues, the improved cloud margin, and the recovery in the service sector contributed to this positive development. The gross margin increased by two percentage points to 47%. **Operating expenses and income** increased by 10% to EUR 11.4 million. Due to increased investments in the Company's own cloud platform, research and development costs rose to EUR 3.9 million (prior year: EUR 2.7 million). With EUR 5.6 million, sales and marketing expenses were slightly above the figures for the same period last year (prior year: EUR 5.5 million). General administrative costs increased to EUR 2.5 million compared to EUR 2.2 million in the first nine months of 2020. The other operating income includes one-off earnings of EUR 0.4 million, as a loan issued in the course of the U.S. corona aid last year was completely waived in June 2021. After the deduction of all line items, **total costs** (cost of revenues and operating expenses/income) amounted to EUR 25.4 million and thus 7% above the figure of the previous year.

In the first nine months of 2021, Intershop achieved an **operating result (EBIT)** of EUR 1.2 million, a significant increase of 93% compared to the same period in the previous year. The operating result before depreciation and amortization (EBITDA) amounted to EUR 3.5 million (prior year: EUR 3.2 million). The **result for the period** (earnings after taxes) was EUR 0.8 million (prior year: EUR 0.4 million), representing earnings per share of EUR 0.05 (prior year: EUR 0.03).

Net Asset and Financial Position

As of the reporting date of September 30, 2021, the **balance sheet total** of the Intershop Group increased by around 31% compared to the end of 2020 to EUR 38.6 million. The increase is mainly due to the capitalization of the right of use according to IFRS 16 for leasing new office space in connection with the relocation of the company headquarters in Jena.

As of the reporting date of September 30, 2021, the non-current assets on the **asset side** increased to EUR 21.3 million (December 31, 2020: EUR 12.8 million). Thus, the rights of use according to IFRS 16 increased to EUR 10.1 million compared to EUR 1.2 million at the end of the 2020 financial year. Current assets increased to EUR 17.3 million (December 31, 2020: EUR 16.5 million), in particular due to the 19% increase in trade receivables to EUR 4.7 million.

On the **liabilities side**, shareholders' equity increased by 5% to EUR 17.3 million. Due to the corresponding capitalization of the lease liabilities for renting the new office space, the non-current liabilities increased from EUR 3.8 million to EUR 12.0 million. Current liabilities increased by 4% to EUR 9.3 million. Here, current lease liabilities amounted to EUR 1.3 million (December 31, 2020: EUR 0.4 million) and deferred revenue increased by 46% to EUR 3.9 million. This was counteracted by a full reduction in liabilities to banks in the amount of EUR 1.5 million due to the regular repayment of two loans and the waived repayment of a loan as part of the U.S. corona aid. The **equity ratio** decreased overall from 56% to 45% compared to the end of 2020 due to the increase in balance sheet total.

Group Balance Key Figures September 30, 2021

	Assets	Liabilities	
Intangible assets	10.4	17.3	Shareholders' equity
Rights of use	10.1	3.0	Warrant bond
Cash and cash equivalents	11.7	10.2	Leasing liabilities
Other Assets	6.4	8.1	Other Liabilities
	38.6	38.6	
in EUR million			Equity ratio: 45%

In the first nine months of 2021, the cash flow from operating activities amounted to EUR 3.2 compared to EUR 3.4 million in the same period in the previous year. The cash outflow from investment activities decreased to EUR 0.9 million compared to EUR 1.7 million in the prior year as a result of a reduction in payments for investments in intangible assets and the return of restricted cash relating to a rental security deposit. The cash outflow from financing activities amounted to EUR 2.2 million due to the full repayment of a loan and the repayment of leasing liabilities. In the same period in the prior year there was a cash inflow from financing activities in the amount of EUR 1.9 million characterized by the payments from option bonds. Overall, cash and cash equivalents increased by EUR 0.1 million to EUR 11.7 million compared to the end of 2020.

Management Board

At the end of the Annual Stockholders' Meeting on May 6, 2021, the planned change in the post of CEO was completed. Markus Klahn, who has been on the board as COO since April 2018, has been CEO of INTERSHOP Communications AG since then and is the sole director of the Company. The previous CEO, Dr. Jochen Wiechen, left the company at his own request at the end of his Management Board contract as planned at the end of August 2021. Dr. Wiechen had been Chief Technical Officer since August 1, 2013 and then CEO of INTERSHOP Communications AG as of September 1, 2015.

Employees

As of the end of September 2021, Intershop had 290 full-time employees worldwide. There was a slight decrease by 9 employees compared to the end of 2020. The following overview shows the breakdown of full-time employees by business unit.

Employees by department*	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2020
Technical Departments (Service functions and Research and Development)	226	227	227
Sales and Marketing	36	40	41
General and administrative	28	32	30
	290	299	298

*based on full time staff, including students and trainees

With 249 employees, 86% of the workforce was employed in Europe as of the reporting date of September 30, 2021. There were 25 (9%) employees in the Asia-Pacific region, and with 16 employees the share of the employees in the U.S. was 5%.

Outlook

Intershop benefits from the current digitalization trend and with its e-commerce solution operates in a rapidly growing sector. In its Magic Quadrant, the U.S. market research company Gartner recently positioned Intershop as a niche operator ("Niche Player") for Digital Commerce 2021. Thus, the company is listed in a ranking with other leading global technology groups. Intershop's "Ability to Execute" and "Completeness of Vision" are particularly highlighted. The award is a recognition of the distinctive B2B expertise and the continuous technological progress of the company. The transformation into a cloud provider with focus on B2B commerce lays the course for a sustainable business model with profitable growth.

Strong cloud partnerships, such as the extended (ahead of schedule) strategic cooperation with Microsoft, aim to facilitate customer access to future-oriented technologies and, at the same time, to increase Intershop's international visibility and enable an accelerated go-to-market. In order to be even more agile and customer-oriented in the future, the Company has focused on further gearing the organization towards streamlined, rapid, and intelligent business processes with clear responsibilities since the start of the financial year. The introduction of an OKR system (Objectives and Key Results) contributes to bundling the goals and services of all organizational units of the company and optimizing processes even faster.

In view of the good development in the first nine months with profitable growth and an optimistic outlook for the fourth quarter, management confirms the forecast for the whole of 2021. Thus, we expect an increase of at least 10% in incoming cloud orders as well as a slight increase in Net New ARR. With the slight increase in revenues we also expect a slightly positive operating result (EBIT).

Jena, October 19, 2021

The Management Board of INTERSHOP Communications Aktiengesellschaft


Markus Klahn

Consolidated Balance Sheet

in EUR thousand	September 30, 2021	December 31, 2020
ASSETS		
Noncurrent assets		
Intangible assets	10,430	10,378
Property, plant and equipment	504	531
Rights of use IFRS 16	10,123	1,196
Other noncurrent assets	0	14
Restricted cash	159	635
Deferred tax assets	84	85
	21,300	12,839
Current assets		
Trade receivables	4,698	3,939
Other receivables and other assets	891	1,008
Cash and cash equivalents	11,709	11,574
	17,298	16,521
TOTAL ASSETS	38,598	29,360
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	14,194	14,194
Capital reserve	2,575	2,575
Other reserves	553	(234)
	17,322	16,535
Noncurrent liabilities		
Warrant Bond	3,031	3,038
Leasing liabilities IFRS 16	8,935	810
	11,966	3,848
Current liabilities		
Other current provisions	286	286
Liabilities to banks	0	1,486
Trade accounts payable	1,524	1,480
Income tax liabilities	37	28
Leasing liabilities IFRS 16	1,262	397
Other current liabilities	2,292	2,623
Deferred revenue	3,909	2,677
	9,310	8,977
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	38,598	29,360

Consolidated Statement of Comprehensive Income

in EUR thousand	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues				
Software and Cloud Revenues	4,871	4,395	14,915	13,974
Service Revenues	3,424	3,404	11,666	10,284
	8,295	7,799	26,581	24,258
Cost of revenues				
Cost of revenues - Software and Cloud	(2,102)	(1,830)	(6,489)	(5,631)
Cost of revenues - Services	(2,325)	(2,429)	(7,586)	(7,682)
	(4,427)	(4,259)	(14,075)	(13,313)
Gross profit	3,868	3,540	12,506	10,945
Operating expenses, operating income				
Research and development	(1,255)	(839)	(3,947)	(2,657)
Sales and marketing	(1,710)	(1,906)	(5,594)	(5,485)
General and administrative	(872)	(688)	(2,464)	(2,233)
Other operating income	145	36	759	219
Other operating expenses	(18)	(42)	(110)	(194)
	(3,710)	(3,439)	(11,356)	(10,350)
Result from operating activities	158	101	1,150	595
Interest income	0	0	0	0
Interest expense	(88)	(39)	(289)	(85)
Financial result	(88)	(39)	(289)	(85)
Earnings before tax	70	62	861	510
Income taxes	(32)	(18)	(97)	(108)
Earnings after tax	38	44	764	402
Other comprehensive income:				
Exchange differences on translating foreign operations	(4)	(17)	23	(51)
Other comprehensive income from exchange differences	(4)	(17)	23	(51)
Total comprehensive income	34	27	787	351
Earnings per share (EUR, basic, diluted)	0.00	0.00	0.05	0.03

Consolidated Statement of Cash Flows

in EUR thousand	Nine months ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	861	510
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	289	85
Depreciation and amortization	2,371	2,594
Other noncash expenses and income	(462)	23
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	(674)	1,092
Other assets	129	294
Liabilities and provisions	(314)	(847)
Deferred revenue	1,211	(180)
Net cash provided by (used in) operating activities before income tax and interest	3,411	3,571
Interest received	0	1
Interest paid	(115)	(46)
Income taxes paid	(86)	(122)
Net cash provided by (used in) operating activities	3,210	3,404
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	476	
Payments for investments in intangible assets	(1,253)	(1,609)
Proceeds on disposal of equipment	1	5
Purchases of property and equipment	(155)	(102)
Net cash provided by (used in) investing activities	(931)	(1,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received warrant bond	0	3,108
Expenses of cash received for warrant bond	0	(43)
Cash received from loan	0	453
Repayments of loans	(1,041)	(375)
Payments for leasing liabilities	(1,139)	(1,226)
Net cash provided by (used in) financing activities	(2,180)	1,917
Effect of change in exchange rates	36	(56)
Net change in cash and cash equivalents	135	3,559
Cash and cash equivalents, beginning of period	11,574	7,731
Cash and cash equivalents, end of period	11,709	11,290

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, 2021	14,194,164	14,194	2,575	(93)	(2,197)	2,056	16,535
Total comprehensive income					764	23	787
Balance, September 30, 2021	14,194,164	14,194	2,575	(93)	(1,433)	2,079	17,322
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

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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Investor Relations Contact

INTERSHOP Communications AG
Steinweg 10
D-07743 Jena
Phone +49 3641 50 1000
E-Mail ir@intershop.com
www.intershop.com