Group Management Report For The Six Months Ended

June 30, 2018

Content

Letter to Our Stockholders

Dear stockholders and business partners,

the trend towards the cloud is still going strong around the world. Not only the big players such as Amazon, SAP and our partner Microsoft are focusing on the business, but an increasing number of German and international medium-sized companies also uses IT services via the cloud as a result of increasing digitization. We are playing an active role in contributing to this transformation and launched our efficient standard Commerce-as-a-Service (CaaS) solution based on the Microsoft Azure Cloud to companies in March. The 14% increase in our cloud and subscription revenues in the first six months of 2018 is the first positive sign. Now it is important to turn the ever-growing pipeline of new customers in this segment into tangible successes. There is no other alternative for Intershop, even if switching from the license to the cloud business triggers temporary losses in revenues and results. Our "cloud first" strategy was reaffirmed by the Management Board and the Supervisory Board recently at the end of July and we have adjusted our full-year outlook to our consistent focus on the cloud. We have a solid capital base, a stable cost base, a highly motivated team, and operate in a market of the future that is not only highly competitive but also offers various sales opportunities. We therefore hold all the aces necessary to successfully implement our strategy and achieve our operational and financial goals. The award as "Runner-up of the Year" that we recently received at the Microsoft Partner Conference gives us and our colleagues in Marketing and Distribution additional motivation.

Sincerely,

Dr. Jochen Wiechen　　Axel Köhler　　Markus Klahn

Key Figures for the Group

in EUR thousand	6-Months 2018	6-Months 2017	Change
Revenue			
Revenue	16,013	17,956	-11%
Software and Cloud Revenue	7,754	9,415	-18%
Services Revenue	8,259	8,541	-3%
Revenue Europe	11,651	13,319	-13%
Revenue U.S.A.	2,068	2,090	-1%
Revenue Asia/Pacific	2,294	2,547	-10%
Earnings			
Cost of revenues	9,390	9,010	4%
Gross profit	6,623	8,946	-26%
Gross margin	41%	50%	
Operating expenses, operating income	8,624	8,749	-1%
Research and development	2,428	2,687	-10%
Sales and marketing	4,330	4,202	3%
General and administrative	1,843	1,828	1%
Other operating income/expenses	23	32	-28%
EBIT	(2,001)	197	++
EBIT Margin	-12%	1%	
EBITDA	(996)	1,403	++
EBITDA Margin	-6%	8%	
Net result	(2,151)	28	++
Earnings per share (EUR)	(0.07)	0.00	++
Net Assets			
Shareholders' equity	18,250	16,050	14%
Equity ratio	64%	60%	
Balance sheet total	28,336	26,593	7%
Noncurrent assets	10,686	10,338	3%
Current assets	17,650	16,255	9%
Noncurrent liabilities	1,970	2,046	-4%
Current liabilities	8,116	8,497	-4%
Financial Position			
Cash and cash equivalents	11,327	10,600	7%
Cash flows from operating activities	(1,781)	1,816	++
Depreciation and amortization	1,005	1,206	-17%
Cash flows from investing activities	(1,405)	(1,091)	-29%
Cash flows from financing activities	5,601	(1,000)	++
Employees	336	326	3%

Group Management Report

Overall Economy and Industry

According to the current projections of the International Monetary Fund (IMF), the global economy will experience significant growth of 3.9% in 2018. In the industrialized countries, the combined GDP is expected to grow by 2.4%. For Germany, the IMF expects economic performance to increase by 2.2% in 2018.

The global e-Commerce market continues to be marked by dynamic growth rates. The analyst firm eMarketer expects the current global B2C market volume to double to approx. USD 4.5 trillion by 2021. The German Retail Federation (*Handelsverband Deutschland; HDE*) anticipates a growth rate of 9.7% to a market volume of EUR 53.6 billion for the German online retail business this year. B2B commerce is also experiencing growing digitization that requires the company to make considerable investments. In this regard, Forrester Research estimates global investments of approximately USD 2.4 billion in B2B commerce platforms by 2021.

The increasing digitization of various business segments and sectors also provides strong momentum in the IT sector. The enterprise software market in particular benefits from this. The IT analyst firm Gartner anticipates expenses to increase significantly in 2018 by 11.1% to USD 391 billion. Growth in the IT sector is driven particularly by the increasing use of cloud solutions. According to Gartner, the software-as-a-service (SaaS) market, the largest cloud segment, will grow by around 22% to USD 73.6 billion in 2018 alone. Germany is also seeing rapid growth in the deployment of cloud solutions. The market research company Techconsult estimates that the market for public cloud services will grow from EUR 7.5 billion in 2017 by approx. 18% each year to EUR 10.5 billion in 2019. More than 60% of this is attributed to software-as-a-service (SaaS).

Business performance during the first six months of 2018

In the first six months of 2018, Intershop generated revenues of EUR 16.0 million (prior year: EUR 18.0 million), which represents a decline of 11%. While the license and maintenance revenues declined by 27% to EUR 5.2 million, cloud and subscription revenues increased by 14% to EUR 2.5 million. While focusing on the cloud business, the incoming orders recorded in this regard in the first six months totaled EUR 2.2 million. A slight decline of 3% to EUR 8.3 million was recorded in the service segment. Earnings before interest and taxes (EBIT) totaled EUR -2.0 million.

"Cloud first" – Intershop continues its transition to a provider of cloud-based solutions and services

The cloud software market has gained considerable momentum over the past 12 months. The main reason for this is that companies are increasingly willing to use cloud-based systems and programs. The growing market acceptance is the result of their strategic advantages such as availability, security due to automatic updates, and resource efficiency. At the same time, there is growing pressure on small and medium-sized companies to establish or expand their own digital distribution channels. And it is in particular for this group of customers that cloud applications are oftentimes the best option since these applications are a quick, flexible and scalable solution with low investment risks.

In order to meet the growing customer demand and to make the most of the resulting significant growth opportunities, Intershop announced in the spring of 2018 that the "cloud first" approach will be the focus of activities, both for investments in research and development and in marketing and distribution. Intershop's new complete Commerce-as-a-Service solution (CaaS), which was presented in March, offers a comprehensive and efficient standard cloud solution. Medium-sized companies can now choose between three standard e-Commerce solutions (Essential, Advanced, and Professional) as well as a customized, individual CaaS solution, depending on their level of digitization. Hosted on a Microsoft Azure infrastructure, Intershop ensures the uninterrupted operation and reliable performance of the e-Commerce solution. In addition, Intershop's CaaS customers have direct access to a team of experienced e-Commerce specialists for advice and support. Compared to previous cloud versions, the focus is now on standardization, which significantly improves the competitiveness of the solution.

A key component of the new cloud strategy is the partnership with Microsoft existing since 2016. The collaboration combines the high performance of the Intershop Commerce solution with the highest security standards of Microsoft's Azure cloud platform. In addition, the Intershop Commerce Suite will be embedded in Microsoft's all-in-one offering for business applications, Dynamics 365. Developed based on the partnership with Microsoft, the CaaS offering enables Intershop to approach new customers and market segments and to advise companies on their digital transformation far more comprehensively than previously. In mid-July, Intershop received the "Runner-up of the Year“ award from the German Microsoft organization at the Microsoft partner conference Inspire in Las Vegas, United States. This award is a testament to the work performed thus far and underscores the strategic vision of becoming the leading cloud provider for omni-channcel shop systems.

Customers and partners are focusing on the CaaS offering

Even at the launch of the new "Lighthouse 2020" strategy in October 2016, Intershop focused its business on developing the cloud segment. The product launch of the new CaaS solution in March 2018 marks an important strategic milestone and, together with the Microsoft partnership, is a catalyst for implementing the new "cloud first" approach and generating growth in the cloud sector. In the first six months of 2018, Intershop was able to acquire several new customers for its new CaaS solution. This includes the leading Romanian retailer elefant.ro, which aims to use the cloud-based solution to expand its already extensive market presence both in Romania and internationally. Elefant.ro is one of the first customers that chose the flexible and comprehensive "Individual" CaaS service package. The cloud-based solution is expected to go live in the fourth quarter of 2018.

The focus of our collaboration with partners is also shifting towards cloud-based applications. For example, in May, Intershop and the platinum partner ModusLink launched a new joint offering, "eStarter Storefront," which is based on the market-leading Intershop Commerce Suite and provides a secure, scalable, and cost-effective cloud solution to companies that wish to expand their digital distribution channel in just four weeks. It allows companies to address their customers with tailored products and offers and to quickly and securely process transactions without having to invest in infrastructure and staff. The solution runs on Microsoft Azure and is hosted in data centers with the highest security standards.

During the reporting period, several customers also went live with the latest version of the Intershop Commerce Suite, including our long-standing customer Häfele. The international manufacturer of furniture fittings and hardware systems, as well as electronic locking systems uses its standardized B2B platform based on the Intershop software to offer business customers in more than 40 countries immediate access to over 100,000 products with comprehensive product information such as CAD and CAM data, installation handbooks, and service documents. Customers all over the world from the furniture industry, dealers, joiners and carpenters, as well as architects, planners, and building contractors rely on Häfele products. Block Foods AG also relies on the Intershop solution based on Microsoft's Azure Cloud. The long-established Block Group located in Hamburg uses the Intershop Commerce Suite as a new platform to increase its online brand presence, including the Block House Label known throughout Germany from the steak restaurants. The company uses its own online shop as well as various marketplaces to offer beef and convenience products to the gastronomy sector and the food wholesale and retail trade, thereby strengthening its market position in the long term.

The various awards received by Intershop customers highlighted once again the quality of the Intershop solutions in the first half of 2018. The Finnish customer Alko was named "Digital Leader" in Nordic e-Commerce in an analysis carried out by the consulting company BearingPoint. In the Dutch shopping awards, the Intershop customers Würth and Zamro received nominations in the category "Best B2B Shops". In the B2C Shops category, two Intershop customers, De Bijenkorf and PLUS, were also nominated.

Revenue Development

Reclassification of revenues into software and cloud revenues and service revenues

Since Intershop is increasingly focusing all its business activities on the cloud and its standardization starting in the 2018 financial year, revenues were reclassified into the main groups software and cloud revenue and service revenue at the beginning of the 2018 financial year. The license revenues and the associated maintenance revenues and the cloud and subscription revenues will be assigned to software and cloud revenues. This change does not have any impact on the applied accounting policies.

Revenue development during the first half of 2018

In the first six months of 2018, the Intershop Group generated revenues of EUR 16.0 million, which represents a decline of 11% compared to the prior-year period. While licenses and maintenance were below the prior-year value of EUR 7.2 million by 27% at EUR 5.2 million, the generated cloud and subscription revenues increased by 14% to EUR 2.5 million. In total, the new main group Software and Cloud generated revenues of EUR 7.8 million (prior year: EUR 9.4 million).

The decline is mainly due to the shift in sales during the strategic transition from the license to cloud business. With a cloud installation, revenues are continuously generated as a result of long-term customer contracts, but with a license contract, the entire revenues are generally recorded one time. Even though the new revenue structure introduced due to the "cloud first" approach triggers fluctuations in revenues and results in the short term, the recurring cloud revenues will ensure more consistency overall in the following quarters. Incoming cloud orders in the first six months totaled EUR 2.2 million (prior year: EUR 0.7 million). Compared to the prior-year period, revenues generated in the service segment declined by 3% to EUR 8.3 million. The share in the total revenues increased from 48% to 52%.

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

Six Months ended June 30,	2018	2017	Change
Software and Cloud Revenues	**7,754**	**9,415**	**-18%**
Licenses and Maintenance	**5,235**	**7,213**	**-27%**
Licenses	1,296	3,169	-59%
Maintenance	3,939	4,044	-3%
Cloud and Subscription	**2,519**	**2,202**	**14%**
Service Revenue	**8,259**	**8,541**	**-3%**
Revenues total	**16,013**	**17,956**	**-11%**

There are slight fluctuations in the breakdown of regional sales compared to the prior-year period. The European market continues to dominate by far. Revenues in this region declined by 13% to EUR 11.7 million (prior year: EUR 13.3 million), yet, European customers made up 73% of total sales, just below the prior-year level (74%). Revenues generated in the U.S. market remained stable compared to the prior-year period at EUR 2.1 million, these revenues increased by one percentage point to 13%. In the Asia-Pacific region, Intershop recorded lower revenues of EUR 2.3 million (prior year: EUR 2.5 million), which accounts for 14% of the total revenues.

Earnings Development

During the first six months of 2018, Intershop reported gross profit on sales of EUR 6.6 million, a decline of 26% compared to the prior-year figure of EUR 8.9 million. The gross margin decreased by nine percentage points to 41%. The decline was due to the considerably lower license revenues, while cloud revenues only increased gradually. Overall, the weighting of the license revenues will decline in the future as a result of the additional cloud revenues. Operating expenses of EUR 8.6 million were slightly below the level of the prior year of EUR 8.7 million. Marketing and sales costs increased by 3% to EUR 4.3 million. Research and development costs decreased by 10% to EUR 2.4 million. At EUR 1.8 million, administrative expenses remained at the same level as in the prior-year period.

Overall, the operating result (EBIT) in the first half of the year amounted to EUR -2.0 million (prior year: EUR 0.2 million) and the EBIT margin came in at -12% (prior year: 1%). The operating result before depreciation and amortization (EBITDA) amounted to EUR -0.1 million (prior year: EUR 1.4 million). Depreciation and amortization was below the prior-year value of EUR 1.2 million, totaling EUR 1.0 million. The result for the period after taxes was EUR -2.2 million (prior year: EUR 28k), which corresponds to earnings per share of EUR -0.07 (prior year: EUR 0.00).

Net Assets and Financial Position

At the interim balance sheet date of June 30, 2018, the Intershop Group had total assets of EUR 28.3 million exceeding those at the end of 2017 by 13%. This increase is mainly due to a cash capital increase from authorized capital by almost 10% of the existing share capital in May. The share capital was increased from EUR 31,683,484 to EUR 34,851,831 by issuing 3,168,347 new no-par value bearer shares against cash contributions and excluding the right of subscription of the shareholders. The issue amount for the new shares came to EUR 1.62. The total issue proceeds before costs were approx EUR 5.133 million. Intershop will use the funds from increasing the capital to accelerate transitioning to the cloud business.

Cash and cash equivalents increased by 27% to EUR 11.3 million on the assets side due to the inflow of capital, while on the liabilities side, equity increased by 19% to EUR 18.3 million compared to year-end 2017 at the interim balance sheet date. Furthermore, the repayment of an existing bank loan of EUR 1.0 million was offset by a new loan of EUR 1.5 million. EUR 1.0 million of this amount were recorded in non-current liabilities and EUR 0.5 million in current liabilities. At the same time, increased deferred revenues were also recorded during the reporting period, resulting in an increase in the current liabilities by a good 5% to EUR 8.1 million compared to year-end 2017. The equity ratio increased from 61% as at December 31, 2017 to 64% as at June 30, 2018. Overall, at the interim balance sheet date, Intershop presents a solid asset and capital structure.

In view of the financial position, Intershop generated operating cash flows of EUR -1.8 million (prior year: EUR 1.8 million) in the first half of the year. The negative cash flow is primarily due to the result for the period before taxes of EUR -2.1 million. The cash spent on investment activities amounted to EUR 1.4 million (prior year: EUR -1.1 million). The cash inflow from financing activities totaled EUR 5.6 million in the first six months. The value of cash and cash equivalents as at June 30, 2018 was EUR 11.3 million, compared to EUR 8.9 million at the end of 2017.

Research and Development

In the course of the expansion of the Microsoft partnership, the focus of Research and Development (R&D) activities in the current financial year is on the ongoing, close interconnection of the cloud offering with the Microsoft solutions and related systems. The goal is to perfect the interrelation of all components of the new offering and reduce the setup costs relating to new shops by way of standard integrations. In this regard, the CaaS solution launched in March 2018 is a new milestone.

Board of Management

On February 13, 2018, the company announced that Markus Klahn would be appointed as an additional member of the Management Board (Chief Operating Officer) effective April 9, 2018. This addition to the Management Board with responsibility for the service business not only reflects the growing significance of the cloud business but is expected to further accelerate the company's transformation process. Markus Klahn is an experienced sales expert and market observer, particularly with regard to the market positioning of software solutions. Before joining INTERSHOP Communications AG, he was in the top management at the ERP provider Proalpha and most recently at Jaggaer, a pure SaaS provider in the procurement sector.

Employees

As at June 30, 2018, Intershop had 336 full-time employees around the world. Compared to the prior year's reporting date, this represents an increase of 10 employees. There is a particular need for additional consultants and developers. Intershop is facing tough competition for IT specialists, which is an increasing obstacle to growth throughout the entire industry. Intershop is dealing with the shortage of specialists by strengthening the existing partnerships with universities and participating in recruiting events.

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

Employees by department*	June 30, 2018	December 31, 2017	June 30, 2017
Technical Departments (Service functions and Research and Development)	240	251	243
Sales and Marketing	58	49	42
General and administrative	38	38	41
	336	338	326

*based on full time staff, including students and trainees

At the interim balance sheet date, the number of employees in Europe was 287 or 85% of the workforce. 30 employees (9%) worked for Intershop in the Asia-Pacific region. In the United States, the percentage of the total workforce was just under 6% or 19 employees.

Outlook

The underlying conditions in the B2C and B2B e-Commerce market continue to be favorable. In Western Europe alone, the market research company eMarketer projects global online revenue growth of 36% to USD 457 billion by 2021. Intershop anticipates significant opportunities in the further expansion of its cloud solution business, which was the focus of all business activities based on the new "cloud first" policy. After focusing the activities on Germany in 2017, the partnership with Microsoft will be rolled out successively in other European markets. The company is working intensely on internationally marketing the CaaS solution offer that was launched in March 2018. Consulting services in the field of digital transformation are the focus of the customer approach prior to a platform decision.

The solid net assets and financial position means that the Intershop Group has a stable foundation to successfully implement the transition to a cloud provider. In order to exploit the opportunities in the cloud segment and to accelerate the growth in the number of new customers, we will also invest in sales and marketing in 2018. In the short term, the strategic transition from license to cloud business will result in fluctuations in revenues and results. In the medium term, the current transition will lead to considerably more consistency both in planning and in actual business performance due to the recurring cloud revenues. In the first half of 2018, Intershop recorded significantly more incoming cloud orders, totaling EUR 2.2 million (prior year: EUR 0.7 million).

At the same time, management adjusted its outlook for the ongoing 2018 financial year at the end of July due to the significant decline in license revenues, and now expects slightly lower revenues compared to the prior year as well as a negative operating result (EBIT) in the low single-digit million euros range. Previously, a slight increase in revenues and a slightly positive EBIT were expected. Nevertheless, the Management Board and the Supervisory Board reaffirm the consistent transformation towards the cloud business. Given the high momentum that the cloud market has now gained, strictly focusing the business model on this growth segment is the logical consequence in order to be competitive with the international companies as the last independent provider among the leading omni-channel-commerce platforms. Here, it is important to take advantage of the partnership with Microsoft to tap into new markets and to lead Intershop to steady, sustainable growth. In view of this, management still has its sights set on the medium-term goal of EUR 50 million in revenues and an EBIT margin of 5% for 2020.

Consolidated Balance Sheet

in EUR thousand	June 30, 2018	December 31, 2017
ASSETS		
Noncurrent assets		
Intangible assets	9,392	8,933
Property, plant and equipment	636	637
Other noncurrent assets	23	14
Deferred tax assets	635	637
	10,686	**10,221**
Current assets		
Trade receivables	5,650	5,181
Other receivables and other assets	673	698
Cash and cash equivalents	11,327	8,949
	17,650	**14,828**
TOTAL ASSETS	28,336	25,049
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	34,852	31,683
Capital reserve	9,739	7,806
Other reserves	(26,341)	(24,159)
	18,250	**15,330**
Noncurrent liabilities		
Liabilities to banks	1,784	1,787
Deferred revenue	186	223
	1,970	**2,010**
Current liabilities		
Other current provisions	212	289
Liabilities to banks	1,500	1,000
Trade accounts payable	1,520	1,527
Income tax liabilities	13	230
Other current liabilities	2,030	2,993
Deferred revenue	2,841	1,670
	8,116	**7,709**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	28,336	25,049

Consolidated Statement of Comprehensive Income

	Three months ended June 30,		Six months ended June 30,	
in EUR thousand	2018	2017	2018	2017
Revenues				
Software and Cloud Revenues	3,863	4,442	7,754	9,415
Service Revenues	4,008	4,372	8,259	8,541
	7,871	**8,814**	**16,013**	**17,956**
Cost of revenues				
Cost of revenues - Software and Cloud	(1,663)	(1,737)	(3,340)	(3,501)
Cost of revenues - Services	(3,067)	(2,584)	(6,050)	(5,509)
	(4,730)	**(4,321)**	**(9,390)**	**(9,010)**
Gross profit	3,141	4,493	6,623	8,946
Operating expenses, operating income				
Research and development	(1,273)	(1,379)	(2,428)	(2,687)
Sales and marketing	(2,217)	(2,100)	(4,330)	(4,202)
General and administrative	(927)	(943)	(1,843)	(1,828)
Other operating income	31	43	86	90
Other operating expenses	(17)	(107)	(109)	(122)
	(4,403)	**(4,486)**	**(8,624)**	**(8,749)**
Result from operating activities	(1,262)	7	(2,001)	197
Interest income	3	2	4	3
Interest expense	(45)	(56)	(86)	(111)
Financial result	**(42)**	**(54)**	**(82)**	**(108)**
Earnings before tax	(1,304)	(47)	(2,083)	89
Income taxes	**(33)**	**(20)**	**(68)**	**(61)**
Earnings after tax	(1,337)	(67)	(2,151)	28
Other comprehensive income:				
Exchange differences on translating foreign operations	20	(70)	(30)	(33)
Other comprehensive income from exchange differences	**20**	**(70)**	**(30)**	**(33)**
Total comprehensive income	**(1,317)**	**(137)**	**(2,181)**	**(5)**
Earnings per share (EUR, basic, diluted)	(0.04)	0.00	(0.07)	0.00
Weighted average shares outstanding (basic, diluted)	33,268	33,268	32,080	32,080

Consolidated Statement of Cash Flows

	Six months ended June 30,	
in EUR thousand	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	(2,083)	89
Adjustments to reconcile net profit/loss to cash used in operating activities		
Financial result	82	108
Depreciation and amortization	1,005	1,206
Changes in operating assets and liabilities		
Accounts receivable	(453)	159
Other assets	32	(157)
Liabilities and provisions	(989)	(562)
Deferred revenue	1,130	1,162
Net cash provided by operating activities before income tax and interest	(1,276)	2,005
Interest received	4	3
Interest paid	(226)	(116)
Income taxes received	3	4
Income taxes paid	(286)	(80)
Net cash (used in) operating activities	(1,781)	1,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments in intangible assets	(1,253)	(988)
Proceeds on disposal of equipment	1	6
Purchases of property and equipment	(153)	(109)
Net cash used in investing activities	(1,405)	(1,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from loan	1,500	0
Repayments of loans	(1,000)	(1,000)
Cash received for unregistered stock	5,133	0
Expenses of cash received for unregistered stock	(32)	0
Net cash provided by/used in financing activities	5,601	(1,000)
Effect of change in exchange rates	(37)	(23)
Net change in cash and cash equivalents	2,378	(298)
Cash and cash equivalents, beginning of period	8,949	10,898
Cash and cash equivalents, end of period	11,327	10,600

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
Balance, January 1, 2018	**31,683,484**	**31,683**	**7,806**	**(93)**	**(26,085)**	**2,019**	**15,330**
Total comprehensive income					(2,151)	(30)	(2,181)
Issue of new shares	3,168,347	3,168	1,933				5,101
Balance, June 30, 2018	34,851,831	34,852	9,739	(93)	(28,236)	1,988	18,250
Balance, January 1, 2017	**31,683,484**	**31,683**	**7,806**	**(93)**	**(25,421)**	**2,080**	**16,055**
Total comprehensive income					28	(33)	(5)
Balance, June 30, 2017	31,683,484	31,683	7,806	(93)	(25,393)	2,047	16,050

Notes on the Consolidated Financial Statements as of June 30, 2018

General disclosures

This interim report as of June 30, 2018 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 2017. 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, 2017. The 2017 Annual Report is available on the Company's web site at https://www.intershop.com/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, 2018, 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.

Accounting policies

The same accounting policies were used to prepare this interim report as for the consolidated financial statements for fiscal year 2017. The policies used are described in detail on pages 42 to 48 of the 2017 Annual Report.

Revenues are broken down into the main groups software and cloud revenues and service revenues beginning in the 2018 financial year. License revenues and the associated maintenance revenues, as well as the cloud and subscription revenues are included in software and cloud revenues. In the past, revenues from providing SaaS products were reported in the license revenues. In the new revenue classification, these are now reported under "Cloud and Subscription". In the past, the full service sales generated recurring and non-recurring revenues, as well as sales from the cloud offering. The regularly recurring revenues as well as the sales from the cloud offering are reclassified and reported under "Cloud and Subscription". Service revenues include revenues from consulting and training, as well as non-recurring revenue from the full service area. The prior-year figures have been adjusted accordingly. The following table shows the reclassification of the prior-year figures:

Previous revenue structure	Previous 6M-2017	Reclassification of licenses	Reclassification Full Service	New 6M-2017	New revenue structure
Product Revenue	**7,647**	**0**	**1,768**	**9,415**	**Software and Cloud Revenue**
Licenses	3,603	(434)		3,169	Licenses
Maintenance	4,044			4,044	Maintenance
		434	1,768	2,202	Cloud and Subscription
Service Revenue	**10,309**	**0**	**(1,768)**	**8,541**	**Service Revenue**
Consulting/Training	7,098			7,098	
Full Service	3,211		(1,768)	1,443	
Revenue total	**17,956**	**0**	**0**	**17,956**	**Revenue total**

The recognition and measurement of balance sheet items remain unchanged.

Equity

The change in equity of INTERSHOP Communications AG is shown in the consolidated statement of changes in equity. As at June 30, 2018, the subscribed capital increased by EUR 3,168,347 to EUR 34,851,831 and is divided into 34,851,831 non-par value bearer shares. The change is the result of a capital increase from Authorized Capital I.

As at June 30, 2018, Authorized Capital I decreased by EUR 3,168,347 from EUR 6,336,000 to EUR 3,167,653. In May 2018, a cash capital increase was carried out by issuing 3,168,347 new no-par value bearer shares, excluding the right of subscription of the shareholders. This capital increase became legally effective upon entry in the Register of Companies (*Handelsregister*) on May 15, 2018. At the annual general meeting on May 9, 2018, new Authorized Capital II of EUR 9,500,000 was created. Accordingly, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the share capital by a total of EUR 9,500,000, once or multiple times, against cash contributions and/or contributions in kind, by issuing new no-par value bearer shares. The Management Board's authorization is valid until June 8, 2023. The Management Board is authorized, subject to approval of the Supervisory Board, to suspend the stockholders' subscription rights in certain cases. The new Approved Capital II, together with the change to the articles of association, was entered in the Register of Companies on June 8, 2018.

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,	
	2018	2017	2018	2017
Basis for calculating basic and diluted earnings per share (earnings after tax)	(1,337)	(67)	(2,151)	28
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	33,268	33,268	32,080	32,080
Earnings per share (basic/diluted) (in EUR)	**(0.04)**	**0.00**	**(0.07)**	**0.00**

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. In accordance with IAS 33.64 the calculation of the number of shares was adjusted retrospectively for the prior year.

Segment Reporting

Three months ended June 30, 2018 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**2,683**	**570**	**610**	**0**	**3,863**
Licenses and Maintenance	**2,095**	**298**	**171**	**0**	**2,564**
Licenses	429	149	2	0	580
Maintenance	1,666	149	169	0	1,984
Cloud and Subscription	**588**	**272**	**439**	**0**	**1,299**
Service Revenue	**2,903**	**538**	**567**	**0**	**4,008**
Total revenues from external customers	**5,586**	**1,108**	**1,177**	**0**	**7,871**
Intersegment revenues	8	0	8	(16)	0
Total revenues	**5,594**	**1,108**	**1,185**	**(16)**	**7,871**
Result from operating activities	**(912)**	**(167)**	**(183)**	**0**	**(1,262)**
Financial result					**(42)**
Earnings before tax					**(1,304)**
Income taxes					**(33)**
Earnings after tax					**(1,337)**

Three months ended June 30, 2017 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**3,031**	**672**	**739**	**0**	**4,442**
Licenses and Maintenance	**2,623**	**552**	**199**	**0**	**3,374**
Licenses	1,045	387	0	0	1,432
Maintenance	1,578	165	199	0	1,942
Cloud and Subscription	**408**	**120**	**540**	**0**	**1,068**
Service Revenue	**3,295**	**514**	**563**	**0**	**4,372**
Total revenues from external customers	**6,326**	**1,186**	**1,302**	**0**	**8,814**
Intersegment revenues	121	0	96	(217)	0
Total revenues	**6,447**	**1,186**	**1,398**	**(217)**	**8,814**
Result from operating activities	**1**	**1**	**5**	**0**	**7**
Financial result					**(54)**
Earnings before tax					**(47)**
Income taxes					**(20)**
Earnings after tax					**(67)**

Six months ended June 30, 2018 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**5,581**	**952**	**1,221**	**0**	**7,754**
Licenses and Maintenance	**4,444**	**450**	**341**	**0**	**5,235**
Licenses	1,141	149	6	0	1,296
Maintenance	3,303	301	335	0	3,939
Cloud and Subscription	**1,137**	**502**	**880**	**0**	**2,519**
Service Revenue	**6,070**	**1,116**	**1,073**	**0**	**8,259**
Total revenues from external customers	**11,651**	**2,068**	**2,294**	**0**	**16,013**
Intersegment revenues	25	0	8	(33)	0
Total revenues	**11,676**	**2,068**	**2,302**	**(33)**	**16,013**
Result from operating activities	**(1,464)**	**(255)**	**(282)**	**0**	**(2,001)**
Financial result					**(82)**
Earnings before tax					**(2,083)**
Income taxes					**(68)**
Earnings after tax					**(2,151)**

Six months ended June 30, 2017 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**6,980**	**1,005**	**1,430**	**0**	**9,415**
Licenses and Maintenance	**6,108**	**723**	**382**	**0**	**7,213**
Licenses	2,782	387	0	0	3,169
Maintenance	3,326	336	382	0	4,044
Cloud and Subscription	872	282	1,048	**0**	**2,202**
Service Revenue	6,339	1,085	1,117	**0**	**8,541**
Total revenues from external customers	**13,319**	**2,090**	**2,547**	**0**	**17,956**
Intersegment revenues	152	0	114	(266)	0
Total revenues	**13,471**	**2,090**	**2,661**	**(266)**	**17,956**
Result from operating activities	**146**	**19**	**32**	**0**	**197**
Financial result					**(108)**
Earnings before tax					**89**
Income taxes					**(61)**
Earnings after tax					**28**

The classification of revenues for the business segments that must be reported was adjusted in accordance with the presentation of revenues for the Group. We refer to the section "Accounting policies".

Litigation

In the first six months of fiscal year 2018, no changes took place with regard to the legal disputes disclosed on page 63 of the 2017 Annual Report.

Directors' holdings and Securities transactions subject to reporting requirements

As of June 30, 2018, 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
Univ.-Prof. Dr. Louis Velthuis	Member of the Supervisory Board	5,000
Dr. Jochen Wiechen	CEO of the Board of Management	90,000
Axel Köhler	Member of the Board of Management	6,500
Markus Klahn	Member of the Board of Management	30,311

In the first six months of fiscal year 2018, 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)
Jochen Wiechen	05/08/2018	Purchase	30,000	51,900

Events subsequent to the balance sheet date

The Supervisory Board and Axel Köhler, Chief Sales Officer, on July 31, 2018, agreed not to extend Axel Köhler's Management Board contract, which runs until August 31, 2019. Talks are currently underway to terminate the contract prematurely.

No other 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 2018**	**2017**	**6M 2017**
Closing price[1]	in EUR	1.66	1.78	1.66
Number of shares outstanding (end of period)	in million shares	34.85	31.68	31.68
Market capitalization	in EUR million	57.85	56.40	52.59
Earnings per share	in EUR	(0.07)	(0.02)	0.00
Cashflow per share	in EUR	(0.05)	0.05	0.06
Carrying amount per share	in EUR	0.52	0.48	0.51
Average trading volume per day[2]	Number	37,876	53,028	53,491
Free float	in %	62	66	66

[1] Basis: Xetra
[2] Basis: all stock exchanges

Contact

Investor Relations Contact

INTERSHOP Communications AG
Intershop Tower
07740 Jena, Germany
Phone +49 3641 50 1000
Fax +49 3641 50 1309
E-mail ir@intershop.com
www.intershop.com

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.