Group Management Report For The Nine Months Ended

September 30, 2018

Content

Letter to Our Stockholders

Dear stockholders and business partners,

the third quarter was marked by many positive impulses for Intershop's further strategic development: 200 high-ranking representatives of the sector as well as our customers and our partners attended our second Intershop Impulse Summit in September 2018 in Berlin, which became an important event focusing on the latest developments in omni-channel commerce. In early September, we agreed to further expand our partnership with our strategic partner Microsoft. In the future, Intershop will be supported by a team at the corporate headquarters in Redmond and our commerce solution will become an integral part of the Microsoft Azure Cloud solution portfolio. This will considerably increase our global visibility, particularly among U.S. customers. The renowned industry analysts at Forrester Research named our B2B solution the best product offering in their latest "Forrester Wave Study" – an honor that primarily goes to our developers who work with great dedication each day on improving our Intershop Suite. We have plenty of good news that support our strategic course and give further impetus during the transition towards the cloud business. The figures of the first nine months reflect the strategic transition of our business. The shift in sales from immediately received license revenues to monthly recurring cloud revenues has resulted in overall lower sales compared to the prior year and temporary adverse effects on results. The considerable increase in incoming orders and a 16% increase in cloud business are, however, a step in the right direction. We want to continue to build on this and finish the year strong with further milestones in the cloud business.

Sincerely,

Dr. Jochen Wiechen   Markus Klahn

Key Figures for the Group

in EUR thousand	9-Months 2018	9-Months 2017	Change
Revenue			
Revenue	23,921	26,374	-9%
Software and Cloud Revenue	11,775	13,241	-11%
Services Revenue	12,146	13,134	-8%
Revenue Europe	17,670	19,608	-10%
Revenue U.S.A.	2,787	2,897	-4%
Revenue Asia/Pacific	3,464	3,869	-10%
Cloud order entry	3,179	2,077	53%
Earnings			
Cost of revenues	14,231	13,455	6%
Gross profit	9,690	12,920	-25%
Gross margin	41%	49%	
Operating expenses, operating income	13,403	12,704	6%
Research and development	3,508	3,870	-9%
Sales and marketing	7,185	6,138	17%
General and administrative	2,690	2,673	1%
Other operating income/expenses	20	23	-13%
EBIT	(3,713)	215	++
EBIT Margin	-16%	1%	
EBITDA	(2,146)	2,090	++
EBITDA Margin	-9%	8%	
Net result	(3,918)	(16)	++
Earnings per share (EUR)	(0.12)	0.00	++
Net Assets			
Shareholders' equity	16,460	15,991	3%
Equity ratio	63%	63%	
Balance sheet total	26,178	25,204	4%
Noncurrent assets	10,918	10,373	5%
Current assets	15,260	14,831	3%
Noncurrent liabilities	1,956	2,025	-3%
Current liabilities	7,762	7,188	8%
Financial Position			
Cash and cash equivalents	9,701	9,646	1%
Cash flows from operating activities	(2,458)	1,507	++
Depreciation and amortization	1,567	1,875	-16%
Cash flows from investing activities	(2,208)	(1,719)	-28%
Cash flows from financing activities	5,476	(1,000)	++
Employees	343	330	4%

Group Management Report

Business performance during the first nine months of 2018

In the first nine months of 2018, Intershop generated sales revenues of EUR 23.9 million (prior year: EUR 26.4 million), which represents a decline of 9%. While the license and maintenance revenues declined by 20% to EUR 7.9 million, cloud and subscription revenues increased by 16% to EUR 3.9 million. The company also recorded incoming cloud orders generating EUR 3.2 million (prior year: EUR 2.1 million) in the first nine months. A decline of 8% to EUR 12.1 million was recorded in the service segment. Earnings before interest and taxes (EBIT) totaled EUR -3.7 million.

"Cloud first" strategy is being consistently pursued

In the spring of 2018, Intershop announced that the cloud approach will be the focus of activities, both for investments in research and development and in marketing and sales. The decision is based on the increasing willingness of companies to use cloud-based systems and programs. Studies show that more than two thirds of companies in Germany alone have already been using cloud services. 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, the pressure on small and medium-sized companies to establish or expand their own digital distribution channels is mounting. 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 entailing low investment risks. Intershop's new complete Commerce-as-a-Service solution (CaaS), which was presented in March, offers a comprehensive and efficient standard cloud solution. This led to a considerable increase in incoming cloud orders, which grew by 53% to EUR 3.2 million in the first nine months.

Strategic partnership with Microsoft taken to a new level

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 platform. The partnership was reinforced in July 2018 when Intershop received the "Runner-up of the Year“ award at the Microsoft partner conference Inspire in Las Vegas. In early September, Microsoft and Intershop agreed on further strengthening their partnership by bringing in a Microsoft team to the company headquarters in Redmond (U.S.A.). The Intershop Commerce solution is also incorporated in the Microsoft Azure Cloud (‘Microsoft Global Solution Maps‘) solution portfolio and integrated in the business applications of the Microsoft Dynamics 365 product family. This new level of partnership considerably increases the international presence of the Intershop offering.

Forrester analysts name Intershop as "Leader" in the sector

For the first time since the beginning of the world-renowned Forrester Wave study, Intershop, with its B2B platform, was ranked at the top of international competition in the "Leader" category. "Intershop has a clearly defined vision of the future of B2B commerce, and the company's tools to implement this vision are particularly impressive." This positive assessment is based on the high customer satisfaction of Intershop users verified by the analysts, particularly due to the flexibility of the B2B solution in complex organizational structures. The classification of the e-Commerce experts further boosts the sales and marketing initiatives of the company and strengthens the international reputation of the Intershop Omni-Commerce Suite in particular.

New CaaS customers and increased partner involvement in cloud sales

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 nine months of 2018, Intershop was able to gain several new customers for its 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 CaaS service package. In early September, Intershop announced that it has gained the long-established German company Trumpf as a new customer for its cloud solution: Trumpf is known for high technology, from lasers to digitally networked machine tools (revenue of EUR 3.6 billion – preliminary figures 2017/18) and relies on the Intershop software solution for its new Customer Experience Management System. Other new customers included elero GmbH, a B2B customer in the field of drives and controls for building technology, as well as Spinner GmbH, a technology company steeped in tradition from Southern Germany. The online shop of Netto, the food discount store, was migrated to Intershop 7, which was successfully implemented with the partner dotSource in a record time of 3 months. In addition to Netto, several other customers also went live with the latest version of the Intershop Commerce Suite during the reporting period, including our long-standing customer Häfele as well as Block Foods AG.

The focus of our collaboration with partners is also shifting towards cloud-based applications. For example, 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. The solution runs on Microsoft Azure and is hosted in data centers with the highest security standards.

Since August 2018, Intershop has also used its API approach to give digital agencies the option of making its Commerce-as-a-Service offering available to their customers.

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 nine month of 2018

In the first nine months of 2018, the Intershop Group generated sales revenues of EUR 23.9 million, which represents a decline of 9% compared to the prior-year period. The decline in sales is mainly due to the strategic transition to the cloud business and the associated shift in sales from license revenues, which are received immediately, to monthly recurring cloud revenues. With a cloud installation, revenues are continuously generated as a result of long-term customer contracts, but with a licensing contract, the entire revenues are generally recorded once. Even though the new sales 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.

While the license and maintenance revenues declined by 20% to EUR 7.9 million, cloud and subscription revenues increased by 16% to EUR 3.9 million. Cloud and subscription revenues accounted for 16% of total revenues (prior year: 13%) and will increase in the future. The company also recorded incoming cloud orders generating EUR 3.2 million (prior year: EUR 2.1 million) in the first nine months. A decline of 8% to EUR 12.1 million was recorded in the service segment.

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

Nine Months ended September 30,	2018	2017	Change
Software and Cloud Revenues	**11,775**	**13,240**	**-11%**
Licenses and Maintenance	7,898	9,907	-20%
Licenses	1,926	3,889	-50%
Maintenance	5,972	6,018	-1%
Cloud and Subscription	3,877	3,333	16%
Service Revenue	**12,146**	**13,134**	**-8%**
Revenues total	**23,921**	**26,374**	**-9%**

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 10% to EUR 17.7 million (prior year: EUR 19.6 million), yet, European customers accounted for 74% of total sales, remaining at the prior-year level. Revenues generated in the U.S. market remained virtually stable compared to the prior-year period at EUR 2.8 million, these revenues increased by one percentage point to 12%. In the Asia-Pacific region, Intershop recorded lower revenues of EUR 3.5 million (prior year: EUR 3.9 million), which accounts for 14% of the total revenues.

Earnings Development

In the course of the transition process, the first nine months were marked by negative result effects. During the first nine months of 2018, Intershop reported overall gross profits on sales of EUR 9.7 million, a decline of 25% compared to the prior-year figure of EUR 12.9 million. The gross margin decreased by eight 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 increased slightly by 6% to EUR 13.4 million. Marketing and sales costs increased by 17% to EUR 7.2 million. This includes one-time expenses of EUR 0.5 million for the restructuring of sales associated with the "cloud first" strategy. Research and development costs decreased by 9% to EUR 3.5 million. At EUR 2.7 million, administrative expenses remained at the same level as in the prior-year period.

The operating result (EBIT) for the first nine months amounted to EUR -3.7 million (prior year: EUR 0.2 million). The operating result before depreciation and amortization (EBITDA) amounted to EUR -2.1 million (prior year: EUR 2.1 million). Depreciation and amortization was below the prior-year value of EUR 1.9 million, totaling EUR 1.6 million. The result for the period after taxes was EUR -3.9 million (prior year: EUR -16k), which corresponds to earnings per share of EUR -0.12 (prior year: EUR 0.00).

Net Assets and Financial Position

At the interim balance sheet date of September 30, 2018, the Intershop Group had total assets of EUR 26.2 million, which was 5% higher than at the end of 2017.

On the assets side, non-current assets increased by 7% to EUR 10.9 million. Current assets increased by 3% to EUR 15.3 million. Cash and cash equivalents increased by 8% to EUR 9.7 million (December 31, 2017: EUR 8.9 million). On the liabilities side, equity increased by 7% to EUR 16.5 million at the interim balance sheet date compared to the 2017 year-end. Furthermore, the scheduled annual 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 was recorded in non-current liabilities and EUR 0.5 million, less the monthly repayments already made, in current liabilities. At the same time, increased deferred revenues were also recorded during the reporting period. Other current liabilities fell from EUR 3.0 million to EUR 2.2 million. Overall, current liabilities were at almost the same level as at the end of December 2017, totaling EUR 7.8 million. The equity ratio increased from 61% as at December 31, 2017 to 63% as at September 30, 2018. Overall, Intershop shows a solid asset and capital structure at the interim balance sheet date.

As for the financial position, Intershop generated operating cash flows of EUR -2.5 million (prior year: EUR 1.5 million) in the reporting period. The negative cash flow is primarily due to the result for the period before taxes of EUR -3.8 million. The cash spent on investment activities amounted to EUR 2.2 million (prior year: cash spent in the amount of EUR 1.7 million). The cash inflow from financing activities totaled EUR 5.5 million in the first nine months (prior year: cash spent in the amount of EUR 1.0 million). This cash inflow is mainly due to a cash capital increase from authorized capital by almost 10% of the existing share capital in May 2018. The issuance amount for the new shares amounted to EUR 1.62. The total issuance proceeds before expenses were approx EUR 5.133 million. Overall, cash and cash equivalents as at September 30, 2018 increased to EUR 9.7 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.

The newest version of the Intershop standard solution - Intershop Commerce Management 7.10 - was introduced in September 2018. A new version of Intershop Order Management was also launched. The current release is geared towards the cloud strategy and the partnership with Microsoft. A highlight of the latest version is the integration of the Intershop Commerce Suite into the applications for Microsoft Dynamics 365 for Finance and Operations. This is achieved by means of the Intershop standard connectors, which are the reason for seamless integration of the Intershop Commerce Suite in the ERP system of Microsoft Dynamics 365 The microservice architecture used can be flexibly adapted to customer projects and ensures quick integration. This allows orders and inventory data between the Intershop Commerce Suite and Microsoft Dynamics 365 to be swiftly and easily synchronized, making double entries of data or inconsistent inventories a thing of the past.

The Intershop Progressive Web App (PWA) is also setting new standards in modern e-Commerce. In a "Mobile-First World," where mobile devices are used more and more frequently for online access and search engines favor mobile sites in the SEO ranking, many shop operators have to develop both a mobile online shop as well as an additional native app. The Intershop Progressive Web Application represents the symbiosis between a responsive website and a mobile app.

Board of Management

On April 9, 2018, Markus Klahn was appointed as an additional member of the Management Board (Chief Operating Officer) of INTERSHOP Communications AG. 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.

Effective August 16, 2018, Axel Köhler resigned from his position as a member of the Management Board and Chief Sales Officer (CSO). As CSO, Axel Köhler was also responsible for sales and marketing. His tasks are now being performed by Markus Klahn (COO), who will be one of two members of the Management Board in the future, together with CEO Dr. Jochen Wiechen.

Employees

As at September 30, 2018, Intershop had 343 full-time employees around the world. Compared to the prior year's reporting date, this represents an increase of 13 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*	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Technical Departments (Service functions and Research and Development)	248	251	247
Sales and Marketing	58	49	45
General and administrative	37	38	38
	343	338	330

*based on full time staff, including students and trainees

At the interim balance sheet date, the number of employees in Europe was 294 or 86% of the workforce. 31 employees (9%) worked for Intershop in the Asia-Pacific region. In the United States, the percentage of the total workforce was just under 5% or 18 employees.

Outlook

The underlying conditions in the B2C and B2B e-Commerce market continue to be favorable. Intershop anticipates significant opportunities in the further expansion of its cloud solution business, which has been the focus of all business activities since spring 2018. The CaaS solution offering which was launched in March was met with positive feedback in the first few months of distribution and Intershop gained several promising new customers, the number of which is expected to grow considerably with increasing visibility on the market.

We will also benefit from the new partnership with Microsoft in this area, which was further intensified in the third quarter. Integration into the solution portfolio of Microsoft Azure Cloud ("Microsoft Global Solution Maps") further increases the global visibility of the Intershop offering and considerably boosts the company's international sales activities.

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 the next few months. While this temporarily affects profitability, it is essential to successfully overcome the strategic transition from the license to the cloud business. In the medium term, the current transition will lead to considerably more consistency both in budgeting and in actual business performance due to the recurring cloud revenues. The considerable increase in incoming orders in the first nine months, totaling EUR 3.2 million (prior year: EUR 2.1 million), is a step in the right direction.

For the entire year 2018, the Management confirms its forecast of a slightly lower volume of sales compared to the prior year, as well as a negative operating result (EBIT) in the low single-digit million euro range. The medium-term goal as part of the Lighthouse strategy program of sales revenues of EUR 50 million and an EBIT margin of 5% in 2020 remains an integral element of the Management's budgeting.

Consolidated Balance Sheet

in EUR thousand	September 30, 2018	December 31, 2017
ASSETS		
Noncurrent assets		
Intangible assets	9,648	8,933
Property, plant and equipment	612	637
Other noncurrent assets	23	14
Deferred tax assets	635	637
	10,918	**10,221**
Current assets		
Trade receivables	4,747	5,181
Other receivables and other assets	812	698
Cash and cash equivalents	9,701	8,949
	15,260	**14,828**
TOTAL ASSETS	26,178	25,049
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	34,852	31,683
Capital reserve	9,738	7,806
Other reserves	(28,130)	(24,159)
	16,460	**15,330**
Noncurrent liabilities		
Liabilities to banks	1,791	1,787
Deferred revenue	165	223
	1,956	**2,010**
Current liabilities		
Other current provisions	220	289
Liabilities to banks	1,375	1,000
Trade accounts payable	1,585	1,527
Income tax liabilities	19	230
Other current liabilities	2,186	2,993
Deferred revenue	2,377	1,670
	7,762	**7,709**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26,178	25,049

Consolidated Statement of Comprehensive Income

in EUR thousand	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Revenues				
Software and Cloud Revenues	4,021	3,825	11,775	13,240
Service Revenues	3,887	4,593	12,146	13,134
	7,908	**8,418**	**23,921**	**26,374**
Cost of revenues				
Cost of revenues - Software and Cloud	(1,678)	(1,782)	(5,018)	(5,282)
Cost of revenues - Services	(3,163)	(2,663)	(9,213)	(8,172)
	(4,841)	**(4,445)**	**(14,231)**	**(13,455)**
Gross profit	3,067	3,973	9,690	12,919
Operating expenses, operating income				
Research and development	(1,080)	(1,183)	(3,508)	(3,870)
Sales and marketing	(2,855)	(1,936)	(7,185)	(6,138)
General and administrative	(847)	(845)	(2,690)	(2,673)
Other operating income	38	46	124	136
Other operating expenses	(35)	(37)	(144)	(159)
	(4,779)	**(3,955)**	**(13,403)**	**(12,704)**
Result from operating activities	(1,712)	18	(3,713)	215
Interest income	0	1	4	4
Interest expense	(36)	(41)	(122)	(152)
Financial result	**(36)**	**(40)**	**(118)**	**(148)**
Earnings before tax	(1,748)	(22)	(3,831)	67
Income taxes	(19)	(22)	(87)	(83)
Earnings after tax	(1,767)	(44)	(3,918)	(16)
Other comprehensive income:				
Exchange differences on translating foreign operations	(23)	(14)	(53)	(47)
Other comprehensive income from exchange differences	**(23)**	**(14)**	**(53)**	**(47)**
Total comprehensive income	**(1,790)**	**(58)**	**(3,970)**	**(63)**
Earnings per share (EUR, basic, diluted)	(0.05)	0.00	(0.12)	0.00
Weighted average shares outstanding (basic, diluted)	34,852	34,852	32,872	32,872

Consolidated Statement of Cash Flows

	Nine months ended September 30,	
in EUR thousand	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	(3,831)	67
Adjustments to reconcile net profit/loss to cash used in operating activities		
Financial result	118	148
Depreciation and amortization	1,567	1,875
Changes in operating assets and liabilities		
Accounts receivable	434	511
Other assets	(121)	(63)
Liabilities and provisions	(726)	(910)
Deferred revenue	648	154
Net cash provided by operating activities before income tax and interest	(1,911)	1,782
Interest received	4	5
Interest paid	(256)	(147)
Income taxes received	3	4
Income taxes paid	(298)	(137)
Net cash (used in) operating activities	(2,458)	1,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments in intangible assets	(1,983)	(1,536)
Proceeds on disposal of equipment	2	8
Purchases of property and equipment	(227)	(191)
Net cash used in investing activities	(2,208)	(1,719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from loan	1,500	0
Repayments of loans	(1,125)	(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	5,476	(1,000)
Effect of change in exchange rates	(58)	(40)
Net change in cash and cash equivalents	752	(1,252)
Cash and cash equivalents, beginning of period	8,949	10,898
Cash and cash equivalents, end of period	9,701	9,646

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					(3,918)	(53)	(3,971)
Issue of new shares	3,168,347	3,168	1,932				5,100
Balance, September 30, 2018	34,851,831	34,852	9,738	(93)	(30,003)	1,966	16,460
Balance, January 1, 2017	**31,683,484**	**31,683**	**7,806**	**(93)**	**(25,421)**	**2,080**	**16,055**
Total comprehensive income					(16)	(47)	(63)
Balance, September 30, 2017	31,683,484	31,683	7,806	(93)	(25,437)	2,032	15,991

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

General disclosures

This interim report as of September 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 September 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 9M-2017	Reclassification of licenses	Reclassification Full Service	New 9M-2017	New revenue structure
Product Revenue	**10,549**	**0**	**2,691**	**13,240**	**Software and Cloud Revenue**
Licenses	4,531	(642)		3,889	Licenses
Maintenance	6,018			6,018	Maintenance
		642	2,691	3,333	Cloud and Subscription
Service Revenue	**15,825**	**0**	**(2,691)**	**13,134**	**Service Revenue**
Consulting/Training	11,045			11,045	
Full Service	4,780		(2,691)	2,089	
Revenue total	**26,374**	**0**	**0**	**26,374**	**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 September 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 September 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Basis for calculating basic and diluted earnings per share (earnings after tax)	(1,767)	(44)	(3,918)	(16)
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	34,852	34,852	32,872	32,872
Earnings per share (basic/diluted) (in EUR)	**(0.05)**	**0.00**	**(0.12)**	**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 September 30, 2018 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**2,986**	**427**	**608**	**0**	**4,021**
Licenses and Maintenance	**2,340**	**162**	**161**	**0**	**2,663**
Licenses	628	2	0	0	630
Maintenance	1,712	160	161	0	2,033
Cloud and Subscription	**646**	**265**	**447**	**0**	**1,358**
Service Revenue	**3,033**	**292**	**562**	**0**	**3,887**
Total revenues from external customers	**6,019**	**719**	**1,170**	**0**	**7,908**
Intersegment revenues	19	0	4	(23)	0
Total revenues	**6,038**	**719**	**1,174**	**(23)**	**7,908**
Result from operating activities	**(1,316)**	**(274)**	**(122)**	**0**	**(1,712)**
Financial result					**(36)**
Earnings before tax					**(1,748)**
Income taxes					**(19)**
Earnings after tax					**(1,767)**

Three months ended September 30, 2017 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**2,645**	**441**	**739**	**0**	**3,825**
Licenses and Maintenance	**2,200**	**259**	**235**	**0**	**2,694**
Licenses	594	63	63	0	720
Maintenance	1,606	196	172	0	1,974
Cloud and Subscription	**445**	**182**	**504**	**0**	**1,131**
Service Revenue	**3,644**	**366**	**583**	**0**	**4,593**
Total revenues from external customers	**6,289**	**807**	**1,322**	**0**	**8,418**
Intersegment revenues	11	0	13	(24)	0
Total revenues	**6,300**	**807**	**1,335**	**(24)**	**8,418**
Result from operating activities	**20**	**(4)**	**2**	**0**	**18**
Financial result					**(40)**
Earnings before tax					**(22)**
Income taxes					**(22)**
Earnings after tax					**(44)**

Nine months ended September 30, 2018 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**8,567**	**1,379**	**1,829**	**0**	**11,775**
Licenses and Maintenance	**6,784**	**612**	**502**	**0**	**7,898**
Licenses	1,769	151	6	0	1,926
Maintenance	5,015	461	496	0	5,972
Cloud and Subscription	**1,783**	**767**	**1,327**	**0**	**3,877**
Service Revenue	**9,103**	**1,408**	**1,635**	**0**	**12,146**
Total revenues from external customers	**17,670**	**2,787**	**3,464**	**0**	**23,921**
Intersegment revenues	44	0	12	(56)	0
Total revenues	**17,714**	**2,787**	**3,476**	**(56)**	**23,921**
Result from operating activities	**(2,780)**	**(529)**	**(404)**	**0**	**(3,713)**
Financial result					**(118)**
Earnings before tax					**(3,831)**
Income taxes					**(87)**
Earnings after tax					**(3,918)**

Nine months ended September 30, 2017 in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli-dation	Group
Revenues from external customers					
Software and Cloud Revenue	**9,625**	**1,446**	**2,169**	**0**	**13,240**
Licenses and Maintenance	**8,308**	**982**	**617**	**0**	**9,907**
Licenses	3,376	450	63	0	3,889
Maintenance	4,932	532	554	0	6,018
Cloud and Subscription	**1,317**	**464**	**1,552**	**0**	**3,333**
Service Revenue	**9,983**	**1,451**	**1,700**	**0**	**13,134**
Total revenues from external customers	**19,608**	**2,897**	**3,869**	**0**	**26,374**
Intersegment revenues	163	0	127	(290)	0
Total revenues	**19,771**	**2,897**	**3,996**	**(290)**	**26,374**
Result from operating activities	**166**	**15**	**34**	**0**	**215**
Financial result					**(148)**
Earnings before tax					**67**
Income taxes					**(83)**
Earnings after tax					**(16)**

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".

Directors' holdings and Securities transactions subject to reporting requirements

As of September 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	10,000
Dr. Jochen Wiechen	CEO of the Board of Management	90,000
Markus Klahn	Member of the Board of Management	30,311

In the first nine 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)
Dr. Jochen Wiechen	05/08/2018	Purchase	30,000	51,900
Univ.-Prof. Dr. Louis Velthuis	08/06/2018	Purchase	5,000	8,342

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		**9M 2018**	**2017**	**9M 2017**
Closing price[1]	in EUR	1.69	1.78	1.72
Number of shares outstanding (end of period)	in million shares	34.85	31.68	31.68
Market capitalization	in EUR million	58.90	56.40	54.50
Earnings per share	in EUR	(0.12)	(0.02)	0.00
Cashflow per share	in EUR	(0.07)	0.05	0.05
Carrying amount per share	in EUR	0.47	0.48	0.50
Average trading volume per day[2]	Number	38,224	53,028	47,383
Free float	in %	62	66	66

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

Contact

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