

Quarterly Statement

Q1 - Q3 2023

January - September 2023

Letter to Our Stockholders

Dear stockholders and business partners,

Our growth trend in the cloud business continued to progress in the first nine months of 2023. At EUR 11.8 million, cloud revenue reached over 40% of total revenue. The cloud margin also continued to remain high at 57%. As at September 30, we achieved an increase of 11% in recurring revenue (ARR) to EUR 16.6 million. This is a good basis and allows us to plan our business much better. Incoming cloud orders of EUR 13.9 million in the first three quarters still did not reach the high level of the prior year, however we are counting on a strong fourth quarter. Even though we are still feeling the reluctance to invest and postponement of investment decisions as a result of the slowing of the overall economic environment, we are having promising talks with potential customers and are confident that we will be able to conclude some new orders this year.

In response to the continued negative result and new business falling short of expectations, we are intensively driving forward the Value Creation Program (VCP), initiated over the course of the year, which identifies and analyzes potential for value creation and is intended to improve company processes. The primary measures include the restructuring of US market sales, a general hiring freeze with the exception of replacements, expanding the cloud offering to include an entry-level option with reduced services, efficiency measures to reduce infrastructure costs and the continuation of measures to optimize processes in the service sector. The latter showed further recovery in the first nine months. Revenues in this sector are 9% higher than in the prior year. This shows that our structural improvement measures as well as the measures we introduced to increase efficiency in project execution are taking effect, which is leading to a more stable utilization of our service team.

A factor that should not be underestimated - even in the competition for new cloud customers - is the highest quality and security standards. We have successfully had Intershop Cloud Operations certified according to the international standard ISO 27001, thereby confirming that the processes in our core business fully meet all requirements for security and professionalism.

The main driver of our growth is and remains our European business, which again grew by 11%. In contrast, the US market and APAC are currently falling behind our expectations due to a lack of new cloud and service orders.

The fact that we continue to be a technologically leading provider in an increasingly competitive market with a powerful omnichannel platform is reflected in our renewed awards in the Paradigm B2B Report and the B2B Market Monitor.

Despite the continued challenging market environment, we are confident that we will achieve our objectives for 2023 overall and thank you for your trust.

Best regards,


Markus Klahn


Petra Stappenbeck

Key Figures for the Group

in EUR thousand	9-Months 2023	9-Months 2022	Change
KPIs			
Cloud order entry	13,898	18,702	-26%
Net New ARR	1,254	2,900	-57%
Revenue	28,643	27,559	4%
EBIT	(1,493)	(1,085)	-38%
REVENUES			
Revenues	28,643	27,559	4%
Licenses and Maintenance	6,381	7,590	-16%
Cloud and Subscription	11,799	10,350	14%
Service Revenues	10,463	9,619	9%
Revenues Europe	20,944	18,854	11%
Revenues USA	5,225	5,787	-10%
Revenues Asia/Pacific	2,474	2,918	-15%
EARNINGS			
Cost of revenues	16,497	15,318	8%
Gross profit	12,146	12,241	-1%
Gross margin	42%	44%	
Operating expenses, operating income	13,639	13,326	2%
Research and development	5,204	5,253	-1%
Sales and marketing	6,152	5,891	4%
General and administrative	2,443	2,481	-2%
Other operating income/expenses	(160)	(299)	-46%
EBIT	(1,493)	(1,085)	-38%
EBIT-Margin	-5%	-4%	
EBITDA	1,068	1,348	-21%
EBITDA margin	4%	5%	
Net result	(1,941)	(1,499)	-29%
Earnings per share (EUR)	(0.13)	(0.11)	-
NET ASSETS			
Shareholders' equity	12,700	15,782	-20%
Equity ratio	33%	36%	
Balance sheet total	37,943	43,241	-12%
Noncurrent assets	23,660	25,421	-7%
Current assets	14,283	17,820	-20%
Noncurrent liabilities	12,977	15,883	-18%
Current liabilities	12,266	11,576	6%
FINANCIAL POSITION			
Cash and cash equivalents	8,592	10,490	-18%
Net cash operating activities	752	240	213%
Depreciation and amortization	2,561	2,433	5%
Net cash used in investing activities	(910)	(3,098)	-71%
Net cash provided by financing activities	(1,652)	1,032	-
EMPLOYEES	307	299	3%

Business development

Business performance during the first nine months of 2023

In the first three quarters of 2023, the Intershop Group recorded total revenue of EUR 28.6 million, which corresponds to 4% growth compared to the prior year (prior year: EUR 27.6 million). Earnings before interest and taxes (EBIT) recorded a decline and amounted to EUR -1.5 million in the first nine months of 2023 (prior year: EUR -1.1 million). The reason for the weaker result was the lack of overall revenue momentum in a challenging economic environment.

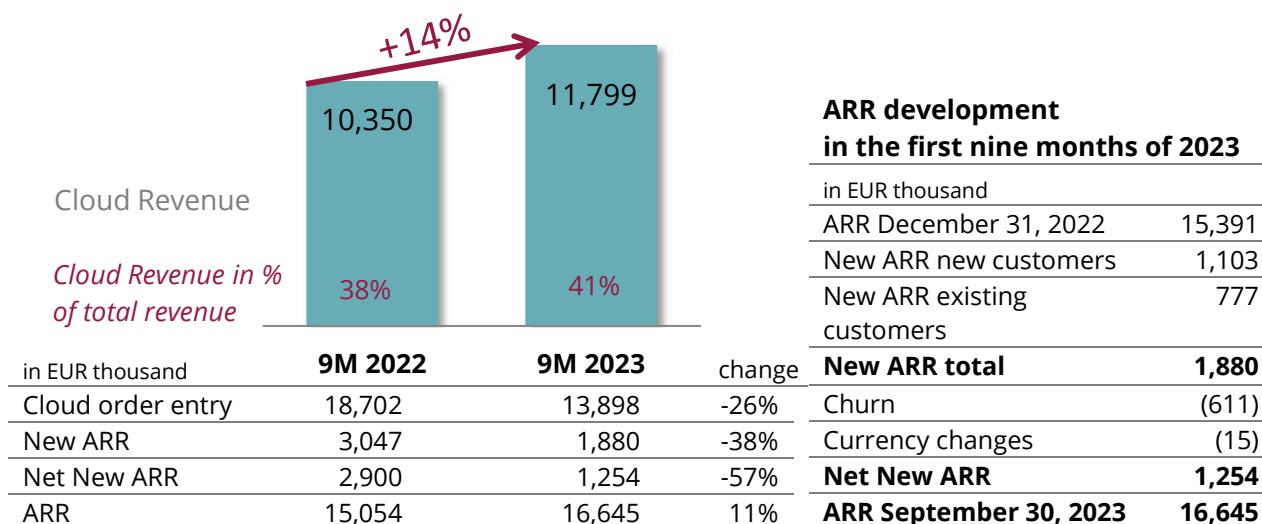
The Group's most important financial key figures (KPIs) are shown in the overview below.

in EUR thousand	9M 2023	9M 2022	Change
Cloud Order Entry	13,898	18,702	-26%
Net New ARR	1,254	2,900	-57%
Revenue	28,643	27,559	4%
EBIT	(1,493)	(1,085)	-38%

Further expansion of the cloud business: Revenue share and cloud margin increase, new business after nine months below prior year

Incoming cloud orders declined by 26% in the first three quarters of 2023 and amounted to EUR 13.9 million. In addition to the reluctance to invest due to the gloomy economic climate, this is also due to the extraordinarily high incoming cloud orders in the prior year (prior year: +65% to EUR 18.7 million). In total, 6 new customers accounted for EUR 6.5 million in incoming orders in the first nine months and existing customers accounted for EUR 7.4 million. The New ARR fell by 38% to EUR 1.9 million (prior year: EUR 3.0 million), of which EUR 1.1 million were attributable to new customers and EUR 0.8 million to existing customers. The Net New ARR (New ARR less cancellations and currency translation differences) fell by 57% to EUR 1.3 million (prior year: EUR 2.9 million). The main reason for the decline in these key figures compared to the same period last year was the low number of new customers in the cloud business. The reasons for this are the significantly longer decision-making periods, the general reluctance to invest on the market due to the current economic situation and the delays in investment decisions. Conversely, revenue from the cloud business increased by 14% to EUR 11.8 million (prior year: EUR 10.4 million). The share of cloud revenue in the total revenues also increased by 3 percentage points to 41% (prior year: 38%). In addition, the cloud margin improved by 2 percentage points to 57% (prior year: 55%). In addition, the annual recurring revenue (ARR) reached EUR 16.6 million as at September 30, 2023, which corresponds to an increase of 11% (prior year: EUR 15.1 million).

Cloud Business Development



Earnings Position

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

in EUR thousand	9M 2023	9M 2022	Change
Revenues	28,643	27,559	4%
Cost of revenues	16,497	15,318	8%
Gross margin	42%	44%	
Operating expenses, operating income	13,639	13,326	2%
EBIT	(1,493)	(1,085)	-38%
EBIT margin	-5%	-4%	
EBITDA	1,068	1,348	-21%
EBITDA margin	4%	5%	
Earnings after tax	(1,941)	(1,499)	-29%

In the first three quarters of 2023, the Intershop Group generated **revenues** of EUR 28.6 million, which corresponds to an increase of 4% compared to the same period last year (prior year: EUR 27.6 million). In the third quarter, revenues amounted to EUR 9.2 million (prior year: EUR 9.0 million).

Revenues within the core group **Software and Cloud** rose by 1% to EUR 18.2 million (prior year: EUR 17.9 million). As expected, revenues from the **Licenses and Maintenance** business fell by 16% to EUR 6.4 million (prior year: EUR 7.6 million). In the **Cloud and Subscription** segment, conversely, the Intershop Group was able to continue its growth and generated revenues of EUR 11.8 million (prior year: EUR 10.4 million), an increase of 14%. **Service revenue** also developed positively: This rose by 9% to EUR 10.5 million in the first nine months of 2023 (prior year: EUR 9.6 million). In addition to new orders, the structural measures implemented by Intershop to increase efficiency in project processing - which were initiated in the middle of last year - also reaped rewards. Between January and September 2023, the share of service revenue in total revenue increased to 37% (prior year: 35%).

The following overview shows the development of revenues:

in EUR thousand	9M 2023	9M 2022	Change
Software and Cloud Revenues	18,180	17,940	1%
Licenses and Maintenance	6,381	7,590	-16%
Licenses	1,055	1,750	-40%
Maintenance	5,326	5,840	-9%
Cloud and Subscription	11,799	10,350	14%
Service Revenue	10,463	9,619	9%
Revenues total	28,643	27,559	4%

Europe remains the predominant sales region for Intershop. Over the course of the first three quarters of 2023, the Group was able to record growth of 11%, which corresponds to revenues of EUR 21.0 million (prior year: EUR 18.9 million). European customers accounted for 73% (prior year: 68%) of total revenue. In the US market, however, Intershop fell short of expectations with a decline in revenues of 10% to EUR 5.2 million (prior year: EUR 5.8 million). This corresponds to a share of 18% of total revenue. The Asia-Pacific region also recorded a decline of 15% to EUR 2.5 million (prior year: EUR 2.9 million), which accounted for 9% of total revenue.

Gross profit decreased slightly by 1% to EUR 12.1 million in the reporting period (prior year: EUR 12.3 million). The **gross margin** dropped two percentage point to 42%. **Operating expenses and income** increased by two percent to EUR 13.6 million (prior year: EUR 13.3 million). In the area of research and development, costs fell slightly by 1% to EUR 5.2 million (prior year: EUR 5.3 million). Sales and marketing expenses increased by 4% to EUR 6.2 million compared to the same period last year (prior year: EUR 5.9 million). General administrative costs decreased by 2% and amounted to EUR 2.4 million (prior year: EUR 2.5 million). Other operating income fell to EUR 0.3 million (prior year: EUR 0.4 million). Overall, the total costs (cost of sales and operating expenses/income) amounted to EUR 30.1 million (prior year: EUR 28.6 million), which corresponds to an increase of 5% compared to the prior year.

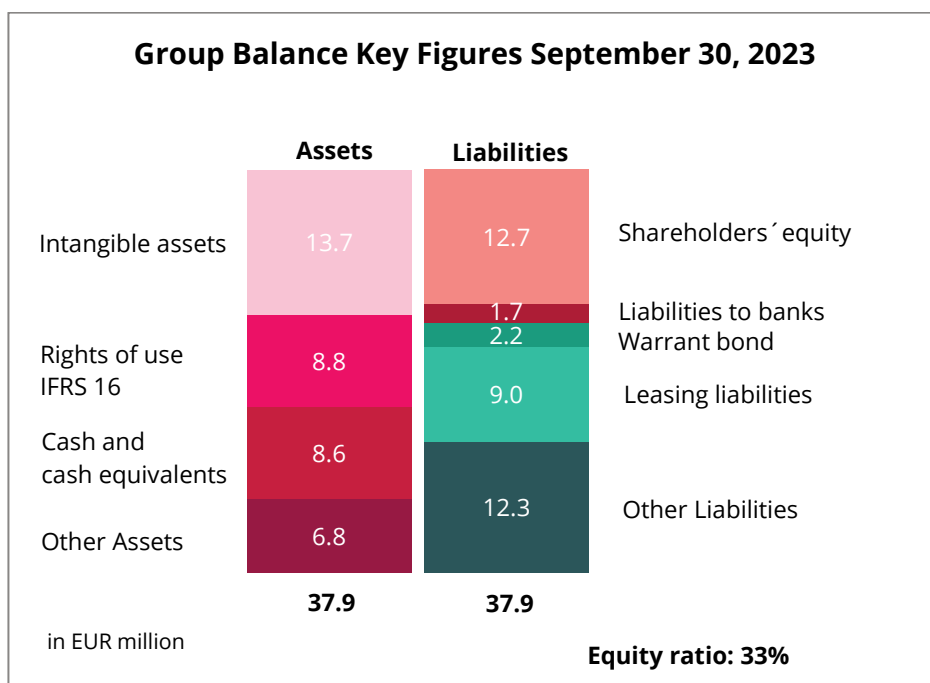
The **operating result (EBIT)** amounted to EUR -1.5 million in the first nine months of 2023 (prior year: EUR -1.1 million). Here, the Intershop Group recorded a loss before interest and taxes of EUR 0.7 million in the third quarter of 2023. The **operating result before depreciation and amortization (EBITDA)** amounted to EUR 1.1 million in the nine-month reporting period (prior year: EUR 1.3 million). The result for the period (**earnings after taxes**) deteriorated to EUR -1.9 million (prior year: EUR -1.5 million), which corresponds to earnings per share of EUR -0.13 (prior year: EUR -0.11).

Net Asset and Financial Position

As of the reporting date of September 30, 2023, the **balance sheet total** of the Intershop Group amounted to EUR 37.9 million, 8% below the figure at the end of 2022. On the **assets side**, non-current assets decreased by 5% to EUR 23.7 million due to scheduled amortization of intangible assets and rights of use. Current assets fell by 12% to EUR 14.3 million. Here, the decline in cash and cash equivalents from EUR 10.5 million to EUR 8.6 million was particularly significant.

On the **liabilities side**, equity fell to EUR 12.7 million (December 31, 2022: EUR 13.9 million), which is primarily due to the negative result in the first nine months of 2023. At the same time, subscribed capital increased by 3% to EUR 14.6 million and the capital reserve increased by 18% to EUR 3.0 million

due to the partial exercise of the warrant bond. In January 2023, the warrant for 388,127 shares from the warrants issued by Intershop in July 2020 as part of a warrant bond was partially exercised and therefore a total of 388,127 newly issued no-par value bearer shares of INTERSHOP Communications AG were issued at a price of EUR 2.19 per share. The gross issue proceeds of EUR 0.85 million received from exercising the warrant were used by Intershop to repay the warrant bond that was redeemed at the same time. Non-current debt fell by 13% to EUR 13.0 million as at September 30, 2023. This was mainly due to the partial repayment of the warrant bond, the repayment of liabilities to banks and leasing liabilities. Current liabilities fell to EUR 12.3 million (December 31, 2022: EUR 12.5 million) due to the decrease in other short-term provisions and deferred revenue. The **equity ratio** as at the interim reporting date was 33%, and therefore slightly lower than that of December 31, 2022 at 34%.



In the first nine months of 2023, the cash flow from operating activities amounted to EUR 0.8 million compared to EUR 0.2 million in the prior-year period. The cash outflow from investing activities amounted to EUR 0.9 million compared to EUR 3.1 million in the same period of the prior year due to acquisitions. The cash outflow from financing activities was EUR 1.7 million, mainly due to payments for leasing liabilities and the repayment instalments for a loan. Overall, cash and cash equivalents declined by 18% to EUR 8.6 million at the end of the third quarter of 2023 (December 31, 2022: EUR 10.5 million).

Management Board and Supervisory Board

At the beginning of 2023, Intershop expanded the Management Board to include an additional member. The appointment of Petra Stappenbeck by the Supervisory Board took effect on January 1, 2023. She assumed the role of Chief Financial Officer.

In May 2023, the Annual General Meeting elected Frank Fischer, Chairman of the Management Board of Shareholder Value Management AG and long-time representative of the principal shareholders of INTERSHOP Communications AG, as a member of the Supervisory Board. Frank Fischer has been a court-appointed member and Chairman of the Supervisory Board since December 2022.

Employees

As at September 30, 2023, the Intershop Group had 307 full-time employees worldwide. Compared to the reporting date of December 31, 2022, this is an increase of ten employees.

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

Employees by department*	Sept. 30, 2023	Dec. 31, 2022	Sept. 30, 2022
Technical Departments (Service functions, Research and Development)	230	226	229
Sales and Marketing	50	43	40
General and administrative	27	28	30
	307	297	299

*based on full time staff, including students and trainees

As at September 30, 2023, 86% of the workforce was employed in Europe, with 265 employees. There were 25 employees (8%) in the Asia-Pacific region, and with 17 employees, the share of the employees in the US was at 6%.

Outlook

Although the global economy has stabilized this year and inflation has fallen from the highs of last year, it is still too early to speak of a real recovery. According to the IMF forecast, global growth will weaken slightly again from 3.0% in 2023 to 2.9% in 2024. A slowdown from 1.5% in 2023 to 1.4% in 2024 is expected for the industrialized countries.

According to the US analysis company Gartner, the forecasts for the IT sector are significantly more positive. Gartner expects global IT expenses to be approximately USD 4.7 trillion in 2023. This would correspond to an increase of 4.3% compared to 2022. In 2024, global IT spending could exceed the USD 5 trillion mark for the first time according to the forecast. Cloud services in particular are expected to continue to gain momentum. For 2023, Gartner expects cloud revenue to grow by 21.7%. According to Research and Markets, the B2B e-Commerce market is expected to grow by an average of 18.7% every year until 2028.

Intershop continued to consistently expand its cloud business in the first nine months of 2023. The service area also returned to growth mode. However, overall sales momentum and incoming orders remain too low to achieve positive results again. As a result, the forecast for the whole of 2023 announced in the 2022 Annual Report had to be adjusted in July. Originally, an increase in revenue of more than 10%, a break-even operating result (EBIT) and an increase in incoming cloud orders and the Net New ARR of over 10% each were expected.

In response to the continued negative results and new business falling below expectations, the Management Board initiated a Value Creation Program (VCP) over the course of the year and further intensified this in the third quarter. It identifies and analyzes potential for value creation and is intended to improve corporate processes.

Based on the adjusted forecast, the Management Board now expects slight revenue growth, a negative but improved EBIT compared to the prior year (prior year: EUR -2.9 million) and incoming cloud orders of between EUR 24.0 million and EUR 26.0 million (prior year: EUR 25.9 million) and a Net New ARR of between EUR 1.5 million and EUR 2.5 million (prior year: EUR 3.2 million).

Jena, October 23, 2023

The Management Board of INTERSHOP Communications Aktiengesellschaft


Markus Klahn


Petra Stappenbeck

Consolidated Balance Sheet

in EUR thousand	September 30, 2023	December 31, 2022
ASSETS		
Noncurrent assets		
Intangible assets	13,652	14,385
Property, plant and equipment	484	531
Rights of use IFRS 16	8,752	9,287
Other noncurrent assets	422	401
Restricted cash	246	249
Deferred tax assets	104	109
	23,660	24,962
Current assets		
Trade receivables	4,324	4,901
Other receivables and other assets	1,367	919
Cash and cash equivalents	8,592	10,471
	14,283	16,291
TOTAL ASSETS	37,943	41,253
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	14,582	14,194
Capital reserve	3,030	2,575
Other reserves	(4,912)	(2,915)
	12,700	13,854
Noncurrent liabilities		
Warrant Bond	2,221	3,081
Liabilities to banks	1,244	1,617
Leasing liabilities IFRS 16	7,501	8,067
Other noncurrent liabilities	2,011	2,168
	12,977	14,933
Current liabilities		
Other current provisions	246	368
Liabilities to banks	497	497
Trade accounts payable	1,994	1,676
Income tax liabilities	35	60
Leasing liabilities IFRS 16	1,516	1,428
Other current liabilities	3,113	3,466
Deferred revenue	4,865	4,971
	12,266	12,466
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	37,943	41,253

Consolidated Statement of Comprehensive Income

	Three months ended September 30,		Nine months ended September 30,	
in EUR thousand	2023	2022	2023	2022
Revenues				
Software and Cloud Revenues	5,833	5,920	18,180	17,940
Service Revenues	3,413	3,118	10,463	9,619
	9,246	9,038	28,643	27,559
Cost of revenues				
Cost of revenues - Software and Cloud	(2,810)	(2,388)	(8,203)	(7,038)
Cost of revenues - Services	(2,696)	(2,981)	(8,294)	(8,280)
	(5,506)	(5,369)	(16,497)	(15,318)
Gross profit	3,740	3,669	12,146	12,241
Operating expenses, operating income				
Research and development	(1,699)	(1,620)	(5,204)	(5,253)
Sales and marketing	(2,009)	(1,853)	(6,152)	(5,891)
General and administrative	(796)	(826)	(2,443)	(2,481)
Other operating income	100	102	267	374
Other operating expenses	(14)	(32)	(107)	(75)
	(4,418)	(4,229)	(13,639)	(13,326)
Result from operating activities	(678)	(560)	(1,493)	(1,085)
Interest income	21	1	25	1
Interest expense	(123)	(101)	(400)	(283)
Financial result	(102)	(100)	(375)	(282)
Earnings before tax	(780)	(660)	(1,868)	(1,367)
Income taxes	(14)	(22)	(73)	(132)
Earnings after tax	(794)	(682)	(1,941)	(1,499)
Other comprehensive income:				
Exchange differences on translating foreign operations	27	68	(56)	156
Other comprehensive income from exchange differences	27	68	(56)	156
Total comprehensive income	(767)	(614)	(1,997)	(1,343)
Earnings per share (EUR, basic, diluted)	(0.05)	(0.05)	(0.13)	(0.11)

Consolidated Statement of Cash Flows

in EUR thousand	Nine months ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	(1,868)	(1,367)
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>		
Financial result	375	282
Depreciation and amortization	2,561	2,433
Other noncash expenses and income	32	(99)
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	564	(648)
Other assets	(497)	(678)
Liabilities and provisions	(125)	229
Deferred revenue	(99)	322
Net cash provided by (used in) operating activities before income tax and interest	943	474
Interest received	25	0
Interest paid	(114)	(111)
Income taxes received	0	3
Income taxes paid	(102)	(126)
Net cash provided by (used in) operating activities	752	240
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments in intangible assets	(483)	(2,326)
Purchases of property and equipment	(127)	(106)
Proceeds on disposal of minority interests	0	75
Disbursement as part of a company acquisition	(300)	(741)
Net cash provided by (used in) investing activities	(910)	(3,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from partial repayment of a warrant bond	(850)	0
Cash received from loan	0	2,487
Repayments of loans	(373)	(249)
Payments from issuance of common stock	850	0
Payments for leasing liabilities	(1,279)	(1,206)
Net cash provided by (used in) financing activities	(1,652)	1,032
Effect of change in exchange rates	(69)	107
Net change in cash and cash equivalents	(1,879)	(1,719)
Cash and cash equivalents, beginning of period	10,471	12,209
Cash and cash equivalents, end of period	8,592	10,490

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, 2023	14,194,164	14,194	2,575	(93)	(4,944)	2,122	13,854
Total comprehensive income					(1,941)	(56)	(1,997)
Issue of new shares	388,127	388	455				843
Balance, September 30, 2023	14,582,291	14,582	3,030	(93)	(6,885)	2,066	12,700
Balance, January 1, 2022	14,194,164	14,194	2,575	(93)	(1,387)	2,119	17,408
Total comprehensive income					(1,499)	156	(1,343)
Change in ownership interest (IFRS 10.23)			(283)				(283)
Balance, September 30, 2022	14,194,164	14,194	2,292	(93)	(2,886)	2,275	15,782

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

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