intershop®

Annual Report 2021

Consolidated management report and Group management report

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Financial Statements

Key Figures for the Group

Cloud Order Entry
18.3
EUR million
(in 2021)

Net New ARR
2.8
EUR million
(in 2021)

Revenue
36.0
EUR million
(in 2021)

EBIT
1.3
EUR million
(in 2021)

Equity Ratio
44%
(as of 12/31/2021)

Cash and Cash Equivalents
12.2
EUR million
(as of 12/31/2021)

Employees
288
(as of 12/31/2021)

Key Figures for the Group

in EUR thousand	2021	2020	Change
KPIs			
Cloud Order Entry	18,264	15,776	16%
Net New ARR	2,847	2,550	12%
Revenue	35,995	33,605	7%
EBIT	1,310	1,044	25%
Revenues			
Revenues	35,995	33,605	7%
Licenses and Maintenance	9,801	12,136	-19%
Cloud and Subscription	11,107	7,332	51%
Services Revenues	15,087	14,137	7%
Revenues Europe	25,139	23,848	5%
Revenues USA	6,602	5,398	22%
Revenues Asia/Pacific	4,254	4,359	-2%

in EUR thousand	2021	2020	Change
Earnings			
Cost of revenues	18,593	17,943	4%
Gross profit	17,402	15,662	11%
Gross margin	48%	47%	
Operating expenses, operating income	16,092	14,618	10%
Research and development	5,659	3,778	50%
Sales and marketing	7,698	7,707	0%
General and administrative	3,282	3,114	5%
Other operating expenses/income	(547)	19	++
EBIT	1,310	1,044	25%
EBIT margin	4%	3%	
EBITDA	4,423	4,468	-1%
EBITDA margin	12%	13%	
Net result	810	793	2%
Earnings per share (EUR)	0.06	0.06	0%
Net Assets			
Shareholders´ equity	17,408	16,535	5%
Equity ratio	44%	56%	
Balance sheet total	39,554	29,360	35%
Noncurrent assets	21,464	12,839	67%
Current assets	18,090	16,521	9%
Noncurrent liabilities	11,995	3,848	++
Current liabilities	10,151	8,977	13%
Financial Position			
Cash and cash equivalents	12,209	11,574	5%
Net cash operating activities	4,597	4,727	-3%
Depreciation and amortization	3,113	3,424	-9%
Net cash used in investing activities	(1,455)	(2,194)	-34%
Net cash provided by financing activities	(2,553)	1,335	++
Employees	288	299	-4%

Markus Klahn

CEO

intershop®

Management Board

Letter of the Management Board

Dear shareholders and business partners,

The 2021 fiscal year was marked by the acceleration in cloud growth with simultaneous cost discipline and increasing earnings stability. With the launch of our new platform generation we have concluded our cloud transformation in terms of technology. In addition, we have succeeded in aligning the organization even more strongly towards lean, fast, and intelligent business processes with clear responsibilities in order to make Intershop even more customer-focused and prepared for further growth.

We are very happy that we have been able to achieve all the targets set for 2021 in this dynamic environment. At this point, I would like to particularly thank our team which has made the successful development of our business possible in a challenging market and competitive environment. Our employees are our most important asset and we are glad that thanks to the ceremoniously inaugurated company headquarters and an employee management designed for greater flexibility we were able to create the basis in the prior year for leading Intershop into the future with a strong team.

Our 2021 balance sheet in the cloud business is very impressive: With an increase in sales of 51% to EUR 11.1 million in the Cloud and Subscription segment, we are growing significantly stronger than the already dynamic B2B eCommerce market. Incoming cloud orders increased by 16% to EUR 18.3 million and the Net New ARR by 12% to EUR 2.8 million and the ARR (Annual Recurring Revenue) improved by 31% to EUR 12.2 million by the end of 2021. We always keep an eye on profitability and the cashflow development of the Group. With an EBIT of EUR 1.3 million and operating cashflow of EUR 4.6 million, Intershop demonstrates in an impressive manner that the transformation and our clear strategic alignment towards B2B commerce are increasingly bearing fruit.

On the market side, we are witnessing the fact that the positive trends for our industry are continuing to solidify. These primarily relate to increasing digitization efforts in the industry, spurring the demand for sustainable solutions for digital trade in the medium term. With its 100% scalable, high-performance Commerce Platform, Intershop provides an important and sustainable building block which is specifically tailor-made to the needs of our B2B customers. This has been confirmed by the consistently positive assessment of world-leading industry analysts. Forrester Research regularly rates us as a “Strong Performer” in the B2B field and in the Fall of 2021 Intershop was once again named a leading global technology company in the renowned Gartner® Magic Quadrant™ for Digital Commerce 2021. Positioning as a niche player sends a strong signal to the competition and encourages us to further optimize our platform and solidify our position as a top provider in the B2B field.

In light of the continuously attractive market environment, our new high-performance platform generation, as well as a strong new customer pipeline, we are convinced that we will achieve our growth targets for 2022 and that the Intershop story will be perceived even more strongly in the capital market. I would like to thank all of our shareholders for your trust and I am delighted that you will continue to accompany us on our growth path.

Best regards,

M. Klahn

Markus Klahn

Management report

Consolidated management report and Group management report

The Intershop Group

Group structure and business activities

The Intershop Group[1] is a global, independent supplier of high-performance eCommerce software. With the cloud-based Intershop Commerce Platform, the Company has an internationally leading B2B commerce solution for larger mid-sized companies and wholesalers. Intershop supports companies in innovatively digitizing their business and service processes and building up their online presence, creating a consistently positive customer experience and sustainable increase in online sales. The service offer for the implementation of eCommerce projects ranges from consulting and planning to implementation and operation. Services such as online marketing, webshop optimization, and fulfillment can be outsourced to the Intershop Customer Success Team through Business Process Outsourcing.

Intershop's business activities are divided into the two main business segments "Software and Cloud" and "Service." License revenues, the associated maintenance revenues, and cloud and subscription revenues are included in "Software and Cloud" revenues. The Company makes regular investments in technology and focuses on the continuous development and optimization of its eCommerce solution. With the Intershop Commerce Platform introduced at the end of 2021, the company ushered in the new generation of its software solution and concluded the cloud transformation in terms of technology. Thanks to its high scalability and customization flexibility, the Intershop solution offers a reliable all-round package comprising Commerce Management, Order Management, Product Information Management, Experience Management, Customer Engagement Center, and BI Data Hub. Intershop has over 25 years of experience in digital trade and supports over 300 customers worldwide. Customers include both large corporations such as BMW, Miele, or Deutsche Telekom, as well as medium-sized companies. The Company operates in Europe, the United States, as well as in the Asia Pacific region (mainly Australia). Europe is by far the market that generates the highest revenue. The share of revenue from European customers amounted to 70% of the Group's total revenue in the 2021 fiscal year.

INTERSHOP Communications Aktiengesellschaft (AG), which is domiciled in Jena, is the parent company of the Intershop Group. As of the reporting date of December 31, 2021, it directly holds 100% of the shares in Intershop Communications Inc., San Francisco, USA, Intershop Communications Australia Pty Ltd., Melbourne, Intershop Communications SARL, Paris, France and two non-operating companies. In Germany, INTERSHOP Communications AG has locations in Frankfurt am Main, Stuttgart and Ilmenau. Moreover, the Company has sales representations in the Netherlands and Sweden.

Strategic orientation and business objectives

It is the vision of INTERSHOP Communications AG to present the best offer in the market for customers seeking to generate sustainable value through eCommerce services. The Company accomplishes this with its leading, innovative B2B solution offer, which is particularly suitable for demanding business customers from the production and wholesale sectors. Thanks to the high flexibility and performance of the Intershop platform, customers can transform and expand their company into a digital self-service model that encompasses the entire customer journey from new business to after-sales.

Consistent expansion of the cloud business and a focus on the B2B market continue to remain an integral part of the Intershop strategy. The aim is to transform the Company into a sales-oriented, continuously growing, and profitable organization. This includes pushing ahead with the

1 "Intershop"

international expansion by expanding the partner network. In order to maintain and expand technological leadership in a competitive environment, Intershop plans for additional selective investments in technology and infrastructure in the future. Intershop considers its most valuable asset to be its employees and positions itself as a modern, attractive employer that promotes and develops its employees in a targeted manner and expands the company know-how by recruiting new colleagues.

With this strategic course, Intershop sees itself in an ideal position to exhaust the growth potentials in the future global market for omni-channel solution providers. All company areas were specifically aligned towards the "Cloud First" guiding principle as part of the cloud transformation and enabled sustainable growth in the cloud segment, particularly in the B2B target market, over the prior fiscal years. In the coming fiscal years, growth is expected to be further consolidated and continue as cost-efficiently as possible.

Focusing on the B2B market

Over the recent years, Intershop has established itself as one of the leading providers of B2B commerce solutions. The greatest opportunities here are in B2B commerce due to the size of the target market and the number of customers who can be addressed, as well as the high level of expertise and performance of Intershop in this segment. B2B commerce is faced with the great challenge of digitizing its sales channels quickly and professionally in order to assert itself against new competitors and business models. The pandemic has accelerated the digital transformation and increased the demand for modern eCommerce solutions. The fact that Intershop already has extensive experience and prominent B2B customers is a competitive edge with which the company can build up a strong market position in this sector. Even in terms of technology, the Intershop platform is best suited for use in the B2B market, which is regularly confirmed by external analyses. Intershop was included in the Magic Quadrant™ for Digital Commerce in the sector-renowned analysis of the US research company Gartner—most recently in 2021. The Company is positioned as a "Niche Player" here and praised for its implementation capacity as well as completeness of vision. Inclusion in the Magic Quadrant™ underscores the fact that despite intense competition from major global technology groups, Intershop is one of the most important players in the digital commerce sector.

Strategic partnership with Microsoft

The Intershop platform is tailored to complex and customer-oriented B2B business processes. Intershop has set itself the goal of providing the offer with the best feature set on the market based on modern architecture in order to cover the entire customer life cycle and enable an innovative digital B2B customer experience. A key component for achieving this goal is a strategic partnership with Microsoft which Intershop has maintained since 2016. This successful cooperation was extended in 2021, as thanks to the growth in the past fiscal year Intershop now acquires significantly more services from Microsoft. The partnership offers customers easier access to future-oriented technologies. This creates a seamless link between the Intershop Commerce Platform and the Microsoft Azure Cloud and integrated solutions such as the Enterprise Resource Planning (ERP) software Microsoft Dynamics 365. In addition, joint marking and sales activities are carried out. The commerce solution has by now become an integral part of the Microsoft Azure Cloud solution portfolio. The global partnership increases the visibility of the Intershop product range and makes it possible to address new customers and market segments, to advise companies on their digital transformation far more comprehensively than before, and to support them in digitizing or reforming their sales.

Synergy effects thanks to a growing international network

Intershop pursues a clearly defined customer focus, for whose needs the Commerce platform provides the greatest possible advantage. The focus is on production and wholesale companies with revenues of at least EUR 100 million or companies with multiple sales channels as well as complex business models and organizational structures. In addition to focusing on B2B companies, the geographic focus of Intershop sales activities are the developed eCommerce markets in Europe, North America, and in the Asian-Pacific region, as there as expected is a high sales potential in these areas. Today, the Intershop markets D-A-CH (Germany/Austria/Switzerland), the Benelux countries, Scandinavia, France, Great Britain, Australia, and the USA are among the most important regions in terms of sales. Intershop is present in these markets either with its own company or has flexible sales units and a corresponding partner network. A key component of the sales activities is the growing international partner network. The sales team consistently works on expanding this ecosystem to include other regions in order to form a powerful international network of B2B commerce experts with a focus on production and wholesale and to increasingly generate synergy effects. The key benefit offered by the partner network consists of an optimized customer approach as well as increased scalability in the area of sales activities. The cooperation with partners combines Intershop know-how and experience with the specific knowledge of the companies in the partner network. In addition to the provision of the appropriate shop software solutions, Intershop also supports its partners in the high-quality implementation of their shops.

Control System

Corporate management is determined by the four most important KPIs - incoming cloud orders, net new ARR (Annual Recurring Revenue), revenue, and EBIT. The Intershop strategy focuses on the consistent expansion of the cloud business. The incoming cloud orders show all of the signed customer orders from new and existing customers in a business period and/or the number of resulting future cloud sales. By monitoring this figure, the results in the cloud business can be well measured and the development of future cloud revenues can be better managed. The net new ARR refers to the new annual recurring cloud revenues in a fiscal period minus the reduced annual recurring revenue due to cancellations and currency translation differences. The net new ARR shows the sales success in the cloud segment, which makes the future development of revenues more predictable and enables the Company to take countermeasures quickly if the development deviates. The increase in revenues shows the overall company growth. This is the reason why all management levels are monitoring the development of revenue over time. Revenue performance is also used as an early indicator for liquidity developments. The EBIT, earnings before interest and taxes or the operating result, is examined and analyzed for managing profitability.

Research and Development

Intershop has an efficient and experienced development team whose research and development work (R&D) focuses on the continuous further development of the Intershop Commerce Platform. After intensive development work, Intershop launched the new generation of the Commerce Platform at the end of the fiscal year with a go-live in December 2021. With the new Commerce Platform, Intershop has a unique asset in the cloud and thus completes its cloud transformation in terms of technology. The Intershop Commerce Platform is characterized by the fact that it offers the customer specific scaling options, whereby the infrastructure required for this is provided fully automatically based on the required computing power. The platform is based on Kubernetes software technology which it uses to orchestrate the individual application containers (Dockers). It significantly reduces maintenance related downtimes. With its new platform, Intershop also provides an infrastructure which is state-of-the-art at all times in terms of security. In addition, the new platform generation supports the headless commerce approach, which provides customers with speed and flexibility as both an individual as well as Intershop's own Progressive Web App (PWA) can be used as a customer portal for interaction. The platform covers all modern B2B functions. With the new platform generation, Intershop is breaking away from the previous release policy. The new solution will be continuously optimized and improved through technological and functional developments.

R&D expenditures (expenses and investments) in the 2021 fiscal year increased by 24% to EUR 7.2 million (2020: EUR 5.7 million). The higher costs are particularly due to increased investments into the cloud platform. In the previous year, personnel costs were influenced by short-time work. Taking into account the capitalization of software development costs, R&D expenses increased by 50% to EUR 5.7 million (2020: EUR 3.8 million). This corresponds to a share of 16% of total group-revenues (2020: 11%).

The 2021 fiscal year

Overall Economy and Industry

Based on current estimates from the International Monetary Fund (IMF, January 2022), the global economy grew at a rate of 5.9% as whole in 2021. Thus, the economic performance, which was seriously affected by the corona pandemic, was able to recover significantly compared with 2020. Nevertheless, new virus mutations, such as the omicron variant, as well as increasing inflation and challenges relating to climate change have made economic and political decisions more difficult and continue to create significant uncertainties in the future. Overall, the IMF experts retrospectively estimate an increase in the combined GDP of 5.0% for industrialized countries in 2021. The economic performance in emerging and developing countries is expected to increase by about 6.5%. Economic growth of 5.6% is expected in the U.S., while economic performance has also increased significantly in the euro area by an estimated 5.2%. For Germany, the IMF forecasts a 2.7% increase in GDP.

The global eCommerce market is growing and continues to benefit from the digital shopping behavior of the consumers. The market research company eMarketer confirms this trend for 2021. Based on expert forecasts, the online retail trade grew by another 16.8% in 2021 as a whole, achieving a market volume of $4.9 trillion. By far the largest market is the Asia-Pacific region with expected sales of $3.0 trillion. According to information provided by eMarketer, the U.S. is the second largest market for online retail with a volume of $0.9 trillion. Sales of $661 billion are expected in Western Europe in 2021. The German Retail Association (HDE) points to a dynamic development in online commerce in Germany as well. The German Economic Institute forecasts eCommerce sales of EUR 118 billion for the entire 2021, corresponding to an increase of 19.2% compared with the prior year.

The global B2B eCommerce market also experienced dynamic growth. The analysts of the market research company Research and Markets estimate a market volume of $7.7 trillion for 2021 and forecast an average annual growth rate of almost 18.7% until 2028. The need for B2B and B2C retailers to opt for online channels due to the pandemic and the resulting difficulties with regard to branch sales promotes digital transformation in this sector and, thanks to increasing demand, offers additional opportunities for eCommerce solution providers.

According to information provided by the analysis company Gartner, it was not primarily technology that changed in the IT sector in 2020 and 2021, but rather the willingness to accept this technology and use it in various ways. It is assumed that global IT spending has increased by 9.5% to $4.2 trillion. Expenses for business software increased by 13.6%, while IT Services recorded a growth of 11.2%. According to information obtained from the industry association Bitkom, IT revenues in Germany increased by 6.3% to EUR 102.5 billion. The market for software grew by 8.0%, while the market for IT services increased by 3.7%.

Business performance during the 2021 fiscal year

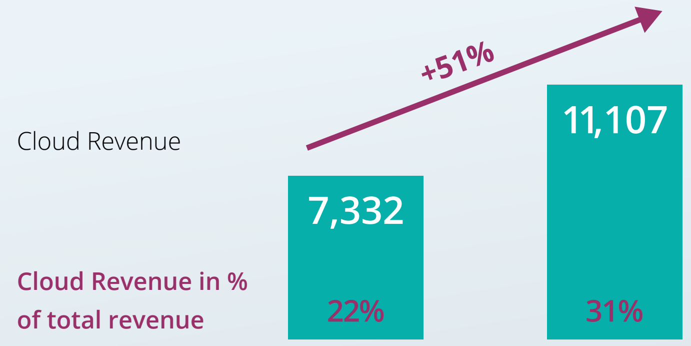
The 2021 fiscal year was marked by the acceleration of cloud growth combined with profitable business development and a stronger alignment of our organization towards lean, fast, and intelligent business processes with clear responsibilities. The following overview shows the key performance indicators (KPIs or control parameters):

in EUR thousand	2021	2020	Change
Cloud Order Entry	18,264	15,776	16%
Net New ARR	2,847	2,550	12%
Revenue	35,995	33,605	7%
EBIT	1,310	1,044	25%

Intershop with strong growth in cloud business

All cloud parameters show a positive trend in the 2021 fiscal year and the key objective of cloud growth was therefore achieved once again. Incoming cloud orders increased by 16% to EUR 18.3 million in the reporting period. EUR 11.0 million of this are attributable to new customers and EUR 7.3 million to existing customers. Cloud and subscription revenues grew significantly by 51% to EUR 11.1 million. The ARR (Annual Recurring Revenue) was EUR 12.2 million at the end of 2021, an increase of 31% compared to the prior year. The share of recurring revenue in the total revenue increased to 31% (2020: 22%). The Net New ARR (New ARR less ARR for cancellations and currency translation differences) recorded an increase of 12% to EUR 2.8 million. The acquisition of 14 new cloud customers contributed EUR 1.6 million to the New ARR. In addition, many existing customers extended or expanded their contracts, resulting in EUR 1.5 million of New ARR. The cloud margin increased significantly from 40% to 51% in the 2021 fiscal year thanks to disproportionately growing cloud revenues combined with an optimized cost structure.

Cloud business development



in EUR thousand	2020	2021	Change
Cloud order entry	15,776	18,264	16%
New ARR	3,051	3,109	2%
Net New ARR	2,550	2,847	12%
ARR	9,307	12,154	31%

ARR development in 2021

in EUR thousand	
ARR December 31, 2020	**9,307**
New ARR new customers	1,571
New ARR existing customers	1,538
New ARR total	**3,109**
Churn	(350)
Currency changes	88
Net New ARR	**2,847**
ARR December 31, 2021	**12,154**

Intershop with profitable growth in all quarters

Sales grew by 7% in the 2021 fiscal year and the EBIT was at EUR 1.3 Million Thus, Intershop was able to improve its revenues in every quarter with a positive EBIT compared to the previous period and is now reporting positive results for the eighth consecutive quarter. Intershop has therefore once again succeeded in achieving its annual targets and was able to deliver continued profitable growth in 2021.

The Company was able to benefit from the current digitization trend and, with its Commerce Platform, operates in a rapidly growing market. Here, cloud applications offer major advantages to companies in terms of infrastructure, costs, and flexibility. With the Cloud First approach, Intershop has positioned itself so as to support customers with its modern Commerce Platform and set up and expand their digital presence. The high demand for a modern digitization of sales and for Intershop's expertise, in particular, is also evident in the large number of projects completed in the 2021 fiscal year. For example, the current eCommerce solutions from Quadient, the beverage manufacturer Galatea, KION North America, the Jim Block Takeaway website, the U.S. orthopedic technology company Breg Inc., and MIVO are all based on the Intershop Commerce Platform. When it comes to implementing projects, the Company demonstrates how well networked it is and implements the projects together with a network of experienced B2B players.

In order to be able to continue to meet the growing demand as best as possible in the future, Intershop has extended its strategic partnership with Microsoft for three years. With the new agreement and its more favorable terms, the Company is optimizing its cloud margin and is able to offer customers continued access to future-oriented technologies based on the Microsoft Azure Cloud. In addition, the cooperation also contributes to Intershop's visibility and facilitates an accelerated go-to-market thanks to mutual support of the sales units and joint generation and processing of customer leads.

Earnings, financial and asset position

Actual development of key financial figures compared to the original forecast

Just as in the previous year, Intershop recorded a successful 2021 fiscal year in that it was able to achieve the forecast targets. In the 2020 annual report, the management board predicted an increase in incoming cloud orders of at least 10% as well as a slight increase in Net New ARR for the 2021 fiscal year. With a slight increase in revenues, a slightly positive operating result (EBIT) was also expected. This forecast was achieved with an increase in incoming cloud orders of 16% and an increase in Net New ARR of 12%, as well as revenue growth of 7%, with an EBIT of EUR 1.3 million. The development of the earnings, financial, and asset position are discussed in detail in the following sections.

Presentation of the earnings

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

in EUR thousand	2021	2020	Change
Revenues	35,995	33,605	7%
Cost of revenues	18,593	17,943	4%
Gross margin	48%	47%	
Operating expenses, operating income	16,092	14,618	10%
EBIT	1,310	1,044	25%
EBIT margin	4%	3%	
EBITDA	4,423	4,468	-1%
EBITDA margin	12%	13%	
Earnings after tax	810	793	2%

During the 2021 fiscal year, Intershop recorded Group **revenues** of about EUR 36.0 million. This corresponds to a growth of 7% over revenues of EUR 33.6 million in the previous year. During the reporting period, revenues for the core group **Software and Cloud** rose by 7% to EUR 20.9 million (2020: EUR 19.5 million). As expected, varying development was seen within this segment. While realized **cloud and subscription revenues** increased by 51% to EUR 11.1 million (2020: EUR 7.3 million), **license revenues** fell significantly as planned due to an increased focus on the cloud business. As a result, revenues only amounted to EUR 2.3 million, following EUR 4.2 million for the whole of 2020. **Maintenance revenues** decreased by 5% to EUR 7.6 million. The share of cloud revenue in the total revenue increased to 31% in the reporting period (2020: 22%), while the share of revenue from licenses and maintenance fell to 27% (2020: 36%) **Service revenues** improved by 7% in the 2021 fiscal year and totaled EUR 15.1 million (2020: EUR 14.1 million). After project delays and postponements due to the corona virus pandemic resulted in a sharp decline in revenues, particularly in the second and third quarter of 2020, recovery effects were seen in 2021. The share of service revenue in the total revenue remained stable at 42%.

The following overview shows the development of revenues:

in EUR thousand	2021	2020	Change
Software and Cloud Revenues	**20,908**	**19,468**	**7%**
Licenses and Maintenance	**9,801**	**12,136**	**-19%**
Licenses	2,250	4,152	-46%
Maintenance	7,551	7,984	-5%
Cloud and Subscription	**11,107**	**7,332**	**51%**
Service Revenues	**15,087**	**14,137**	**7%**
Revenues total	**35,995**	**33,605**	**7%**

In the 2021 fiscal year, Intershop achieved revenues of EUR 25.1 million on the European market, the most important **business region** for the Group, corresponding to a growth of 5% compared with the prior year (2020: EUR 23.8 million). Increasing cloud and service revenues were partially offset by declining license and maintenance revenues. The share of European customers in the total revenue was 70% (2020: 71%). Intershop achieved above average growth in the U.S. Here, revenues increased by 22% to EUR 6.6 million (2020: EUR 5.4 million). The reason for this were recovery trends in the service sector as well as higher cloud revenues thanks to increasing incoming cloud orders in the Americas. The revenue share was 18% (2020: 16%). In the Asia-Pacific region, the Company recorded revenues of EUR 4.3 million (2020: EUR 4.4 million). Here, the increasing cloud revenues were not able to compensate for declining service and maintenance revenues. The share in the total revenue declined to 12% (2020: 13%).

In the 2021 fiscal year, Intershop's **gross profit** increased by 11% to EUR 17.4 million (2020: EUR 15.7 million). The **gross margin** improved by one percentage point to 48% (2020: 47%). **Operating expenses and income** increased by 10% to EUR 16.1 million (2020: EUR 14.6 million). The reason for this were significantly higher expenses for research and development as part of the increased investment in the cloud platform. At the end of the 2021 fiscal year, the new generation of the Intershop Commerce Platform went live. In total, R&D-expenses rose by 50% to EUR 5.7 million (2020: EUR 3.8 million). With EUR 7.7 million, marketing and sales costs remained at the prior-year level. General and administrative expenses increased from EUR 3.1 million to EUR 3.3 million. The other operating income rose by EUR 0.5 million to EUR 0.9 million, primarily due to a one-time income in the amount of EUR 0.4 million, as a loan granted as part of the U.S. corona aid in the 2020 fiscal year was fully waived in June 2021. After deducting all individual items, the **total costs** (cost of revenues and operating expenses / income) amounted to EUR 34.7 million compared with EUR 32.6 million in the prior year. The operating result (**EBIT**) improved in the 2021 fiscal year with a growth of 25% to EUR 1.3 million (2020: EUR 1.0 million). Intershop once again achieved a positive operating result across all quarters of the 2021 fiscal year. The EBIT margin climbed to 4% (2020: 3%). Depreciation and amortization decreased from EUR 3.4 million to EUR 3.1 million. The operating result before depreciation and amortization (**EBITDA**) declined slightly to EUR 4.4 million (2020: EUR 4.5 million) and the EBITDA margin to 12% (2020: 13%). The **financial result** was EUR -0.4 million (2020: EUR -0.1 million). Taxes on income and profits amounted to EUR -0.1 million (2020: EUR -0.1 million). As in the prior year, **earnings after tax** amounted to EUR 0.8 million, corresponding to **earnings per share** of EUR 0.06 (2020: EUR 0.06).

Revenues of **INTERSHOP Communications AG** as a single entity reported **under commercial law** increased in the 2021 fiscal year by 12% to EUR 28.8 million (2020: EUR 25.7 million). This growth results from the increase in cloud revenues by 71% to EUR 7.6 million (2020: EUR 4.4 million) and higher service revenues by 19% (2021: EUR 12.5 million, 2020: EUR 10.5 million). Maintenance revenues declined slightly to EUR 6.8 million (2020: 6.9 million). License revenues halved to EUR 1.9 million (2020: 3.9 million).

The annual net income for **INTERSHOP Communications AG** as a single entity **under commercial law** was EUR 0.5 million in the 2021 fiscal year, after EUR 0.6 million in the previous year. Material expenses increased from EUR 2.9 million in the prior year to EUR 3.8 million due to an increase in expenses for purchased services in connection with higher sales. Personnel expenses rose by EUR 1.6 million to EUR 16.9 million due to higher commissions and salary adjustments, including short-time work in the prior year. Depreciation/amortization was at the level of the prior year with EUR 1.7 million. Other operating expenses decreased by 13% to EUR 7.2 million due to various one-time circumstances. Other capitalized own work, which includes the capitalization of software development costs, decreased from EUR 1.7 million to EUR 1.4 million. Other operating income declined from EUR 0.7 million to EUR 0.4 million due to a lower reversal of provisions as well as income from incoming payments relating to receivables from group financing depreciated in the prior year. Other interest income of EUR 0.1 million resulted mainly from affiliated companies. As in the previous year, a balance sheet profit of EUR 0 was reported since the net annual profit of EUR 0.5 million was transferred to retained earnings.

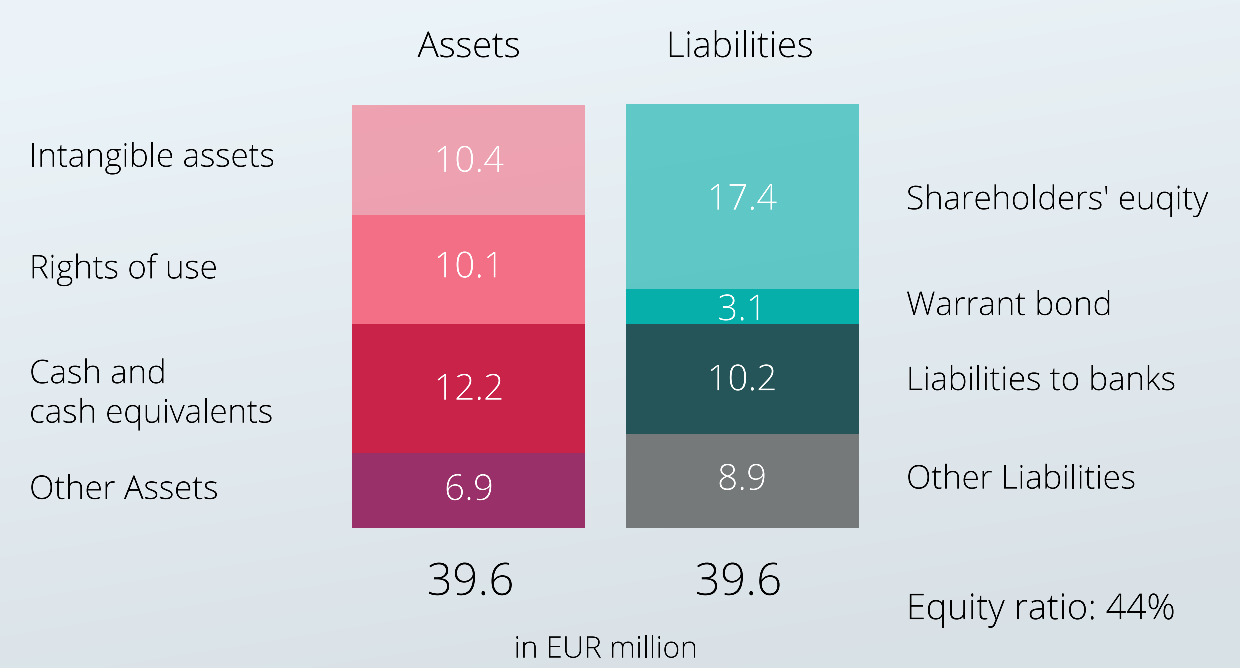
Presentation of the Net Assets and Financials Positions

As of the reporting date of December 31, 2021, the **balance sheet total** of the Intershop Group amounted to EUR 39.6 million (December 31, 2020: EUR 29.4 million). This represents an increase of 35% compared to the reporting date of the prior year. The increase is mainly due to the capitalization of the right of use in accordance with IFRS 16 for leasing new office spaces in connection with the relocation of the company headquarters to Jena.

On the **asset side**, non-current assets increased from EUR 12.8 million to EUR 21.5 million. The rights of use in accordance with IFRS 16 increased to EUR 10.1 million (December 31, 2020: EUR 1.2 million). With EUR 10.4 million, intangible assets remained at the prior-year level. Current assets increased by 10% to EUR 18.1 compared to the previous year's reporting date (December 31, 2020: EUR 16.5 million). This was primarily due to higher trade receivables which increased by 27% to EUR 5.0 million (December 31, 2020: EUR 4.0 million). Cash and cash equivalents amounted to EUR 12.2 million (December 31, 2020: EUR 11.6 million), representing an increase of 5%.

On the **liability side**, shareholders' equity increased by 5% to EUR 17.4 million thanks to the positive annual result. Non-current liabilities increased to EUR 12.0 million as of December 31, 2021, compared with EUR 3.8 million at the reporting date of the previous year. The reason for this is the corresponding recognition of leasing liabilities for the new office spaces. Non-current lease liabilities amounted to EUR 8.9 million (December (31, 2020: EUR 0.8 million). Warrant bonds included in non-current liabilities amounted to EUR 3.1 million (December 31, 2020: EUR 3.0 million). At the reporting date, current liabilities amounted to EUR 10.2 million (December 31, 2020: EUR 9.0 million). The liabilities to banks amounting to EUR 1.5 million as of December 31, 2020 were fully reduced thanks to the regular repayment of two loans of EUR 1.1 million and the waived repayment of a loan of EUR 0.4 million as part of the U.S. corona aid. Current lease liabilities of EUR 1.3 million (December 31, 2020: EUR 0.4 million) and an increase in deferred revenue from EUR 2.7 million to EUR 3.7 million and other current liabilities from EUR 2.6 million to EUR 3.2 million had the opposite effect. The equity ratio decreased from 56% to 44% compared to the end of 2020 due to the increase in the balance sheet total. Overall, Intershop continues to have a solid net assets and financial position.

Group Balance Key Figures December 31, 2021



The **cash flow** from current business operations totaled EUR 4.6 million in the reporting period compared to EUR 4.7 million in the prior-year period. This is mainly due to an increase in trade receivables. The cash outflow from investing activities decreased by 34% to EUR 1.5 million compared with the prior year period as a result of a reduction in payments for investments in intangible assets and the return of restricted cash relating to a rental security deposit. The cash outflow from financing activities amounted to EUR 2.6 million due to the full repayment of liabilities to banks and the repayment of leasing liabilities. In contrast, the cash inflow from financing activities totaled EUR 1.3 million in the prior year. This was primarily due to payments in connection with the issuance of warrant bonds. Overall, cash and cash equivalents increased by 5% to EUR 12.2 million compared to the end of 2020 (December 31, (2020: EUR 11.6 million).

With EUR 27.3 million, the **balance sheet total of INTERSHOP Communications AG** as a single entity in the financial statements prepared in accordance with German commercial law remains at the prior-year level. On the asset side, with EUR 11.6 million, capital assets were slightly above the prior year value of EUR 11.5 million thanks to increased book values of property, plant, and equipment (2021: EUR 0.6 million; 2020: EUR 0.5 million). Current assets remained unchanged at EUR 15.0 million. Within current assets, there was a decline in work in progress (EUR -0.4 million), receivables from affiliated companies (EUR -0.5 million), and cash and cash equivalents (EUR -0.8 million). In contrast, there was an increase in trade receivables (EUR +1.7 million). Prepaid expenses decreased by EUR 0.1 million to EUR 0.7 million. On the liability side, shareholders' equity increased by 3% to EUR 16.3 million. Provisions increased from EUR 2.3 million to EUR 2.5 million, primarily due to higher commission provisions. Liabilities decreased from EUR 6.9 million to EUR 5.0 million. This is primarily due to the decline in liabilities to banks thanks to the repayment of two bank loans of EUR 1.1 million as well as a decline in liabilities to affiliated companies (EUR -0.7 million). The deferred income increased by 1.1 million to EUR 3.5 million, in particular due to higher prepayments made by customers for maintenance contracts.

Employees

As of December 31, 2021, Intershop had a total of 288 employees worldwide (December 31, 2020: 299 employees).

The close cooperation with leading universities is an integral part of the Intershop strategy. This cooperation provides the Company with direct access to know-how and excellent young talent who often work for Intershop during their studies, contributing their knowledge and in return gaining valuable insights into working life. With the inauguration of the new Intershop company headquarters in Jena in the fiscal year 2021, the Company is pushing ahead with making work locations and times more flexible. The new building stands for a modern hybrid working environment and Intershop strives to create the best possible conditions for its employees in order to proactively address personnel retention and recruitment issues.

The following overview shows the development of employee figures during the fiscal year:

Employees by department*	Dec. 31, 2021	Dec. 31, 2020
Technical Departments (Service Functions and Research Development)	223	227
Sales and marketing	36	40
General administration	29	32
	288	**299**

* based on full time staff, including students and trainees

At the balance sheet date, the number of employees in the European branch offices was 250 and thus accounted for 87% of the total work force (2020: 253 employees and 85% of the total work force). The U.S. subsidiary with 15 employees accounted for around 5% of the work force (2020: 18 employees and 6% of the total work force). The number of employees in the Asia-Pacific region fell from 28 to 23 employees or 8% of the total work force (2020: 9%).

AG as a single entity had 247 employees at the balance sheet date (December 31, 2020: 251 employees).

Management Board and Supervisory Board

At the end of the Annual Stockholders' Meeting on May 6, 2021, the planned change in the position of CEO was completed. Markus Klahn, who has been on the board as COO since April 2018, has been CEO of INTERSHOP Communications AG since this meeting and is the sole director of the Company. The previous CEO, Dr. Jochen Wiechen, left the company at his own request at the end of his Management Board contract as planned at the end of August 2021. Dr. Wiechen had been Chief Technical Officer since August 1, 2013 and then CEO of INTERSHOP Communications AG as of September 1, 2015. There were no changes in personnel in the Supervisory Board during the 2021 fiscal year.

Report on opportunities and risks

Risk management system

Intershop operates in a dynamic market characterized by continuous changes and a wide range of associated business environment risks, which makes it harder to plan and results in deviations from the forecasts. At the same time, the Company faces risks arising from operating policies, the Company's structure, and the organization of internal processes that could endanger the Company's goals. Intershop is committed to the goal of protecting the property of its stockholders and safeguarding its continued existence as the basis of its business activity. The Management Board has formally adopted a risk policy designed to promptly identify unknown risks (early warning function) and to manage risks. This policy describes and defines the methods and processes used in risk management throughout the Company. Intershop is supported by specialized external advisors in the further development of the risk management system. A risk manual describing the risk management system was created, which is reviewed and updated on a regular basis. Risks are defined as possible deviations from planned targets and include both positive deviations (opportunities) and negative deviations (threats). The risk management system focuses on potentially particularly serious negative deviations that could impact the Company's development and sharply reduce equity and cash position. The Management Board has appointed a Risk Manager who provides quarterly information about the Company's risk situation. Above and beyond this, risk management organization is decentralized. The divisional managers in the individual business areas are responsible for identifying and mitigating the risks in their divisions. In the case of significant risks and risks that pose a particular threat to the Company's continued existence, the divisional managers are required to provide the Management Board with immediate and detailed information. Flat hierarchies, short communication channels, and a culture of open communication also ensure that important risk information reaches the Management Board without delay. The Management Board informs the Supervisory Board at least once a quarter, but usually monthly, about important developments at the Company.

The operational risk management process encompasses risk identification, risk assessment, risk aggregation, and risk mitigation. Strategic, operating and financial risks are assessed. To identify risks, the environment and the defined risk fields and risks within it are continuously monitored by risk owners (usually the Intershop divisional managers), to which clearly defined business areas and all risks and opportunities arising from and in the future those areas are assigned at an operational level. In addition, a risk inventory is completed once a year (with quarterly updates), in which the relevance score and risk owners are determined, previously identified risks and opportunities are reviewed and new risks and opportunities are identified. In financial control, a deviation analysis is performed so as to identify deviations from targets. This involves the use of the financial accounting and controlling software from SAP and the consolidation and controlling software from LucaNet.

As part of risk identification, the effect of operational and financial risks and opportunities on the current financial year are quantified as best as possible (extent of damage and probability of occurrence) and assigned a relevance class. The effect of strategic risks and opportunities over three years is taken into account and the risk or the opportunity is assigned a relevance class.

The identified risks and opportunities are categorized as follows:

Categorization of the extent of damage:

Economic shareholders' equity				
< 2.5%	< 7.5%	< 25%	< 100%	> 100%
not material	minor	high	critical	existential
Relevance class 1	Relevance class 2	Relevance class 3	Relevance class 4	Relevance class 5

Categorization of the probability of occurrence:

≤ 5%	≤ 25%	≤ 50%	≤ 95%	> 95%
highly unlikely	unlikely	possible	likely	very likely

The consolidated management report focuses on significant risks and rewards. The economic shareholders' equity comprised shareholders' equity less goodwill. Intershop's total risk exposure is determined by aggregating the risks (Monte-Carlo-Simulation). In order to do this, the software Strategie Navigator is used. Intershop applies risk mitigation measures that, depending on the point in time involved, reduce the probability of occurrence or lessen the impact.

As part of its risk inventories in all departments of the Company, Intershop has identified all risks that could influence the Company's development. All Intershop products are offered in all segment regions and are therefore subject to the same kinds of risks and opportunities. In addition to specific individual risks and opportunities, Intershop's risk management also takes general risks (such as sales and cost fluctuations) into account that may have adverse (risks) or positive (rewards) effects on the earnings and financial position.

Strategic risks

Intershop is one of the leading providers of innovative B2B commerce solutions in a highly dynamic market. The overriding strategic goal of Intershop is the consistent expansion of the cloud business and focusing on the B2B market.

Intershop's target market is subject to constant change processes and challenges due to the rapidly growing digitization of companies combined with changing technologies, innovative business models, and market entry of new competitors. For Intershop, there is a risk in offering products and services that do not meet the needs of customers or market expectations. If the company is not successful in monitoring the target market effectively and continually, sizing up the competition, and providing new innovative product- and solution-oriented strategies, this could lead to a drop in sales as customers will turn to the competition, making it more difficult to acquire new customers. Intershop counters this risk through continuous market monitoring, own increased marketing activities when launching Intershop products, optimizing profit-loss analyses, and analyzing customer needs in cooperation with customers, partners, and market analysts. Customer and partner feedback is regularly incorporated in new Intershop solutions. In addition, discussions are held with industry analysts such as Forrester or Gartner. In August 2021, the U.S. market research company Gartner positioned Intershop as a niche operator for Digital Commerce 2021 in its Magic Quadrant™ thanks to which Intershop is now listed in a ranking with other leading global technology groups. Intershop estimates that these risks could have a noticeable to significant impact, for which, however, no or only weak indicators of occurrence can currently be identified.

In principle, there is a risk that the Intershop software could be completely or partially superseded by new technologies. Depending on the degree and pace of the change, this can lead to Intershop no longer being able to sell its current products and services and having to replace all or some of them. Intershop regards this risk as high. Currently, however, there is no identifiable development that challenges current products or services. The risk is also mitigated approach including the transfer of technologies identified as relevant to the product portfolio, short product release cycles, rapid software development, as well as regular market and competition observations. The Company also reacts to short-term trends with its own developments or cooperations with technology partners and to long-term trends via the control process in standard product development.

The popularity of the brand is a paramount factor for the distribution of the Intershop products. There is a risk that a decline in brand popularity results in potential customers not being aware of Intershop as a solution partner and the acquisition of new partners and employees is made more difficult. The inability to maintain and increase the visibility of the Intershop brand could lead to a decline in revenues. Intershop regards this risk as high. This risk is mitigated by way of various measures to increase brand popularity, which is an integral part of the marketing strategy. For example, Intershop is expanding its online marketing measures and customer reference marketing campaigns and ensures higher visibility on the market thanks to the partnership with Microsoft. Moreover, the establishment and strengthening of employer branding should help to better position Intershop as an attractive employer. The positive business development of the last two years also supports these measures.

The performance and expertise of the employees and management personnel are key to the Company's success. There is also the risk, especially with employees in key positions, that if employees switch to a competitor, the specific knowledge of the employee will be used there. Furthermore, it is generally more difficult to replace these employees. The loss of key personnel could have a negative impact on Intershop's competitiveness and economic development and result in additional replacement costs. Intershop considers the key position risk to be minor. These risks are counteracted using a state-of-the-art personnel management system with individual measures for personnel development together with an open company culture and flat hierarchies.

Operational risks

Business processes at Intershop are based on information technologies. This means that there is a typical inherent risk of data loss. The loss of sensitive data could lead to competitive disadvantages or a weaker market position. Intershop is paying particular attention to this risk and limits it through countermeasures such as comprehensive data security and recovery procedures, permanent development of security guidelines and security processes, the outsourcing of data to specialized data centers, as well as through its own adequately qualified IT specialists. Intershop classifies the risk as an appreciable risk whose occurrence is considered unlikely thanks to countermeasures described.

The complexity of the eCommerce processes leads to various mutual dependencies. There is the risk of the process chain or parts thereof failing which leads to a loss of revenue for customers. For Intershop, this can lead to a loss in sales, claims for damages, legal fees, and additional expenses to eliminate the process error. The risk is regarded as minor but it occurrence is likely. This is monitored by detailed process documentation and specifications, insurance policies, limitation of liability in contracts, specific training courses, as well as automation.

With regard to the Intershop software, there is the risk of product defects, which is typical of software. Due to development flaws, a product might be defective and, especially in terms of product safety, might not meet the requirements of the customer or market. Product defects could lead to potential or actual impairment of operations for customers or in cloud services. For Intershop, this could result in claims for damages, costs for possible legal disputes, and additional costs for rectifying defects. A decline in revenue may also occur, particularly due to a loss of customers. Intershop considers this to be an appreciable risk that might possible. However, an extensive quality assurance process with a designated security code officer, comprehensive security tests by external providers, and a documented escalation process limit both the probality of risk occurrence and the potential amount of damage.

In view of the increasing digitization in many companies, Intershop is facing difficulties in recruiting IT specialists. When filling open vacancies, there is a risk of higher costs incurred, e.g., due to the engagement of headhunters or as a result of higher than planned salaries. Intershop considers this an insignificant risk, whose occurrence, however, is highly probable. The risk is mitigated by means of flexible and needs-based recruitment as well as personnel deployment management.

Financial risks

Third parties could accuse Intershop of infringement of intellectual property rights, such as patents or copyrights, and claim compensation for damages or also attempt to restrict the sale of Intershop software. This especially applies to the countries, in which software process patents exist. The risk is regarded as a potentially minor risk. In order to minimize the risk, Intershop verifies compliance of the licensing terms of third parties in the development process and in the use.

A large portion of revenues is generated from consulting services, which are primarily provided in the context of projects. In this regard, customer loyalty is a very important factor. To be able to ensure customer loyalty, it is important to provide the quality the customer demands for projects, while at the same time keeping an eye on the costs and time. If this is not successful, this affects the Company's reputation and results in higher project costs. Future contracts may be lost, projects may be canceled prematurely, or the profit margin on projects permanently reduced. Intershop regards this risk as minor. In order to respond to this risk, personnel planning software and project analysis tools are used, and regular reports and project meetings document the current status of projects, and, if necessary and useful, employees in the development segment provide support. Furthermore, projects and customer satisfaction are monitored on an ongoing basis and processes are continuously improved. The risk occurring is considered possible.

Thanks to a liquidity of EUR 12.2 million at the balance sheet date, Intershop has a good liquidity position. There is no interest risk from a warrant bond of EUR 3.1 million at the balance sheet date due to agreement on a fixed interest rate over the term of the loan. The liquidity risk as a result of the repayment of financial liabilities is assessed as minimal. The option bond is due for repayment at the end of the term in July 2025 or upon exercising the warrants. The terms for the option bond include an option of ordinary termination of two years (up to July 2022). Its activities abroad are exposed to the currency risk since revenues are generated in U.S. and Australian dollars. Measures to hedge currency risks are taken on a case-by-case basis. There is also a default risk. In order to at least minimize the risk of default, Intershop regularly performs credit checks of customers. In case of larger contracts, this risk is also minimized by agreements on advance payments or partial payments based on the percentage of completion of the contract. Here, reference is also made to the consolidated financial statements, section "Information on financial instruments". These risks are regarded as insignificant but their occurrence is likely.

Intershop is a defendant in various legal proceedings arising from the normal course of business. The Management Board does not currently expect that the Company will incur any major financial obligations resulting from current litigation beyond the litigation stated in the consolidated financial statements. These risks are also secured by way of insurance policies and provisions as a preventative measure. Reference is made to the consolidated financial statements, section “Litigation/contingent liabilities”.

Opportunities

Intershop is in a very dynamic and fast-growing market environment for high-performing digital commerce platforms with an increasing concentration of businesses. On this market, new opportunities can present themselves at any time. A major driver of the sustained growth of the Company is to identify those opportunities and take advantage of them without incurring unnecessary risks. Hence, at Intershop the opportunity and risk management are closely interlinked. The rewards management is part of the strategic planning process at Intershop; here, internal and external potentials that might positively affect the further development and value added for Intershop are evaluated on a regular basis. The following opportunities shall be highlighted: Intershop considers the existing partnership with Microsoft to be a strong strategic opportunity. The cooperation gives Intershop better visibility on the market, which can lead to higher sales in the medium and long term. Furthermore, Intershop sees the strong strategic opportunity to achieve additional growth potential from M&A options in the course of market consolidation and adjustment to the market dynamics. There is also the minor possible opportunity that unforeseen, extraordinary income is generated from audits conducted by Intershop or the trend towards increased digitization if customers violate license terms or make greater use of Intershop products and services.

Overall risk position

The overall risk position refers to the sum total of all the individual risks and opportunities to which Intershop is exposed. There are no apparent risks endangering the Company’s continuation. The overall risk position remains the same compared with the prior year.

Description of the key characteristics of the internal control and risk management system with regard to the consolidated financial reporting process

Intershop’s internal control system includes the policies, procedures, and measures introduced by the Management Board to enable the organizational implementation of its decisions so as to ensure the effectiveness, cost-effectiveness, and propriety of financial reporting as well as adherence to the applicable legal provisions. The Intershop Group is divided into various main divisions, whose managers (Management Team) report directly to the Management Board. The divisions are divided into departments which, in turn, are divided into different cost centers or profit centers for which a department head is responsible. The department heads are accountable either for revenue and costs or just for costs.

The business ordering and approval processes, including authorizations and threshold values, are set out in the authorization directive (“Global Approval Policy”) introduced by the Management Board, which is reviewed and, when necessary, updated on a regular basis. The authorization directive includes three fields of regulation: the procurement of goods and services, offers to and agreements with customers, as well as personnel matters. Defined processes must be adhered to before actions are carried out. If, for example, goods are ordered or services are requested, or if existing contracts are amended or canceled, authorizations in the form of signatures must be obtained. The extent of the authorizations required depends on the type of contract involved and the volume of the order. Information on finances and the impact on the balance sheet, as well as on the budget must be provided, and alternatives (e.g., offers from other suppliers or service providers) must be explained. No orders or commissions may be placed until the relevant departments, department heads, and/or Management Board members have given their approval as required by the policy. In addition to the authorization directive, Intershop has additional guidelines for various areas, such as travel cost guidelines, cell phone guidelines, notebook guidelines, homeoffice guidelines and company car guidelines. These are also reviewed and adjusted accordingly on a regular basis. Third-party commissions, among other things, are discussed and monitored in the weekly Management Team meetings with the Management Board.

Accounting processes are entered in the respective individual financial statements for the subsidiaries in the Group’s central SAP system. The consolidation and preparation of Intershop’s consolidated financial statements is done centrally using the LucaNet consolidation software, on the basis of the individual financial statements entered in SAP. The Group's accounting policies take into account the requirements of the IFRSs, HGB (German Commercial Code), AktG (German Stock Corporation Act), and the German principles of proper accounting. When preparing the consolidated financial statements, internal controls are carried out in compliance with the dual control system to ensure the reliability of the single-entity financial statements used as a basis and of the consolidated financial statements. The Group's controlling will prepare a detailed analysis every month to show the development of the Group, the single entities, as well as the cost and profit centers. Impairment testing of cash generating units is performed centrally at Group level to ensure the use of uniform evaluation criteria. The preparation and compilation of the data used to prepare the notes to the financial statements and the management report is also performed by the Group's controlling at Group level, and these are checked by the Finance department.

Disclosures in Accordance with Section 289a (1) HGB and Section 315a (1) HGB Plus Explanatory Report as per sec. 176 para. 1 s. 1 AktG

On the balance sheet date, the Company's subscribed capital amounted to EUR 14,194,164, composed of 14,194,164 no-par value bearer shares. Each share has a notional value of EUR 1. There are no restrictions affecting the voting rights or transferability of the shares.

According to the voting rights notifications of May 27, 2019, Shareholder Value Beteiligungen AG held 17.55% and Shareholder Value Management AG 14.35% of direct stock in the Company, which according to the voluntary notification by the shareholders as of the balance sheet date still amounted to 1.03%. In addition, as per the voting rights notification last received on October 8, 2021, the two above mentioned companies are coordinating their voting with the other shareholders, Value Focus Beteiligungs GmbH (Hofheim am Taunus/Germany) and Reiner Sachs (indirectly via Sachs Assets GmbH, Erbach/Germany), in accordance with Section 34(2) of the German Securities Trading Act (WpHG). Within the meaning of Section 289a HGB,each of these four shareholders, therefore, holds an indirect stock of 36.87% (according to the voting rights notification) in the Company. In total, in accordance with Section 33 et seq. WpHG, these shareholders collectively hold 36.87% of the voting rights (coordinated voting behavior of the shareholders participating in the voting, hereinafter referred to as "share pool members").

According to the voting rights notification dated April 26, 2021, Frankfurter Investmentgesellschaft mit variablem Kapital (Société d'Investissement à Capital Variable, SICAV) (Grevenmacher/Luxemburg) holds a 16.15% stake in the Company's capital stock.

INTERSHOP Communications AG has not been informed of any other direct or indirect share capital holdings that exceed 10% of the voting rights as of the balance sheet date. There are no shares with special rights conveying powers of control, especially rights of appointment to the Supervisory Board. Also, there are no employee stock option plans, meaning that employees do not have an interest in the capital without being able to exercise their control rights directly at the same time.

The appointment and dismissal of the Management Board is governed by sections 84 and 85 of the German Stock Corporation Act (AktG) and Article 6 of the Articles of Association of the Company. According to the Articles of Association, the Management Board consists of one or more persons. The number of members of the Management Board is determined by the Supervisory Board. Amendments to the Articles of Association are made in accordance with section 179 and following of the AktG and Article 28 of the Articles of Association. Under the terms of the latter, the Supervisory Board has the power to resolve changes to the Articles of Association that affect only their wording and also, in particular, changes to the provisions governing the share capital corresponding to the respective amounts of capital increases from conditional capital and authorized capital, and of capital reductions resulting from the retirement of shares.

For information on the powers of the Management Board relating to the issuance of shares, please refer to the section entitled "Equity" in the notes to the consolidated financial statements, and to the notes to the financial statements of INTERSHOP Communications AG. The Company has not entered into any significant binding agreements that are conditional on a change in control as a result of a takeover bid. In addition, the Company has not entered into any binding compensation agreements with the members of the Management Board or with employees in the event of a takeover bid.

Corporate Governance Declaration in Accordance with Section 289f of the HGB or, respectively, sec. 315d HGB

On December 14, 2021, the Management Board and Supervisory Board issued a Corporate Governance Declaration in accordance with section 289f and 315d of the HGB have made it publicly accessible on the Company's website at https://www.intershop.com/corporate-governance-declaration.

Dependent Company Report

As a purely precautionary measure, pursuant to section 312 of the German Stock Corporation Act (AktG), the Management Board of INTERSHOP Communications Aktiengesellschaft prepared a report for fiscal year 2021 on the relationships with affiliated companies. This report also describes the relationships with Shareholder Value Management AG and Shareholder Value Beteiligungen AG (collectively referred to as "Shareholder Value Companies"). Shareholder Value Management AG and Shareholder Value Beteiligungen AG held 60.75% of the votes present at the Annual Stockholders' Meeting on May 6, 2021 and held a majority of the votes. As a precautionary measure, the Management Board therefore assumes that there is currently a dependency relationship with these companies, but not with any of the other share pool members whose voting behavior based on information provided by the Shareholder Value Companies and the publication of the exemption notification by the Federal Financial Supervisory Authority dated September 29, 2021, takes into account contributions by the other share pool members, but who, at the same time, are obligated to exercise their voting rights as coordinated between the Shareholder Value Companies. However, the Management Board is aware that this assessment depends on uncertainties, in particular the prognosis for future majorities at stockholders' meetings, which cannot be reliably predicted. The dependency report was issued as a precautionary measure. It contains the following final statement:
"With respect to the legal transactions outlined in the report on relationships with affiliated companies, INTERSHOP Communications Aktiengesellschaft received commensurate consideration for each legal transaction based on the circumstances that were known to us at the time the legal transactions or measures were undertaken, and has not been disadvantaged by the taking or omission of measures."

Report on Expected Developments

Environment

Based on the current IWF forecast of January 2022, the economy will grow at a rate of 4.4% in 2022. The development is hindered by the rapid spread of the omicron variant, the sluggish vaccination progress in emerging and developing countries, as well as disrupted supply chains and persistent inflation. In the industrial countries, the IWF expects a growth in the gross domestic product of 3.9%, and in emerging and developing countries an increase in the economic performance of 4.8%. A growth of 4.0% is forecast for the U.S. economy. The gross domestic product in the Euro zone is expected to be at 3.9% and for Germany the experts estimate an increase in economic performance of 3.8%.

According to eMarketer, the eCommerce boom will continue in double digits in coming years. Experts expect an online retail volume of $6.2 trillion for 2023. By 2025, global eCommerce sales will account for 24.5% of the total retail sales.

The digital transformation is also boosting the B2B eCommerce market which, according to Research and Markets, with an annual average growth rate of 18.7% will archive a volume of $25.7 trillion by 2028. As a result, companies profit from better customer and supply management, increased sales engagements, and long-term lower market costs. The market research company Forrester expects a large change in digital commerce technology for 2022. To optimize the purchase experience of customers, analysts predict more intensive investments in Commerce Cloud components.

There are also good indicators for growth for global IT markets in 2022. According to the data provided by the U.S. analyst firm Gartner, an overall market increase of 5.5% is expected. With an increase of 11.5%, a particularly strong growth in the company software sector is expected, and even the IT services segment should experience a significant growth of 8.6%. Thus, experts expect increased investments in IT infrastructure. For the German market, with 9.0%, the industry association Bitkom expects the highest growth to occur in the software segment. The IT services segment is expected to grow by 3.9%.

Company outlook

The positive business development of Intershop is spurred in the long-term by a sustainable digitization trend. Also in view of a dynamic market environment, the above-average growth underscores the scalability of the state-of-the-art Intershop solution. The Commerce Platform is becoming an increasingly important component in the digitization strategy of numerous wholesale and production companies. In 2020 Forrester had already rated Intershop as a "Strong Performer" in the B2B environment and in 2021 Intershop was included in the industry-renowned analysis by the U.S. research company Gartner in the Magic Quadrant™ for digital commerce. Based on the positive estimates by globally leading industry analysts, Intershop, with its powerful platform, has positioned itself as a major player in the B2B market for the implementation of digital transformation strategies.

To be able to reliably meet the increasing demand in the future as well, Intershop places a high value on employee retention and recruitment. Good and flexible working conditions as well as hybrid working models play a decisive role here. Intershop has already set the course for this thanks to the inauguration of the new modern company headquarters. Moreover, the Company plans to expand the Sales Team in order to further accelerate growth.

At the end of the 2021 fiscal year, Intershop launched its new generation of the Commerce Platform. The Cloud Asset offers both, perfect transaction stability and high performance. Features that will also constitute an integral part of the performance commitment of the Intershop solution in the future. Therefore, the Company will continue to work on optimizing the platform in 2022. The Company plans for a more intensive integration of AI-based technology in order to continuously improve the production functions. Here, customers benefit from the existing and recently extended Intershop partnership with Microsoft.

Intershop expects a significant increase in cloud and subscription sales and a continually increasing cloud margin in the 2022 fiscal year. However, in the maintenance and licenses segments, a slight decline in revenues is expected as a result of the changed business model. Intershop also expects growth in the service sector. This is based especially on the expansion of the cloud customer base, resulting in the extensive provision of consulting services before and after the implementation of a solution. In this regard, growth is expected for all three target regions (Europe, the United States, and Asia Pacific).

Statement on business developments for 2022

Based on the assumptions for the respective business segments, Intershop expects incoming cloud orders to increase by 20% and Net New ARR by 10% for the 2022 fiscal year. With an expected sales growth of about 10%, a positive operating result (EBIT) of a least EUR 1.0 million is forecast.

Jena, March 4, 2022

The Management Board of INTERSHOP Communications Aktiengesellschaft

M. Klahn

Markus Klahn

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

in EUR thousand	Note No.	December 31, 2021	December 31, 2020
ASSETS			
Noncurrent assets			
Intangible assets	(1)	10,375	10,378
Property, plant and equipment	(2)	622	531
Rights of use IFRS 16	(3)	10,126	1,196
Other noncurrent assets	(5)	0	14
Restricted cash	(6)	250	635
Deferred tax assets	(22)	91	85
		21,464	**12,839**
Current assets			
Trade receivables	(4)	5,019	3,939
Other receivables and other assets	(5)	862	1,008
Cash and cash equivalents	(6)	12,209	11,574
		18,090	**16,521**
TOTAL ASSETS		**39,554**	**29,360**

in EUR thousand	Note No.	December 31, 2021	December 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Subscribed capital	(7)	14,194	14,194
Capital reserve	(7.1)	2,575	2,575
Other reserves	(7.2)	639	(234)
		17,408	**16,535**
Noncurrent liabilities			
Warrant Bond	(8)	3,059	3,038
Leasing liabilities IFRS 16	(3)	8,936	810
		11,995	**3,848**
Current liabilities			
Other current provisions	(13)	287	286
Liabilities to banks	(10)	0	1,486
Trade accounts payable	(9)	1,631	1,480
Income tax liabilities	(22)	11	28
Leasing liabilities IFRS 16	(3)	1,296	397
Other current liabilities	(11)	3,247	2,623
Deferred revenue	(12)	3,679	2,677
		10,151	**8,977**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**39,554**	**29,360**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

in EUR thousand	Note No.	January 1 to December 31, 2021	2020
Revenues			
Software and Cloud Revenues		20,908	19,468
Service Revenues		15,087	14,137
		35,995	**33,605**
Cost of revenues			
Cost of revenues - Software and Cloud		(8,576)	(7,497)
Cost of revenues - Services		(10,017)	(10,446)
		(18,593)	**(17,943)**
Gross profit		**17,402**	**15,662**
Operating expenses, operating income			
Research and development		(5,659)	(3,778)
Sales and marketing		(7,698)	(7,707)
General and administrative		(3,282)	(3,114)
Other operating income		932	454
Other operating expenses		(385)	(473)
		(16,092)	**(14,618)**
Result from operating activities		**1,310**	**1,044**
Interest income		0	1
Interest expense		(382)	(143)
Financial result		**(382)**	**(142)**
Earnings before tax		**928**	**902**
Income taxes	(22)	(118)	(109)
Earnings after tax		**810**	**793**
Other comprehensive income Exchange differences on translating foreign operations		63	(63)
Other comprehensive income from exchange differences		**63**	**(63)**
Total comprehensive income		**873**	**730**
Earnings per share (EUR, basic,diluted)	(23)	0.06	0.06

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

in EUR thousand	Note Nr.	January 1 to December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		928	902
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		382	142
Depreciation and amortization		3,113	3,424
Other noncash expenses and income		(497)	83
Changes in operating assets and liabilities			
Accounts receivable		(902)	1,351
Other assets		158	342
Liabilities and provisions		705	(726)
Deferred revenue		963	(580)
Net cash provided by (used in) operating activities before income tax and interest		**4,850**	**4,938**
Interest received		0	1
Interest paid		(115)	(60)
Income taxes paid		(138)	(152)
Net cash provided by (used in) operating activities		**4,597**	**4,727**

in EUR thousand	Note Nr.	January 1 to December 31, 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on restricted cash		476	0
Payments for restricted cash		(90)	0
Payments for investments in intangible assets		(1,492)	(2,017)
Proceeds on disposal of equipment		3	8
Purchases of property and equipment		(352)	(185)
Net cash provided by (used in) investing activities		**(1,455)**	**(2,194)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received warrant bond		0	3,108
Expenses of cash received for warrant bond		0	(43)
Cash received from loan		0	435
Repayments of loans		(1,051)	(500)
Payments for leasing liabilities		(1,502)	(1,665)
Net cash provided by (used in) financing activities		**(2,553)**	**1,335**
Effect of change in exchange rates on cash		46	(25)
Net change in cash and cash equivalents		**635**	**3,843**
Cash and cash equivalents, beginning of period	(6)	11,574	7,731
Cash and cash equivalents, end of period		**12,209**	**11,574**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Shareholders' Equity

				Other reserves			
in EUR thousand	Common shares	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/loss	Cumulative currency differences	Total shareholders' equity
Balance January 1, 2021	**14,194,164**	**14,194**	**2,575**	**(93)**	**(2,197)**	**2,056**	**16,535**
Total comprehensive income					810	63	873
Balance December 31, 2021	**14,194,164**	**14,194**	**2,575**	**(93)**	**(1,387)**	**2,119**	**17,408**
Balance January 1, 2020	**42,582,492**	**42,582**	**1,082**	**(93)**	**(29,959)**	**2,119**	**15,731**
Total comprehensive income					793	(63)	730
Simplified capital decrease	(28,388,328)	(28,388)	1,419		26,969		0
Issue of warrant bond			74				74
Balance December 31, 2020	**14,194,164**	**14,194**	**2,575**	**(93)**	**(2,197)**	**2,056**	**16,535**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

General Disclosures

The Company

INTERSHOP Communications Aktiengesellschaft ("Intershop", the "Company", the "Intershop Group" or the "Group") is an Aktiengesellschaft (German stock corporation) under German law based in Jena, Germany. The business adress is Steinweg 10, 07743 Jena, Germany. The Company is listed on the German stock exchange in Frankfurt and is included in the Prime Standard. INTERSHOP Communications Aktiengesellschaft (AG) is entered in the commercial register of the Jena Local Court under number HRB 209419.

Intershop is a leading provider of B2B eCommerce solutions. The Company supports globally leading manufacturers and wholesalers in the innovative digitization of their sales. Using the eCommerce platform based on Intershop's cloud, B2B companies can establish and expand their digital presence, create a consistently positive customer experience, and thus sustainably increase online sales.

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2021, the Company had cash and cash equivalents of EUR 12.2 million (December 31, 2020: EUR 11.6 million). The equity ratio as of the balance sheet date was 44% (previous year: 56%). The Company's financial liabilities through the issue of warrant bond of EUR 3.1 million (2020: EUR 3.0 million). We refer to the statements in the Group Management Report.

Accounting principles (compliance statement)

In fiscal year 2021, INTERSHOP Communications AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), in accordance with the provisions of the German Stock Corporation Act (AktG) and in accordance with the provisions required to be applied under section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code).

The consolidated financial statements of the Company for 2021 (January 1, 2021 to December 31, 2021) were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date, which include standards (IFRS, IAS) adopted by IASB, and the Interpretations (IFRIC, SIC) issued by the International Financial Reporting Interpretations Committee (IFRIC IC), as adopted by the EU.

The 2021 fiscal year was the first year in which the adoption of the following financial reporting standards and interpretations became mandatory:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to Interest Rate Benchmark Reform, Phase 2
- Amendments to IFRS 16–COVID-19-Related Rent Concessions as of June 30, 2021

The amended standards have no material impact on the Company's consolidated financial statements.

The International Accounting Standards Board (IASB) has also issued the following Standards, Interpretations, and amendments to existing Standards whose application is not yet mandatory, or which the European Union has not fully adopted in European law. The Company has decided not to adopt these Standards prior to their effective date and this is also not planned for the future:

IFRS	Änderung	Amendment for fiscal year as of
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022
IAS 16	Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	01/01/2022
IFRS 3	Amendments to IFRS 3: Reference to the Conceptual Framework	01/01/2022
Improvements	Annual improvements to the IFRS standards 2018–2020	01/01/2022
IFRS 17	Insurance Contracts	01/01/2023
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01/01/2023
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting methods	01/01/2023
IAS 8	Amendments to IAS 8: Definition of estimates	01/01/2023
IAS 12	Amendments to IAS 12: Deferred tax assets related to assets and liabilities from a single transaction	01/01/2023

The Company currently assumes that the amended standards will have no material impact on the Company's consolidated financial statements.

Financial reporting for fiscal year 2021 has been prepared in accordance with the Standards and Interpretations required to be applied and gives a true and fair view of the net assets, financial position, and results of operations of the Intershop Group.

Assets and liabilities are generally measured at cumulative historical cost or the lower market value as required.

The 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.

The fiscal year of INTERSHOP Communications AG and its consolidated subsidiaries is the calendar year. The income statement has been prepared using the cost of sales method. The balance sheet is organized in accordance with the maturity of the assets and debt. Assets and debt are considered current if they are due, or are supposed to be sold, within one year.

On March 4, 2022, the Management Board of INTERSHOP Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board. The Supervisory Board is responsible for audited the consolidated financial statements and declaring whether it approves them.

Estimates and discretionary decisions

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Estimates are based on past experience and other knowledge of transactions to be accounted for. Actual results may differ from these estimates. As a result, estimates and the assumptions on which they are based are regularly reviewed and assessed for their potential effects on the Company's financial reporting. Provisions are recognized and measured on the basis of financial estimates and data, as well as on the basis of historical data and circumstances known at the balance sheet date. It must be probable that the obligation to a third party will have to be settled. The actual obligation may differ from the amounts of the provisions. A corresponding adjustment in the carrying amounts of assets and liabilities would occur within the next fiscal year. In particular, estimates are required to recognize and measure provisions for legal costs and litigation risks, impending losses from projects, guarantee provisions, and provisions for income taxes, as well as to assess the need for and measurement of impairment losses and valuation allowances. In fiscal year 2021, other provisions amounted to a total of EUR 287 thousand (2020: EUR 286 thousand). The corresponding expense entries were recognized in the Consolidated Statement of Comprehensive Income under general administration costs and cost of revenues. Goodwill is tested for impairment using the test described in the section entitled "Impairment of assets." No impairments were necessary in fiscal years 2020 and 2021. Please refer to the chapter entitled "Accounting policies" for information on estimating revenues. An estimate for the degree of completion of contracts for fixed-price projects is required when determining revenues for services. Other sources of estimation uncertainty include the useful life of the fixed assets, when assessing the value of trade receivables as well as when recognizing leases in accordance with IFRS 16.

The application of Group accounting policies is also subject to various discretionary decisions by Company management. Significant discretionary decisions were made with respect to the reporting procedures used for leasing relationships and the impairment of financial assets.

Basis of consolidation

As of December 31, 2021, the companies included in consolidation consisted of, apart from the parent company, the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., The Bakery GmbH, Intershop Communications Ventures GmbH and Intershop Communications SARL. Intershop Communications Asia Limited, Hong Kong, China was shut down and deconsolidated in the 2021 fiscal year. The deconsolidation had no effect on earnings. The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2021:

	Interest in %	**Equity*** in EUR thousand	**Annual result**** in EUR thousand
Intershop Communications, Inc., San Francisco, USA	100	(316)	250
Intershop Communications Australia Pty Ltd., Melbourne, Australia	100	1,551	136
Intershop Communications SARL, Paris, France	100	364	14
The Bakery GmbH, Jena, Germany	100	(4,134)	(48)
Intershop Communications Ventures GmbH, Jena, Germany	100	(1,417)	(18)

* Equity as of December 31, 2021 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2021 is translated at the average annual rate

Consolidation methods

The consolidated financial statements comprise the financial statements of INTERSHOP Communications AG as the parent and those of all entities that it controls (German and foreign subsidiaries) that form the largest and, at the same time, the smallest group of companies for which consolidated financial statements must be prepared. INTERSHOP Communications AG controls the consolidated subsidiaries by holding the majority of the voting rights. Due to its control, INTERSHOP Communications AG has influence on the amount of the subsidiaries' yields and is subject to fluctuating yields from its investment. A company is included in the consolidated financial statements from the date on which control passes to the Intershop Group. Deconsolidation usually occurs on the date control passes to a third party or on the date the subsidiary is liquidated.

Subsidiaries

Acquisition accounting for companies acquired from third parties is performed as of the date of acquisition using the purchase method of accounting. Under this method, the assets acquired and liabilities assumed are measured at their acquisition-date fair value. Any remaining positive difference between acquisition price and fair value is capitalized as goodwill. Any negative difference is immediately recognized as an expense. Transaction costs are recognized as expense. In subsequent periods, hidden reserves and liabilities realized at the time of initial consolidation are carried, written down or reversed in accordance to the treatment of the corresponding assets and liabilities. Goodwill will be reviewed for impairment at least once a year during subsequent reporting periods and, in case of impairment, an unscheduled write-down to the lower fair value is made. Expense and revenues as well as receivables and liabilities between consolidated companies are eliminated.

Foreign currency translation

Monetary items denominated in foreign currency in the local-currency single-entity financial statements of the consolidated companies are measured at the closing rate. Translation differences are recognized in income.

The functional currency for it's the subsidiaries is the local currency of the country in which the subsidiary is based. The Company's functional currency is the euro. The financial statements of subsidiaries outside the euro zone are translated using the modified closing rate method. Since from a financial, economic, and organizational perspective, the subsidiaries conduct their business independently, the functional currency is always the same as the Company's local currency. Assets and liabilities are translated using the closing rate at the balance sheet date; income and expenses are translated at the average exchange rate for the year. The difference resulting from currency translation is taken directly to equity and reported separately in equity under other reserves (cumulative currency translation differences). Currency translation differences are reversed to income when a subsidiary is deconsolidated.

Transactions in foreign currencies are translated at the exchange rate prevailing at the date of each transaction. Nonmonetary items denominated in foreign currency are measured at historical exchange rates. Differences in exchange rates between the date of a transaction denominated in a foreign currency and the date at which it is either settled or translated are recognized in the statement of comprehensive income and are shown in "other operating income" or "other operating expenses." Currency gains and losses were EUR 50 thousands (2020: EUR -95 thousands).

The following table shows the significant exchange rates used for foreign currency translation:

Country	Currency	Closing rate		Average rate for the year	
	1 EUR =	Dec. 31, 2021	Dec. 31, 2020	2021	2020
United States	USD	1.13	1.23	1.19	1.14
Australia	AUD	1.56	1.59	1.58	1.66
Hong Kong	HKD	8.83	9.51	9.21	8.86
United Kingdom	GBP	0.84	0.90	0.86	0.89

Accounting Policies

The accounting policies are applied uniformly throughout the Intershop Group and to all periods reported in the consolidated financial statements.

Intangible assets

Purchased Software and other intangible assets

Purchased intangible assets, such as software and patentsare capitalized at cost. Intangible assets with finite useful lives are measured at cost less accumulated amortization, taking into account accumulated impairment losses and reversals of impairment losses, and are written down using the straight-line method. Their useful lives are generally between 2 and 3 years. Intangible assets with an indefinite useful life are measured at cost less accumulated impairment losses and tested for impairment both annually and when there are indications of impairment. Please refer to the section entitled "Impairment of assets".

Software development costs

Development costs for newly developed (software) products are capitalized at cost in accordance with IAS 38 if the following criteria are met: the technical feasibility, the intention for complete, own use or for sale, a guarantee of the marketability of the newly developed products, the future benefits, the availability of sufficient technology, finances and other resources, as well as a clear allocation of expenses. Capitalization of software development costs generally begins when the technological feasibility of the product is established; which the Company defines with the compilation of the software functionalities considered as marketable to so-called PSIs (Potential Shippable Increment) and the definition of the EPICs (Features). Capitalized software development costs include direct staff costs for employees, ancillary staff costs, directly attributable payments for third-party services, and an appropriate percentage of reasonably identifiable overhead costs. The relevant amount is amortized using the unit of production method over the planned useful life of three or six years beginning from the time when the software release concerned is made available to customers. The capitalized costs are subject to the impairment test. Research costs may not be capitalized in accordance with IAS 38 and are therefore recognized directly as an expense in the income statement.

Goodwill

In accordance with IFRS 3, goodwill resulting from consolidation is the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate, or joint venture at the date of acquisition. Goodwill is recognized as an asset and tested for impairment at least once a year in accordance with IAS 36. Goodwill is tested for impairment on the basis of cash-generating units. For this purpose, goodwill is allocated to cash-generating units generating benefits from the corresponding synergies. An impairment loss is recognized if the recoverable amount of the cash-generating unit, which is the higher of fair value less costs to sell and value in use, is lower than its carrying amount (for further details, see the section entitled "Impairment of assets"). Impairment losses are immediately recognized in the income statement and not reversed in subsequent periods.

Property, plant, and equipment

Property, plant, and equipment is measured at historical cost less accumulated depreciation, taking into account accumulated impairment losses and reversals of impairment losses. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation is based primarily on the following useful lives:

Computer equipment	3 years
Office and operating equipment	4–6 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or their estimated useful lives. When items of property, plant, and equipment are decommissioned, sold, or abandoned, the gain or loss from the difference between the sale proceeds and the carrying amount is reported in "other operating income" or "other operating expenses".

Impairment of assets

For property, plant, and equipment and intangible assets with finite lives an estimate is made at each balance sheet date to establish whether there are any indications that the assets in question may be impaired in accordance with IAS 36, Impairment of Assets. If such indications exist, the recoverable amount of the asset is determined so that the impairment loss can be calculated. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is defined as the amount that could be generated by the sale of an asset in an arm's length transaction between willing parties. The value in use is determined on the basis of discounted future cash flows using a market rate of interest that reflects the risks of the asset that are not yet included in the estimated future cash flows. If the recoverable amount of an asset is lower than its carrying amount, the asset must be written down to its recoverable amount, applying the value in use. Impairment losses are recognized immediately in profit or loss. No extraordinary write-downs were applied in years 2020 and 2021. In the case of reversals of impairment losses in a subsequent period, the carrying amount of the asset is adjusted to reflect the identified recoverable amount; however, the value of the asset may only be increased to the carrying amount that would have arisen if no impairment loss had previously been charged. Reversals of impairment losses must be recognized immediately in profit or loss. No such reversals were performed in 2020 and 2021. An annual impairment test is performed for goodwill and not yet amortized software development costs.

The goodwill impairment test is to be performed on cash generating units. The goodwill impairment test is to be performed on the cash generating unit to which goodwill is allocated. Goodwill comprises the intellectual property incorporated in the software obtained from previous acquisitions (net carrying amount at December 31, 2021: EUR 4,473 thousand; December 31, 2020: EUR 4,473 thousand). For the goodwill the relevant cash-generating unit (CGU) is the Europe segment. In a first step, the carrying amount of the cash-generating unit is compared with the recoverable amount of the CGU at the balance sheet date. The recoverable amount in this context is defined as the maximum of the value in use and the stock price or the fair market value less selling costs, respectively Secondly, the impairment write-down required is determined, but only if the value in use or market value is less than the carrying amount. To determine the value in use of the cash-generating unit, the net cash flows for the period from 2022 to 2025 and a "perpetual annuity" (without growth rate) for the period after and including 2026 were identified. The calculations are based on the corporate planning for the period from 2022 to 2025 approved by Intershop's management. The planning reflects the company strategy with the further consistent expansion of the cloud business and a focus on the B2B market thanks to strongly increasing cloud revenues and a further increase in incoming cloud orders. License and maintenance revenues, in contrast, are decreasing over time. The share of cloud revenue in the overall revenue increases every year, while the share of license and maintenance revenue is decreasing and the share of service revenue remains more or less constant over the planning period. An annual growth rate is expected for the total revenue over the planning period. The Group assumes an increasing gross margin in the planning period. The cloud margin grows over the period. The company expects positive, annually increasing EBIT margins. The increase in revenues and the improved margin will result in an increased inflow of cash of the CGU during the planning period. When determining the value in use, present values were calculated on the basis of a discount rate after tax of 7.88% (WACC) (WACC before tax: 11.47%) (2020: 8.10% WACC; 11.70% WACC before tax). No impairment losses on goodwill were reported in 2020 and 2021; impairment losses on goodwill are not reversed (no appreciation). A change in the discount rate by one percentage point compared to the budget would not have any effect on the result of the test.

Leases

According to IFRS 16, the lessee must recognize assets (for the right of use) and the corresponding lease obligation in lease agreements. Assets and liabilities arising from leases are initially measured at present value. Lease payments are discounted at the rate implicit in the lease if such rate can be readily determined. Otherwise, the lessee shall use their incremental borrowing rate. Intershop is the lessee in leases of rented office space, vehicles, as well as office equipment and supplies. The Company applies the exemption rule to short-term leases with a term that does not exceed 12 months and to low-value leases; the Company expenses such items over the term of the item using the straight-line method.

Financial instruments

Financial assets and financial liabilities, which include trade receivables and liabilities, cash and cash equivalents and restricted cash, are recognized in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified and measured based on the business model operated and the structure of the cash flows. A financial asset is initially measured as "at amortized cost," "at fair value through other comprehensive income," or "at fair value through profit or loss." Intershop's financial assets measured at amortized cost include trade receivables, cash and cash equivalents and other noncurrent assets. Financial liabilities at amortized cost comprise the warrant bond, trade payables, lease liabilities and other current liabilities, as well as in the previous year liabilities to banks in the form of interest-bearing bank loans. At the balance sheet date, Intershop had no financial instruments measured "at fair value through other comprehensive income" or "at fair value through profit or loss" according to IFRS 9. Intershop derecognizes financial assets if the payment has been received or if the receivable cannot be collected. Financial liabilities are derecognized if the contractual obligations have been met, rescinded or expired.

Trade receivables, other receivables and other assets

Trade receivables are reported at fair value, which usually corresponds to cost, at the date of recognition. They are subsequently measured at amortized cost net of any valuation allowances. Receivables from the sale of software licenses are recognized only when a contract has been signed with the customer, any right of return granted to the customer has expired, the software has been made available according to the contract, and it is more probable than not that the receivable will be collected. The trade receivables also include revenue from contracts as set forth in IFRS 15 resulting from fixed-price projects.

Trade receivables are recognized at their principal amount, which equals fair value at the time of collection. Receivables with longer maturities (> 1 year) are discounted using market interest rates.

Other receivables and other assets are recognized at amortized cost. All identifiable risks of default are taken into account by deducting appropriate allowances.

The Company makes judgments as to its ability to collect outstanding receivables and recognizes allowances for the portion of receivables where collection becomes doubtful. Allowances are recognized based on a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, allowances are recognized at differing rates, based on the age of the receivable. When setting the expected loss given default, Intershop takes into account historical default rates as well as forward-looking parameters based on industry-specific default rates. Other individualized valuation information is also consulted for individual items. If the historical data the Company uses to calculate the allowances recognized for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional allowances for doubtful accounts may be needed and the future results of operations could be materially affected.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, checks, and unrestricted deposits with banks that have an original maturity of up to 90 days and are recognized at nominal value. Restricted cash is reported separately (see the section entitled "Cash and cash equivalents").

Other provisions and contingent liabilities

According to IAS 37, provisions are recognized for obligations to third parties if they have arisen from a past event, an outflow of resources is probable, and the amount can be reliably estimated. Provisions that do not lead to an outflow of resources in the subsequent year are recognized at the settlement value, discounted to the balance sheet date using market interest rates. The settlement value includes expected cost increases. Rights of recourse are not deducted from provisions.

Contingent liabilities are firstly possible obligations whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity. Secondly, they are existing obligations where it is not probable that they will lead to an outflow of resources, or the outflow cannot be reliably quantified. According to IAS 37, contingent liabilities are not recognized in the balance sheet.

Trade accounts payable

Trade accounts payable are initially and subsequently measured at their amortized cost. Trade accounts payable are classified into current and noncurrent trade accounts payable. Trade accounts payable within one year are current liabilities, and trade accounts payable after one year are noncurrent liabilities.

Liabilities to banks

When they are first recognized, liabilities to banks are entered at the fair value less transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Warrant bonds

Warrant bonds give the holder the right to acquire equity interests in the Company at an option price set upon issuing the warrant bond at certain exercise dates. Warrant bonds are considered compound financial instruments that are comprised of a liability and an equity component. At initial recognition, the liability component is measured at fair value. Fair value is determined using a market interest rate for an equivalent non-convertible bond. The value resulting from the difference between the fair value of the entire financial instrument and the fair value of the liability component is stated as the equity component at initial recognition. Directly attributable transaction costs are allocated at the ratio of the carrying amounts of the liability and equity components at the time they are first recognized. In the subsequent periods, the liability component is recognized at amortized cost using the effective interest method. The equity component is continued at the initially recognized value.

Revenues

Intershop's revenues include revenues generated from the sale of software licenses and the corresponding maintenance services, as well as revenues from providing cloud services and rendering consulting services. Intershop records sales revenues at the date at which the obligation to perform has been fulfilled. This requires a valid agreement including identifiable service obligations and agreed-upon payment terms, as well as the likelihood that the agreed-upon consideration will be obtained. The revenues correspond to the transaction price to which Intershop is entitled as per the terms and conditions of the respective agreement. Revenues from variable components are only recorded if it is highly likely that they will not be reversed in the future. There are no significant uncertainties with regard to the revenues. For each performance obligation, revenues are realized either at a certain time or over a certain period of time. If contractual relationships with customers contain several performance obligations, the transaction price is allocated to the individual performance obligations based on their relative individual selling prices. The relative individual selling prices usually correspond to the contractually agreed prices.

Intershop generally does not offer product sales with a right of return. Therefore, the contractual obligations are mainly prepayments received on orders from service contracts as well as deferred revenues due to time-based revenue recognition (for example income from maintenance or cloud and subscription contracts).

Licenses and Maintenance Revenues

Revenues from licenses are recorded at the date at which the software is handed over to the customer and thus the customer has access to the software. The customer is granted a right of use in the software not limited in time. Fees for the software licenses are typically billed after the contract is executed and the software is handed over. On a case-by-case basis, payment plans are agreed upon with customers. As these do not usually exceed 12 months, no significant financing components are considered in the transaction price.

When selling software licenses, maintenance contracts are usually entered into for a period of at least one year. Revenues from maintenance are recognized ratably over the period in which the services are provided. The purchase price stipulated in the respective agreement is allocated to the individual service obligations based on their individual selling price. In general, invoices are issued on an annual basis. There are no significant financing components as a payment term of 30 days is usually agreed. The prepayments constitute contractual obligations and are disclosed in deferred revenues. In principle, there is no obligation to accept returns and grant refunds or any warranties from maintenance agreements.

Cloud and Subscription Revenues

Intershop offers its customers its e-commerce platform as a comprehensive and efficient standard cloud solution or the e-commerce solution for operating the Intershop software in a cloud environment. These revenues include the following services: (1) contractually agreed-upon use of the e-commerce platform limited in time with hosting in a dedicated Azure Cloud environment that is operated, maintained and secured by Intershop or (2) contractually agreed-upon use of the Intershop license limited in time with or without hosting in a dedicated cloud environment.

Intershop agrees on a regular, fixed fee for these services with its customers for a certain period of time, which is usually invoiced each month or annually in advance. The prepayments constitute contractual obligations and are disclosed in deferred revenue. Revenues are recognized on a prorated basis over the period of use and result in regularly recurring revenue. Transaction-based and revenue-based fees as well as set-up services are also generally agreed upon; the revenues are recognized when they are recorded (date-based). The purchase price stipulated in the respective agreement is allocated to the individual service obligations based on their individual selling price.

Service Revenues

Intershop offers its customers various services in the course of implementation of the Intershop software. Daily rates and the schedule for these project services are contractually agreed with the customer. Intershop records the revenues from the rendering of the services over the period in which the services are rendered. As a rule, invoicing is done after performance with a payment target of 30 days. Revenues and expenses from fixed-price agreements are recognized based on the percentage of completion. The determination of the amount of revenues to be recognized is partly based upon the use of estimates. The Company estimates the percentage of completion on contracts with fixed or "not to exceed" fees on a monthly basis, utilizing hours incurred to date as a percentage of total estimated hours to complete the project. If Intershop does not have a sufficient basis to measure progress towards completion, revenue is recognized when the Company receives final acceptance from the customer. When total cost estimates exceed the contractually agreed upon revenues, Intershop sets aside valuation allowances or reserves for the estimated losses, using cost estimates that are based upon an average burdened daily rate and all expenses applicable to the organization delivering the services. The complexity of the estimation process and issues related to the assumptions, risks, and uncertainties inherent in the application of the percentage-of-completion method of accounting affect the amounts of revenues and related expenses reported in the Company's consolidated financial statements. A number of internal and external factors can affect Intershop's estimates, including costs for employees, utilization and efficiency variances, and specification and testing requirement changes. Since the calculations are based on verifiably worked hours, the methods are suitable for providing a faithful picture of the supply of services.

Cost of revenues

The cost of revenues includes the costs incurred in generating revenues. They include in particular all costs for maintenance, cloud and services. The cost of revenues for licenses also includes the amortization of capitalized software development costs.

Government grants

Government grants are recognized according to IAS 20 only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. IAS 20 provides in principle for grants to be recognized as income over the periods in which the related costs are recognized. When all conditions are met, the Company states non-repayable income subsidies as "other operating income." This concerns grants for a research and development project.

Cost of debt

Interest expenses are recognized in the period in which they arise.

Income taxes

In accordance with IAS 12, deferred taxes are recognized for all temporary differences between the carrying amount of assets and liabilities in the IFRS balance sheet and their tax base at the balance sheet date using the balance sheet liability method. Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized.

Deferred taxes are measured at the tax rates that have been enacted or substantively enacted for the period in which an asset is realized or a liability settled. The effect of changes in the tax rate on deferred taxes is recognized as of the effective date of the legal changes.

Operating segments

The segments have been presented in accordance with IFRS 8, Operating Segments. The structure and content of segment reporting reflects the internal reports provided to management. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are regularly reviewed by management, and for which financial information is available. An operating segment becomes a reportable segment if it can be identified and exceeds certain quantitative thresholds. Expenses are generally allocated on the basis of the percentage revenue breakdown.

Earnings per share

The basic net profit per share is determined in accordance with IAS 33, Earnings per Share for all periods presented. Basic net loss per share is computed using the weighted average number of outstanding shares of common shares.

The diluted net profit per share is computed using the weighted average number of ordinary shares outstanding and, in the case of dilution, the ordinary shares outstanding and the potential number of ordinary shares from options and warrants to purchase such shares using the treasury stock method.

Notes to the Individual Balance Sheet Items

(1) Intangible assets

in EUR thousand	Purchased Software/ other intangible assets	Internally developed software	Goodwill	Total
Costs of purchase				
Balance at January 1, 2020	**1,960**	**23,432**	**24,097**	**49,489**
Additions	53	1,971	0	2,024
Disposals	(200)	0	0	(200)
Currency translation differences	0	0	0	0
Balance at December 31, 2020	**1,813**	**25,403**	**24,097**	**51,313**
Additions	0	1,492	0	1,492
Disposals	(46)	(2,107)	0	(2,153)
Currency translation differences	0	0	0	0
Balance at December 31, 2021	**1,767**	**24,788**	**24,097**	**50,652**
Amortization, write-downs, and impairment losses				
Balance at January 1, 2020	**1,917**	**18,040**	**19,624**	**39,581**
Additions	47	1,507	0	1,554
Disposals	(200)	0	0	(200)
Currency translation differences	0	0	0	0
Balance at December 31, 2020	**1,764**	**19,547**	**19,624**	**40,935**
Additions	28	1,467	0	1,495
Disposals	(46)	(2,107)	0	(2,153)
Currency translation differences	0	0	0	0
Balance at December 31, 2021	**1,746**	**18,907**	**19,624**	**40,277**
Net carrying amount at December 31, 2020	**49**	**5,856**	**4,473**	**10,378**
Net carrying amount at December 31, 2021	**21**	**5,881**	**4,473**	**10,375**

"Internally developed software" includes capitalized software development costs for continued development of Intershop's software. Of the amortization, write-downs and impairment losses on intangible assets recognized in the Statement of Comprehensive Income, EUR 1,489 thousand (2020: EUR 1,537 thousand) are included in the cost of revenues, EUR 0 thousand (2020: EUR 3 thousand) in research and development expenses as well as EUR 6 thousand (2020: EUR 14 thousand) in general and administrative costs. With the exception of goodwill there are no intangible assets with indefinite useful lives.

(2) Property, plant, and equipment

in EUR thousand	Computer equipment	Office and operating equipment	Leasehold improvements	Total
Costs of purchase				
Balance at January 1, 2020	**2,847**	**997**	**281**	**4,125**
Additions	135	50	0	185
Disposals	(784)	(505)	(280)	(1,569)
Currency translation differences	(7)	(2)	(1)	(10)
Balance at December 31, 2020	**2,191**	**540**	**0**	**2,731**
Additions	320	32	0	352
Disposals	(503)	(180)	0	(683)
Currency translation differences	5	1	0	6
Balance at December 31, 2021	**2,013**	**393**	**0**	**2,406**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2020	**2,361**	**875**	**281**	**3,517**
Additions	228	24	0	252
Disposals	(783)	(498)	(280)	(1,561)
Currency translation differences	(5)	(2)	(1)	(8)
Balance at December 31, 2020	**1,801**	**399**	**0**	**2,200**
Additions	202	58	0	260
Disposals	(502)	(178)	0	(680)
Currency translation differences	3	1	0	4
Balance at December 31, 2021	**1,504**	**280**	**0**	**1,784**
Net carrying amount at December 31, 2020	**390**	**141**	**0**	**531**
Net carrying amount at December 31, 2021	**509**	**113**	**0**	**622**

Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 92 thousand (2020: EUR 80 thousand) are included in the cost of revenues, EUR 66 thousand (2020: EUR 57 thousand) in research and development expenses, EUR 33 thousand (2020: EUR 37 thousand) in marketing and sales expenses as well as EUR 69 thousand (2020: EUR 78 thousand) in general and administrative expenses.

(3) Leases

The Company moved its headquarters into new offices at the end of January 2021. That is why the items shown in the balance sheet in connection with the leases have increased significantly and are as follows:

Rights of use IFRS 16

in EUR thousand	Office space	Office and operating equipment	Vehicles	Total
Balance at Jan. 1, 2020	**1,690**	**0**	**73**	**1,763**
Additions	0	969	96	1,065
Disposals	0	0	0	0
Depreciation, write-downs, and impairment losses	(1,512)	(44)	(62)	(1,618)
Currency translation differences	(14)	0	0	(14)
Balance at Dec. 31, 2020	**164**	**925**	**107**	**1,196**
Additions	9,609	688	18	10,315
Disposals	(38)	0	0	(38)
Depreciation, write-downs, and impairment losses	(1,002)	(297)	(58)	(1,357)
Currency translation differences	10	0	0	10
Balance at Dec. 31, 2021	**8,743**	**1,316**	**67**	**10,126**

Lease liabilities IFRS 16

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Non-current	8,936	810
Current	1,296	397
	10,232	**1,207**

The following amounts were recorded relating to leases through profit and loss:

in EUR thousand	2021	2020
Depreciation on rights of use	1,357	1,618
Interest expenses from lease liabilities	239	31
Expenses for short-term leases	196	237
Expenses for leases for a low-value asset	6	37
Income from subleasing of rights of use	(25)	(433)
Expenses variable lease payments	0	0
	1,773	**1,490**

The cash paid for leases totaled EUR 1,502 thousand in 2021 (2020: EUR 1,665 thousand); this amount includes interest in the amount of EUR 239 thousand (2020: EUR 31 thousand).

(4) Trade receivables

The trade receivables at the balance sheet date include receivables from rendering services and cloud services as well as the sale of software licenses amounting to EUR 5,019 thousand (Dec. 31, 2020: EUR 3,939 thousand) which fall due within one year (current assets). EUR 271 thousand (Dec. 31, 2020: EUR 299 thousand) of this amount relates to receivables from fixed-price projects (contract assets). Of the trade receivables, total receivables of EUR 3,417 thousand (Dec. 31, 2020: EUR 3,216 thousand) are not yet due. The following table shows the maturity structure of the trade receivables that are not yet due:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Due within 30 days	1,440	1,038
Due within 31 and 60 days	1,789	1,741
Due within 61 days and 1 year	188	437
	3,417	**3,216**

As of December 31, 2021, trade receivables of EUR 1,363 thousand were past due but were not impaired (December 31, 2020: EUR 685 thousand). The following table shows the maturity structure of overdue, non-impaired receivables as well as the expected default risk:

	Not due	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due
December 31, 2021					
expected loss rate (%)	0.17	0.44	0.99	1.50	3.10
trade receivables (EUR thousand)	3,417	668	305	8	621
December 31, 2020					
expected loss rate (%)	0.12	0.22	0.52	0.71	2.99
Trade receivables (EUR thousand)	3,216	387	60	212	64

A value adjustment of EUR 24 thousand was made in accordance with the expected loss ratio with regard to the aforementioned trade receivables, whether due or not due on the balance sheet date. It is generally not expected that customers will fail to fulfil their payment obligations. Overdue, non-impaired receivables as at December 31, 2021 were collected primarily in January and February 2022.

For individual identifiable receivables risks, net impairment losses amounting to EUR 194 thousand (2020: EUR 142 thousand) were recognized in the operating result on December 31, 2021. Impairments changed as follows:

in EUR thousand	2021	2020
Balance at beginning of year	142	51
Impairment of receivables	129	142
Amounts derecognized due to uncollectibility	(13)	0
Amounts received during the fiscal year on receivables written off	(64)	(51)
Reversals of impairments	0	0
Balance at end of year	**194**	**142**

(5) Other receivables and other assets

Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Prepayments	730	871
Other tax receivables from sales tax	20	21
Receivables from Employment Agency	0	12
Other	112	104
	862	**1,008**

In the prior year, the item "other tax receivables from sales tax and income tax" included income tax of EUR 2 thousand.

(6) Cash and cash equivalents

Cash and cash equivalents include current cash and cash equivalents (December 31, 2021: EUR 12,209 thousand; December 31, 2020: EUR 11,574 thousand) as well as non-current restricted cash (December 31, 2021: EUR 250 thousand; December 31, 2020: EUR 635 thousand). Cash and cash equivalents include balances at various credit institutions that are available at any time, as well as cash on hand and checks. The non-current restricted cash results from rental deposits for the new office space at the Company's headquarters and for the offices of the Australian subsidiary. In this regard, we would also like to refer to the section "Notes to the Cash Flow Statement."

(7) Equity

The development of INTERSHOP Communications AG's equity is shown in the statement of equity.

Subscribed capital

The subscribed capital is unchanged compared to the prior year's balance sheet date at EUR 14,194,164 as of December 31, 2021 and is divided into 14,194,164 no-par value bearer shares, all of which have been fully paid.

Authorized capital

As at December 31, 2021, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2020: EUR 1,437,636) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2020: 1,437,636 shares). According to the INTERSHOP Communications AG's Articles of Association, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the capital stock by issuing new common shares as follows:

- Up to a total of EUR 1,437,636 by issuing up to 1,437,636 new bearer shares against cash contributions and/or contributions in kind. The Management Board's authorization is valid until June 15, 2025. The Management Board is authorized, subject to approval of the Supervisory Board, to exclude the stockholders' subscription rights in certain cases.

Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000 (December 31, 2020: EUR 1,437,000). As of December 31, 2021, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares.

The General Meeting on May 20, 2020 resolved to conditionally increase the capital stock by up to EUR 1,437,000. The conditional capital is to enable no-par value bearer shares to be granted upon exercising option rights or upon the Company exercising a voting right to grant shares in the Company, either as a whole or in part, in lieu of the cash amount due for shares in the Company to the holders of bonds that are issued by Intershop against cash contributions by May 19, 2025 based on the authorization resolution adopted at the general meeting on May 20, 2020. The new shares are issued at the option price to be determined based on the aforementioned authorization resolution. The Management Board is authorized to determine additional details for the implementation of the increase in the conditional capital subject to the approval by the Supervisory Board. On July 24, 2020, the Company announced the issue of a warrant bond in the nominal amount of EUR 3,108,000.00 excluding the subscription right for existing shareholders. The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital. For more details, we refer to section "(8) Warrant bond."

(7.1) Capital reserve

The capital reserve includes expenses from stock options from prior years, amounts in excess of the par value generated from the issue of shares, less the transaction costs for capital increases, as well as an amount allocated from the simplified capital reduction in 2020 and the equity component of the warrant bond issued in 2020. Please see Statement of Change in Equity for details.

(7.2) Other reserves

Other reserves include a conversion reserve, reserves from cumulative gains/losses, and cumulative currency translation differences. The amount from cumulative currency differences may be reclassified to profit or loss later on under certain conditions. The conversion reserve includes the expense from stock options that related to the first-time adoption of IFRSs. The reserve from cumulative currency translation differences shows the differences that result from the translation of the financial statements of subsidiaries into euros.

(8) Warrant bond

On July 24, 2020, the Management Board of INTERSHOP Communications AG, with the consent of the Supervisory Board, resolved to issue a warrant bond in the nominal amount of EUR 3,108,000.00 excluding the subscription right for existing shareholders. The warrant bond contains a combination of a bond and warrants to obtain no-par value shares of the Company. The warrant bond has a term of five years (July 24, 2020 to July 23, 2025) with an interest rate of 3.00% p.a. and an ordinary notice of termination of two years by the bondholders, subject to the waiver of the corresponding warrants. The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital of INTERSHOP Communications AG with a share of the capital stock on each share of EUR 1.00 per share. The option price per share is EUR 2.19. The warrant bond was fully allocated to the investors Shareholder Value Beteiligungen AG and AXXION S.A. on behalf of two fund mandates.

The transaction price of the warrant bond does not correspond to the fair value of the entire instrument at initial recognition. Since the fair value of the entire instrument does not correspond to the transaction price, the fair value is to be calculated within the framework of a valuation. This corresponds to the fair value of the partial warrant bond (EUR 3,034 thousand, without taking into account the transaction costs) plus the fair value of the option right, measured based on a binomial model (EUR 1,961 thousand). However, since the paid amount (consideration received = transaction price) is below the fair value of the entire instrument, the difference between the fair value of the entire instrument and the transaction price constitutes a withdrawal that is not recognized in income (EUR 1,887 thousand) due to the shareholder position of the bondholders and only the difference between the fair value assessment of the partial warrant bonds compared to the nominal value remains in the shareholders' equity (EUR 74 thousand).

In the subsequent periods, the liability component is recognized at amortized cost using the effective interest method. The development of the book value of the warrant bond in the 2021 fiscal year is as follows:

in EUR thousand	
Carrying amount of the warrant bond on Dec. 31,2020	**3,038**
Accrued interest 2021	21
Carrying amount of the warrant bond on Dec. 31,2021	**3,059**

(9) Trade accounts payable

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services and amounted to EUR 1,631 thousand (2020: EUR 1,480 thousand).

(10) Liabilities to banks

In the 2021 fiscal year, the Company repaid the loans with Sparkasse Jena-Saale-Holzland and Commerzbank AG in full. The repayment for the loan that Intershop had received in 2020 as part of the U.S. corona aid was waived in full because certain application requirements were met. The income of EUR 445 thousand was reported under "other operating income."

(11) Other liabilities

Other liabilities consist only of current liabilities and comprise:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Liabilities to employees	1,215	781
Liabilities from outstanding vacation entitlement	832	729
Liabilities from advance payments received	449	217
Other VAT and wage tax liabilities	388	430
Liabilities to the Occupational Health and Safety Agency	89	95
Other liabilities relating to social security benefits	60	55
Miscellaneous other liabilities	214	316
	3,247	**2,623**

Liabilities to employees mainly include liabilities from commissions and performance-based remuneration.

The item "liabilities from prepayments" includes contractual obligations as defined in IFRS 15 comprising prepayments. In the prior year, advance payments received from fixed-price projects of EUR 121 thousand were also included and recognized as revenue in the 2021 fiscal year (2020: EUR 150 thousand). As permitted under IFRS 15, no disclosures regarding remaining service obligations with an expected original term not to exceed one year are made. The other liabilities do not include any refund obligations.

(12) Deferred revenue

Deferred revenue relates to prepayments by customers, primarily in the form of revenue from maintenance agreements and are deemed contractual obligations as defined in IFRS 15. Deferred revenue is reversed and revenue is recognized in the period in which the service was provided by Intershop. In the case of current deferred revenue, reversal and recognition take place within a year. No variable consideration is included. The amount of EUR 2,677 thousand included in the current deferred revenue as at December 31, 2020 was recorded as revenues in the 2021 fiscal year (2020: EUR 3,319 thousand). As permitted under IFRS 15, no additional disclosures regarding remaining service obligations are made due to the fact that the disclosed service obligations are expected to be due originally within one year.

(13) Other provisions

Other current provisions amounted to EUR 287 thousand (Dec 31, 2020: EUR 286 thousand).

The following table shows the development of other current provisions:

in EUR thousand	Guarantee	Other	Total
Balance at January 1, 2021	**141**	**145**	**286**
Additions	134	83	217
Utilization	(142)	(82)	(224)
Reversal	0	0	0
Currency adjustments	2	6	8
Balance at December 31, 2021	**135**	**152**	**287**

The other accrued liabilities primarily relate to impending losses from projects and provisions for the General Meeting. With the exception of the warranty provision, full outflow is expected in 2022. For estimation uncertainties for impending losses from projects, we refer to the section "Estimates and discretionary decisions."

Notes to the Individual Items of the Statement of Comprehensive Income

(14) Revenues

The Company generated revenues from software licenses and the corresponding maintenance services, as well as from providing cloud services and consulting services. Revenues of EUR 35,995 thousand (2020: EUR 33,605 thousand) are divided into software and cloud revenues and service revenues as follows:

in EUR thousand	2021	2020
Licenses	2,250	4,152
Maintenance	7,551	7,984
Cloud and Subscription	11,107	7,332
Software and Cloud Revenues	**20,908**	**19,468**
Service Revenues	**15,087**	**14,137**
Total Revenues	**35,995**	**33,605**

The breakdown of the recognized revenue into categories corresponds to the representation in segment reporting. We refer to Chapter "Segment reporting" in Section "Other disclosures". Revenues are recognized for licenses at a specific point in time, and for all other revenues essentially over a specific period of time.

(15) Cost of revenues

Cost of revenues is divided into cost of product revenues and cost of service revenues analogous to revenues; these costs are broken down as follows:

in EUR thousand	2021	2020
Licenses	1,467	1,508
Maintenance	1,701	1,582
Cloud and Subscription	5,408	4,407
Cost of revenues - Software and Cloud	**8,576**	**7,497**
Cost of revenues - Services	**10,017**	**10,446**
Total cost of revenues	**18,593**	**17,943**

The cost of revenues for licenses primarily include the amortization of software development costs.

(16) Research and development expenses

Research and development expenses comprise all expenses attributable to R&D activities, with personnel expenses accounting for the majority of this item. Research and development costs increased by 50% from EUR 3,778 thousand to EUR 5,659 thousand and accounted for 16% of the revenue (2020: 11%). The increase is primarily due to increased investments in the cloud platform. In the prior year the personnel costs were influenced by short-time work.

(17) Sales and marketing expenses

Sales and marketing expenses consist mainly of personnel costs for sales and marketing employees, sales commissions, expenditures for sales partners, and costs associated with advertising and exhibitions for various trade shows. Sales and marketing expenses amounted to EUR 7,698 thousand (2020: 7,707 thousand) and remained at the previous year's level. The share of sales and marketing expenses in the total revenue was 21% (2020: 23%).

(18) General and administrative expenses

General and administrative expenses mainly comprise personnel and non-personnel expenses as well as depreciation and amortization that relates to administration. They include the cost of investor relations activities and expenses relating to the Stockholders' Meeting, as well as all legal expenses. General and administrative expenses increased by 5% from EUR 3,114 thousand to EUR 3,282 thousand, primarily as a result of higher consulting and auditing costs. As in the prior year, the share of general and administrative expenses in total the revenue was 9%.

(19) Other operating income

Other operating income is composed of the following items:

in EUR thousand	2021	2020
Income from IFRS 16	145	47
Income from currency translation gains	143	155
Income from government grants	109	76
Gains from the disposal of fixed assets	1	12
Income from the reversal of restructuring provisions	0	84
Miscellaneous	534	80
	932	**454**

Income from government grants was paid out in 2021. These contributions relate to a research and development project that is supported by the Federal Ministry for Education and Research. Other income includes an amount of EUR 445 thousand from the waiver of repayment for a loan that the Company received in 2020 as part of the U.S. corona aid. In this regard, we refer to the statements in section (10) "Liabilities to banks." Income from currency gains of EUR 119 thousand is attributable to financial instruments.

(20) Other operating expenses

Die sonstigen betrieblichen Aufwendungen resultieren aus folgenden Positionen:

in EUR thousand	2021	2020
Currency translation losses	93	250
Income from the disposal of consolidated companies	0	5
Other taxes	0	1
Miscellaneous	292	217
	385	**473**

Expenses from currency translation losses of EUR 93 thousand were attributable to financial instruments.

(21) Interest income and Interest expenses

Interest income amounted to of EUR 0 thousand (2020: EUR 1 thousand). Interest expenses amounted to EUR 382 thousand (2020: EUR 143 thousand) and are mainly the result of interest expenses for liabilities to banks for the 2021 fiscal year in the amount of EUR 29 thousand, EUR 114 thousand for the warrant bond, and interest expenses from leases in the amount of EUR 239 thousand.

(22) Income taxes

Income tax liabilities on the balance sheet date amounted to EUR 11 thousand (2020: EUR 28 thousand) and foreign income taxes for the year 2021.

The Company recognizes and measures income taxes using the balance sheet liability method in accordance with IAS 12. Deferred taxes are calculated at the respective national income tax rates. The calculation of deferred taxes for the domestic companies for December 31, 2021 was based on a corporate income tax rate of 15% (2020: 15%) plus the solidarity surcharge of 5.5% (2020: 5.5%) and an effective expected trade tax rate of 15.487% (2020: 14.969%). The change in the trade tax rate is the result of higher assessment rates under trade tax law.

The Group's income taxes are broken down as follows:

in EUR thousand	2021	2020
Current taxes		
Abroad	86	118
Germany	37	2
Deferred taxes		
Abroad	(5)	(11)
Germany	0	0
	118	**109**

The Group tax rate of 31.312% applicable in fiscal year 2021 (2020: 30.794%) was multiplied by IFRS earnings before taxes to calculate the expected tax expense. Tax rates in a bandwidth from 16% to 30% were taken into account for the foreign subsidiaries.

The tax rate reconciliation contains the following details:

in EUR thousand	2021	2020
IFRS pretax income	928	902
Corporate tax rate	31.312%	30.794%
Expected tax expense/ tax income	291	278
Effects of changes in tax rates and different rates of foreign taxation	0	1
Change in the ability to utilize deferred tax assets in the future	(257)	(299)
Permanent effects including foreign withholding tax	83	127
Taxes of prior years	1	2
Income taxes	**118**	**109**

The components of the deferred tax assets were as follows:

in EUR thousand	2021	2020
Taxes on eligible loss carryforwards	1,844	1,814
Inventories/Receivables	211	297
Prepaid expenses	17	21
Provisions/Liabilities	154	109
Leasing liabilities	2,991	338
Warrant bond	0	2
Deferred tax assets	**5,217**	**2,581**
Offset	(5,126)	(2,496)
Deferred tax assets after offset	**91**	**85**
Intangible assets	1,841	1,803
Receivables	0	60
Liabilities/advances received	309	296
Right of use IFRS 16	2,961	337
Warrant bond	15	0
Deferred tax liabilities	**5,126**	**2,496**
Offset	(5,126)	(2,496)
Deferred tax liabilities after offset	**0**	**0**
Net deferred tax assets	**91**	**85**

Deferred tax assets are recognized for temporary differences and for tax loss carryforwards in the amount of the expected reduction in tax expense in subsequent fiscal years to the extent that it is probable that they will be used. As at December 31, 2021, deferred tax assets were only recognized in accordance with IAS 12.35 in the amount of taxable profit from temporary differences that will be available in the future.

Deferred taxes on balance sheet differences, with the exception of deferred tax liabilities on intangible assets, are short-term deferred taxes that reverse in the following year. Deferred tax liabilities on intangible assets are realized over a depreciation period of three years. Deferred taxes on loss carryforwards are basically to be regarded as long-term. Deferred tax liabilities for withholding taxes on capital for subsidiaries were not recognized. Of the deferred tax assets of EUR 5,217 thousand (2020: EUR 2,581 thousand), EUR 382 thousand (2020: EUR 427 thousand) are expected to be realized within the next twelve months. Of the deferred tax liabilities amounting to EUR 5,126 thousand (2020: EUR 2,496 thousand), EUR 309 thousand (2020: EUR 356 thousand) are expected to be realized within the next twelve months.

For the year ended December 31, 2021, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
U.S. Federal	7,579	65,422
U.S. State	35,262	38,042
German corporate income tax	308,230	308,786
German municipal trade tax	297,253	298,061

U.S. federal and state loss carryforwards are subject to a time limit and expire in various fiscal years through 2040. In the 2021 financial year, the change in loss carryforwards in the U.S. is mainly due to the forfeiture of U.S. taxes. Additional effects can be attributed to currency translation and ongoing use. Deferred taxes on foreign loss carryforwards were not recognized. With regard to the remaining German loss carryforwards, no deferred tax assets were recorded for income tax purposes in the amount of EUR 302,295 thousand (2020: EUR 302,959 thousand) and for trade taxes in the amount of EUR 291,404 thousand (2020: EUR 292,102 thousand).

(23) Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

in EUR thousand	2021	2020
Basis for calculating the undiluted earnings per share (earnings after tax)	**810**	**793**
Interest expenses for warrant bonds	114	47
Basis for calculating the diluted earnings per share	**924**	**840**

in thousand	2021	2020
Weighted average of common shares (undiluted)	**14,194**	**14,194**
Effect of the conversion of the warrant bonds	1,419	619
Weighted average of common shares (diluted)	**15,613**	**14,813**

in EUR	2021	2020
Earnings per share (basic/diluted)	**0.06**	**0.06**

If the diluted earnings reduce the loss per share or increase earnings per share, an adjustment is made to the amount of basic earnings per share (antidilutive effect) in accordance with IAS 33.43.

Notes to the Cash Flow Statement

Cash comprises exclusively the cash and cash equivalents reported in the balance sheet. Restricted cash was not included. In the cash flow statement, cash flows are classified into net cash provided by/used in operating, investing, and financing activities. Cash flows from operating activities are calculated on the basis of earnings before tax, adjusted for noncash income and expenses, finacial result, depreciation and amortization and of the changes in operating assets and liabilities compared with last year's balance sheet.

The cash inflow from operating activities amounted to EUR 4,597 thousand in 2021 compared to EUR 4,727 thousand in 2020, which is mainly due to the build-up in trade receivables. The cash outflow from investing activities decreased from EUR 2,194 thousand in the prior year to EUR 1,455 thousand. The reason is lower payments in the amount of EUR 1,492 thousand for investments in intangible assets (2020: EUR 2,017 thousand) and a one-time cash inflow of EUR 476 thousand from the repayment of liquid funds with restrictions on disposal in connection with a rent deposit. The cash outflow from financing activities amounted to EUR 2,553 thousand due to the repayment of liabilities to banks amounting to EUR 1,051 thousand and leasing liabilities of EUR 1,502 thousand. In the prior year, a cash inflow from financing activities in the amount of EUR 1,335 thousand was reported, as the payments for leasing liabilities amounting to EUR 1,665 thousand were offset by the issue of a warrant bond of EUR 3,108 thousand. Overall, there was a net inflow of EUR 635 thousand in the 2021 fiscal year (2020: EUR 3,843 thousand). Intershop had freely available cash and cash equivalents of EUR 12,209 thousand as of the balance sheet date (December 31, 2020: EUR 11,574 thousand).

The changes in the balance sheet items used to determine the cash flow statement are not immediately evident from the balance sheet because effects from currency translation and from changes in the basis of consolidation do not impact cash and are eliminated.

Other Disclosures

Segment reporting

Segment reporting as of December 31, 2021

in EUR thousand	Europe	USA	Asia/ Pacific	Consoli- dation	Group
Revenues from external customers					
Software and Cloud Revenues	**15,361**	**3,484**	**2,064**	**0**	**20,908**
Licenses and Maintenance	**8,620**	**752**	**429**	**0**	**9,801**
Licenses	1,924	253	73	0	2,250
Maintenance	6,696	499	356	0	7,551
Cloud and Subscription	**6,741**	**2,732**	**1,635**	**0**	**11,107**
Service Revenue	**9,778**	**3,118**	**2,190**	**0**	**15,087**
Total revenues from external customers	**25,139**	**6,602**	**4,254**	**0**	**35,995**
Intersegment revenues	1,433	345	2	(1,780)	0
Total revenues	**26,572**	**6,947**	**4,256**	**(1,780)**	**35,995**
Cost of revenues	12,985	3,410	2,197	0	18,593
Gross profit	**12,154**	**3,192**	**2,057**	**0**	**17,402**
Operating expenses, operating income	11,239	2,952	1,902	0	16,092
Result from operating activities	**915**	**240**	**155**	**0**	**1,310**
Financial result					**(382)**
Earnings before tax					**928**
Income taxes					**(118)**
Earnings after tax					**810**
Assets	27,625	7,255	4,674	0	**39,554**
Additions to non-current assets	8,492	2,230	1,437	0	**12,159**
Liabilities	15,467	4,062	2,617	0	**22,146**
Depreciation and amortization	2,174	571	368	0	**3,113**
Non-cash income	0	445	0	0	**445**

Segment reporting as of December 31, 2020

in EUR thousand	Europe	USA	Asia/ Pacific	Consoli- dation	Group
Revenues from external customers					
Software and Cloud Revenues	**14,439**	**2,926**	**2,103**	**0**	**19,468**
Licenses and Maintenance	**10,627**	**810**	**699**	**0**	**12,136**
Licenses	3,866	273	13	0	4,152
Maintenance	6,761	537	686	0	7,984
Cloud and Subscription	**3,812**	**2,116**	**1,404**	**0**	**7,332**
Service Revenue	**9,409**	**2,472**	**2,256**	**0**	**14,137**
Total revenues from external customers	**23,848**	**5,398**	**4,359**	**0**	**33,605**
Intersegment revenues	1,090	2	7	(1,099)	0
Total revenues	**24,938**	**5,400**	**4,366**	**(1,099)**	**33,605**
Cost of revenues	12,733	2,882	2,328	0	17,943
Gross profit	**11,115**	**2,516**	**2,032**	**0**	**15,662**
Operating expenses, operating income	10,374	2,348	1,896	0	14,618
Result from operating activities	**741**	**168**	**135**	**0**	**1,044**
Financial result					**(142)**
Earnings before tax					**902**
Income taxes					**(109)**
Earnings after tax					**793**
Assets	20,836	4,716	3,808	0	**29,360**
Additions to non-current assets	2,323	526	425	0	**3,274**
Liabilities	9,101	2,060	1,664	0	**12,825**
Depreciation and amortization	2,430	550	444	0	**3,424**

The segment reporting is prepared in accordance with IFRS 8, Operating Segments. Segmentation reflects the internal management and reporting by the Company's management. The operating segments were determined mainly by the different geographical regions in which business activities take place. In this context, Intershop distinguishes between the Europe, USA, and Asia-Pacific segments. The business segments that must be reported generated their revenues on the one hand from software and cloud revenues, which also include the sale of software licenses and associated maintenance and cloud and subscription revenues. On the other hand, they generate revenues from consulting and training services.

The operating segments are broken down as follows:
The segment "Europe" includes the sales activities of INTERSHOP Communications AG and Intershop Communications SARL. The segment "USA" includes the sales activities of Intershop Communications Inc. mainly in North America as well as the sales activities of INTERSHOP Communications AG in this region. The segment "Asia/Pacific" includes the sales activities of the Group in that region, including the sales activities of INTERSHOP Communications Australia Pty Ltd. The segment "Consolidation" includes all transactions in the individual segments.

Notes to the content of the individual line items:

- Revenues from external customers represent revenues from the segments with third parties outside the Group.
- Intersegment revenues include revenues from intersegment relationships. These revenues are recognized in the same way as those from external third parties.
- The cost of revenues comprises the costs attributed to each operating segment for generating its revenues.
- Gross profit, which is calculated as the difference between segment revenues and the cost of revenues, is the first assessment level for management decisions.
- Operating expenses and income comprise research and development expenses, sales and marketing costs, general and administrative expenses, and other operating expenses and income that are attributable to the relevant segments. Other operating expenses and income also include the effects of one-time and currency losses and gains.
- The result from operating activities (EBIT), which is the gross profit or loss less operating expenses and income, forms the basis for assessing the performance of the segments.
- Interest income and income taxes are not allocated to the segments as the relevant transactions are managed by the Group.
- Segment assets comprise the Intershop Group's noncurrent and current assets that are allocated to the respective segment on the basis of the percentage revenue breakdown. No other measurement of segment assets is used.
- Segment liabilities comprise the Intershop Group's noncurrent and current liabilities that are allocated to the respective segment on the basis of the percentage revenue breakdown. No other measurement of segment liabilities is used.
- Depreciation and amortization relates to the depreciation and amortization of the segment assets allocated to the individual regions.
- Non-cash income in 2021 includes a loan forgiveness. In 2020 and 2021, there were no significant non-cash expenses, and no material non-cash income was reported in 2020.

All amounts reported in the "Group" column in the segment reporting reflect the Group figures from the statement of comprehensive income or the balance sheet. Adding together the amounts for the operating segments produces the Group figures after elimination of the interim segment revenues.

The Company is domiciled in Germany. Revenues from external customers that were generated in Germany amounted to EUR 9,693 thousand (2020: EUR 10,508 thousand). Revenues of EUR 26,302 thousand (2020: EUR 23,097 thousand) were recorded from external customers in other countries. The amount of EUR 5,792 thousand of the revenues relates to customers in the USA (2020: EUR 4,846 thousand). In fiscal years 2020 and 2021, there were no relations with individual customers whose percentage of total sales was at least 10% of the total group revenues. Total noncurrent assets excluding deferred taxes amounted to EUR 20,557 thousand (Dec. 31, 2020: EUR 12,607 thousand) in Germany and EUR 796 thousand (Dec. 31, 2020: EUR 147 thousand) in other countries.

Litigations/contingent liabilities

The Company is a defendant in a few legal proceedings arising from the ordinary course of business. Defeat in these proceedings could adversely affect the Company's earnings position. All legal fees arising from a defeat in court are expenses when and if it is more likely than not that a payment obligation exists and they can be estimated reliably. Although the outcome of these actions cannot be forecast with certainty, the Company believes that the outcome of the actions will not have any material effects on its net assets and results of operations.

Financial instrument disclosures

Intershop is exposed to certain risks with regard to its assets, liabilities, and transactions, in particular liquidity and default risk. The Company's risk management system is explained in detail in the management report.

The Company manages its capital structure with the aim of achieving its corporate goals through financial flexibility. The Group's overall strategy is unchanged compared to the prior year. In total, the capital structure has changed as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020	as a % of previous year
Equity	17,408	16,535	5%
Liabilities to banks	0	1,486	-100%
Trade accounts payable	1,631	1,480	10%
Warrant Bond	3,059	3,038	1%
Leasing liabilities	10,232	1,207	748%
Other liabilities	7,224	5,614	29%
Equity ratio	44%	56%	

The equity ratio is the ratio of equity to total assets.

Categories of financial instrument

The following table shows the classification of financial instruments required by IFRS 7 as well as the fair values of the financial instruments that are recognized in the balance sheet at amortized cost and their carrying amounts:

in EUR thousand **Measurement**	**Dec. 31, 2021 Carrying amount**	**Dec. 31, 2020 Carrying amount**
Measured at amortized cost		
Financial assets		
Other noncurrent assets	0	14
Trade receivables	5,019	3,939
Restricted cash	250	635
Cash and cash equivalents	12,209	11,574
Financial liabilities		
Trade payables	1,631	1,480
Liabilities to banks	0	1,486
Warrant Bond	3,059	3,038
Leasing Liabilities	10,232	1,207
Other current liabilities	1,409	1,009

Carrying amount aggregated by measurement category	**2021**	**2020**
Financial assets measured at amortized cost	17,478	16,162
Financial liabilities measured at amortized cost	16,331	8,220

Net gain/loss per measurement category	**2021**	**2020**
Financial assets measured at amortized cost	(62)	(88)
Financial liabilities measured at amortized cost	(382)	(139)

During the reporting year, there was no regrouping between the categories. With regard to the existing financial instruments, with the exception of liabilities to banks and leasing liabilities, the contractual maturities of most of the existing financial instruments are within one year of the balance sheet date. Therefore their book values on the balance sheet date correspond to the fair values. For warrant bond liabilities, the fair values are determined based on the stock market price (as of December 31, 2021: EUR 3,127 thousand).

Non-payment risks

The Company is exposed to a potential default risk mainly from its trade receivables. The Company applies the simplified approach according to IFRS 9 to measure the expected credit losses; as a result, the credit losses expected over the term for all trade receivables will be used. The expected credit losses were measured by summarizing the trade receivables based on common credit risk criteria and days in arrears. The Company expects a loss rate of almost 0% since the average default on receivables over the last six years totaled 0.3% of the receivables. The Company performs ongoing creditworthiness checks on its customers. The default risk with regard to trade receivables is also mitigated by the fact that the Company has a broad customer base from various industries and business areas. Therefore, there is no recognizable concentration of default risks from business relationships with individual debtors or groups of debtors. In addition, the Company does not demand collateral for its receivables. Furthermore, outstanding receivables from customers are regularly monitored and measures are taken that should lead to a reduction in overdue payments. Creditworthiness is usually considered to have deteriorated if the debtor can no longer make their payment obligations (indicator: > 90 days overdue) or the overall situation of the debtor deteriorates. The loss of a customer leads to the value of all outstanding items with this customer being adjusted. The loss of a customer is determined based on an individual assessment; the first indicator is outstanding payments being more than 90 days overdue or specific indications, such as filing for insolvency or a legal dispute.

The Company's cash and cash equivalents are largely invested with German, U.S. American banks and Australian banks in secure investments. There is no significant default risk here. The Company regularly monitors current and future returns. The maximum default risk relating to financial assets is their carrying amounts in the balance sheet.

Liquidity risk

The Company monitors the liquidity risk with regularly updated short- and medium-term financial planning activities. Intershop has no bank loans as of the balance sheet date. The loans taken out in 2015 and 2018 were fully repaid in the 2021 fiscal year. In addition, the repayment of a loan taken out in 2020 was fully waived in 2021. For the warrant bond issued in the 2020 fiscal year in the amount of EUR 3,108 thousand, repayment is due at the end of the term in July 2025, upon exercising the warrants, or within the termination period by July 2022. The cash in banking accounts totaled EUR 12,209 thousand at the balance sheet date. There are no risk concentrations.

The change in financial liabilities in connection with financing activities is as follows:

in TEUR	Dec. 31, 2020	Cash-effective change	Non-cash effective change (reclassifications)	Non-cash effective change (interest effects)	Dec. 31, 2021
Liabilities to banks - current	1,486	(1,076)	(435)	25	0
Warrant bond	3,038	0	0	21	3,059
Total	**4,524**	**(1,076)**	**(435)**	**46**	**3,059**

The following table shows the future undiscounted cash flows of financial liabilities that will affect the Company's future liquidity situation:

Financial liabilities (in EUR thousand)	Carrying amount at Dec. 31, 2020	Cash flow in 2021	Carrying amount at Dec. 31, 2021	Cash flow in 2022	Cash flow after 2022
Current liabilities to banks	1,486	1,076	**0**	0	0
Trade accounts payable	1,480	1,480	**1,631**	1,631	0
Warrant bond	3,038	93	**3,059**	93	3,388
Leasing liabilities	1,207	417	**10,232**	1,514	9,712
Other current liabilities	1,009	1,009	**1,409**	1,409	0

Interest rate risk

An interest rate risk could arise from a change in market interest rates for medium- or long-term liabilities. Intershop does not incur any interest risk or risk concentrations since the Company has agreed to a warrant bond with a fixed interest rate over the term of the loan and there are no loan liabilities to banks.

Currency risk

Certain transactions in the Intershop Group are denominated in foreign currencies. This leads to risks from exchange rate fluctuations. If required, Intershop hedges invoices in foreign currencies with currency options. As of the balance sheet date, there were no currency options. Intershop is primarily exposed to exchange rate risk relating to the U.S. dollar and the Australian dollar. There are no risk concentrations. The carrying amount of the Group's monetary assets and liabilities denominated in these currencies was as follows at the balance sheet date:

	Assets		Liabilities	
in EUR thousand	2021	2020	2021	2020
in USD	293	205	0	54
in AUD	0	54	0	50

The following table shows the sensitivity of a 10% rise or fall in the euro against the two currencies from the Group's perspective and their effects on earnings after tax and equity. The sensitivity analysis merely comprises outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the period to reflect a 10% change in the exchange rates.

	Earnings after tax/equity USD		Earnings after tax/equity AUD	
in EUR thousand	2021	2020	2021	2020
Change due to 10% appreciation of the euro	0	0	0	0
Change due to 10% depreciation of the euro	0	0	0	1

Related party disclosures

Intershop maintained business relationships with the consolidated subsidiaries. In accordance with Section 33 et seq. WpHG, the shareholders Shareholder Value Beteiligungen AG, Shareholder Value Management AG, Value Focus Beteiligungs GmbH, and Reiner Sachs (indirectly via Sachs Assets GmbH) collectively hold 36.87% of the voting rights according to the voting rights notification of October 8, 2021. In this respect, we refer to the Management Report, section "Disclosures pursuant to Sec. 289a(1) HGB and Sec. 315a(1) HGB together with the explanatory report pursuant to Sec. 176(1) sentence 1 of the Stock Corporations Act." In July 2020, Intershop issued a warrant bond in the nominal amount of EUR 3,108,000 under the exclusion of the subscription rights of the existing shareholders (see section (8) "Warrant bond"). Shareholder Value Beteiligungen AG subscribed to 1,500 partial debentures at a purchase price of EUR 1,500,000. The interest payments in the 2021 fiscal year from the warrant bond issued to Shareholder Value Beteiligungen AG amounted to EUR 45 thousand. Interest payments were not yet due in the prior year. There were no other business relationships. With respect to the remuneration for Supervisory Board and Management Board members, we refer to the Remuneration Report.

Disclosure requirements under German law

Members of the executive bodies

The Management Board comprised in 2021 the following members:

Name	Function	Term of office
Markus Klahn	CEO	since 04/09/2018 (CEO since 05/06/2021)
Dr. Jochen Wiechen	CEO	08/01/2013–05/06/2021 (CEO 09/01/2015 – 05/06/2021)

The Supervisory Board comprised the following members in 2021:

Name	Function	Term of Office
Christian Oecking	Chairman of the Supervisory Board	since 06/02/2016
Ulrich Prädel	Vice Chairman of the Supervisory Board	since 12/01/2016 (Vice Chairman since 12/16/2016)
Univ.-Prof. Dr. Louis Velthuis	Member of the Supervisory Board	since 06/02/2016

Total remuneration paid to the Management Board for its activities in the 2021 fiscal year amounted to EUR 664 thousand (2020: EUR 546 thousand), of which EUR 345 thousand (2020: EUR 485 thousand) relate to fixed remuneration, EUR 101 thousand (2020: EUR 61 thousand) to variable components, and EUR 218 thousand (2020: EUR 0 thousand) to other remuneration. The other remuneration includes one-time payments for special bonuses and payments relating to the termination of the Management Board mandate. In the 2021 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 194 thousand

(2020: EUR 228 thousand), of which EUR 160 thousand (2020: EUR 168 thousand) accounted for fixed remuneration and EUR 34 thousand (2020: EUR 60 thousand) for the performance-based variable portion. Payments made to the Management Board and Supervisory Board consist exclusively of benefits due in the short term. Details regarding the remuneration of the Management Board and the Supervisory Board are presented in the Remuneration Report. This is published on the website of the Company at https://www.intershop.com/de/verguetungssystem.

Directors' holdings and Securities transactions subject to reporting requirements

As of December 31, 2021, the following members of the Company's executive bodies held Intershop ordinary bearer shares:

Name	Function	Shares
Christian Oecking	Chairman of the Supervisory Board	35,000
Ulrich Prädel	Vice Chairman of the Supervisory Board	7,535
Univ.-Prof. Dr. Louis Velthuis	Member of the Supervisory Board	10,000
Markus Klahn	CEO of the Management Board	11,366

During the 2021 fiscal year, the member of the Company's executive bodies undertook the following reportable securities transaction involving Intershop ordinary bearer shares:

Name	Date	Type of transaction	Amount	Total value (EUR)
Christian Oecking	05/07/2021	Purchase	8,000	32,119

Employees

During the fiscal year 2021, Intershop Group had an average of 292 full-time employees, of whom 291 were salaried employees and one member of the executive bodies (2020: 301 full-time employees, of whom 299 were salaried employees and 2 members of the executive bodies). The employees are distributed over the following areas on an annual average:

	2021	2020
Technical Departments (Service Functions and Research Development)	226	227
Sales and marketing	36	41
General administration	29	31
	291	**299**

Personnel expenses and cost of materials

Personnel expenses totaled EUR 22,371 thousand (2020: EUR 20,973 thousand); of which EUR 19,481 thousand relate to wages and salaries (2020: EUR 18,205 thousand) and EUR 2,890 thousand to social security contributions (2020: EUR 2,768 thousand). Material expenses amounted to EUR 5,551 thousand (2020: EUR 4,359 thousand), EUR 5,382 thousand of which were expenses for purchased services (2020: EUR 4,237 thousand).

Auditor's fees

The fees incurred for the services rendered by the auditor for the 2021 fiscal year were comprised of EUR 171 thousand for audit services (2020: EUR 132 thousand) and EUR 22 thousand for tax advisory services (2020: EUR 18 thousand). The final audit services include support services for a DPR audit.

Events subsequent to the balance sheet date

There have been no significant reportable events after the balance sheet date.

Declaration of Conformity

The Company has issued a declaration of conformity as required by section 161 of the Aktiengesetz by the annual deadline on December 14, 2021, and made this declaration permanently available to its stockholders at https://www.intershop.com/investors-corporate-governance.

Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Jena, March 4, 2022

The Management Board of INTERSHOP Communications Aktiengesellschaft

M. Klahn

Markus Klahn

Independent Auditor's Report

To INTERSHOP Communications Aktiengesellschaft, Jena

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of INTERSHOP Communications Aktiengesellschaft, Jena, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of INTERSHOP Communications Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Recognition and measurement of internally generated intangible assets
❸ Revenue recognition and allocation of revenue to correct periods

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill

① Goodwill amounting in total to EUR 4,473 thousand (representing 11% of total assets and 26% of equity) is reported under the "Intangible assets" balance sheet item in INTERSHOP Communications Aktiengesellschaft's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the cash-generating unit to which the relevant goodwill has been allocated. The carrying amount of the cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the cash-generating unit normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point for future projections. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the cash-generating unit. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the cash-generating unit, the discount rate used, and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amount of the cash-generating unit, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures about impairment testing and the balance sheet item "Intangible assets" are contained in the section "Accounting and measurement methods" and section (1) "Intangible assets" of the notes to the consolidated financial statements.

❷ Recognition and measurement of internally generated intangible assets

① Internally generated intangible assets (software) amounting in total to EUR 5,881 thousand(representing 15% of total assets and 34% of equity) is reported under the "Intangible assets" balance sheet item in INTERSHOP Communications Aktiengesellschaft's consolidated financial statements. These internally generated intangible assets are internally developed Intershop software solutions which are recognized in accordance with the provisions of IAS 38. The eligibility of internally generated product development expenses for capitalization depends on the criteria set out in IAS 38.57, i.e., the the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and the company's its ability to measure reliably the expenditure attributable to the intangible asset during its development. Internally generated intangible assets are initially recognized at cost. They are subsequently measured using the cost model. In our view, this matter was of particular importance for our audit because the capitalization and amortization of development costs are based to a large extent on estimates and assumptions made by the executive directors and are therefore subject to corresponding uncertainties.

② As part of our audit, we reviewed, among other things, the internal processes and controls for recording tax matters as well as the methodology adopted for the determination, accounting treatment and measurement of deferred taxes. Moreover, we evaluated the capitalization requirements for individual projects on a sample basis, using the criteria set out in IAS 38.57. We assessed the amount of the intangible assets capitalized and the recoverability of the development expenditure on the basis of supporting evidence made available to us. In so doing, we also inspected project records in order to verify the respective percentage of completion. In this connection, we also assessed the recoverability of the intangible assets based on internal projections as to future usability and evaluated the appropriateness of the underlying estimates and assumptions. Based on our audit procedures, we satisfied ourselves that the measurement parameters and assumptions used by the by the executive directors were justified and adequately documented.

③ The Company's disclosures on the "Intangible assets" balance sheet item are contained in the sections entitled "Accounting policies" and "(1) Intangible assets" in the notes to the consolidated financial statements.

❸ Revenue recognition and allocation of revenue to correct periods

① Revenue amounting to EUR 35,995 thousand is reported in the consolidated statement of comprehensive income in the consolidated financial statements of INTERSHOP Communications Aktiengesellschaft. The company recognizes revenue from the sale and temporary granting of licenses, the provision and running of systems for online-commerce as standardized service (CaaS), the provision of installation services and advice, maintenance and operation of online shops on behalf of customers in return for a sales- or transaction-based fee.

The recognition of revenue from the sale of licenses depends on the existence of a binding contractual arrangement, the transfer of material rights to the customer. Proceeds from services are realized as at the date the services are rendered, while maintenance revenue, revenue from the provision and running of systems for online-commerce as standardized service (CaaS) and proceeds from the temporary granting of licenses is realized over the performance period. These various services rendered by the company can be the object of agreements with customers, either individually or in various constellations.

In light of the complexity of the customer agreements underpinning revenue recognition, these significant items are subject to particular risk. Against this background, the correct revenue recognition in connection with the group-wide application of the new accounting standard IFRS 15 is considered to be complex and is based in some respects on estimates, assumptions and discretion used by the executive directors, with the result that this matter was of particular importance for our audit.

② As part of our audit, we assessed, among other things, the correct presentation of revenue in the consolidated financial statements on the basis of the accounting policies applied by INTERSHOP Communications Aktiengesellschaft in relation to the recognition of software revenue in accordance with the relevant IFRSs, in particular the IFRS 15.

To do so, we first identified the material controls implemented by the Group to ensure the correct identification of contracts, individual service obligations and the recognition of revenue, assessed their appropriateness and tested their effectiveness with respect to avoiding and/or identifying errors. Moreover, we assessed during our audit the consequences from the initial application of IFRS 15. We have assessed the design of the processes set up to account for transactions compliant to IFRS 15. In addition we have tested in detail material transactions, as well as further transactions on a test basis, in light of contracts, identification of service obligations and have assessed whether those services have been rendered over a period or at a point of time and which fees have been collected.

In this connection, we also assessed the appropriateness and mathematical accuracy of individual assumptions made by the executive directors when determining the fee to be allocated to the respective individual service obligations under multiple-component contracts, as well as the accounting treatment applied. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions relating to revenue recognition made by the executive directors were adequately documented and justified.

③ The Company's disclosures on revenue recognition are contained in sections "(11) Accrued revenue" and "(13) Revenue" of the notes to the consolidated financial statements.

Other Information
The executive directors are responsible for the other information.

The other information comprises
- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information
- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Intershop_AG_KA_LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 6 May 2021. We were engaged by the supervisory board on 27 October 2021. We have been the group auditor of the INTERSHOP Communications Aktiengesellschaft, Jena, without interruption since the financial year 2007.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an Other Matter– Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Kremser.

Erfurt, March 4, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Andreas Kremser)	(sgd. ppa. Marcus Engelmann)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Statements

FINANCIAL STATEMENTS

Balance Sheet INTERSHOP Communications Aktiengesellschaft

in EUR	December 31, 2021	December 31, 2020
ASSETS		
Fixed Assets		
Intangible assets		
Internally developed software	5,880,577	5,855,371
Purchased software licenses	20,705	48,980
Property and equipment		
Other facilities, furniture, and equipment	587,057	500,266
Financial Assets		
Investments in affiliated companies	5,128,453	5,128,961
	11,616,792	**11,533,578**
Current Assets		
Inventories		
Work in process	515,544	963,813
Payments on account	23,213	0
	538,757	963,813
Receivables and other assets		
Accounts receivable	3,682,039	1,933,397
Receivables from affiliated companies	1,719,410	2,191,996
Other assets	98,613	118,010
	5,500,062	4,243,403
Cash-in-hand, bank balances	8,923,848	9,765,506
	14,962,667	**14,972,722**
Prepaid expenses	**688,059**	**803,599**
TOTAL ASSETS	**27,267,518**	**27,309,899**

in EUR	December 31, 2021	December 31, 2020
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock	14,194,164	14,194,164
Conditional capital: EUR 1,437,000 (prior year: EUR 1,437,000)		
Capital reserves	1,494,454	1,494,454
Revenue reserve		
Other revenue reserves	564,018	61,573
Accumulated profit	0	0
	16,252,636	**15,750,191**
Accrued Liabilities		
Other accrued liabilities	2,531,951	2,281,131
	2,531,951	**2,281,131**
Liabilities		
Loans		
of which loans convertible EUR 3,108,000 (prior year: EUR 3,108,000)	3,108,000	3,108,000
Bank loans	0	1,049,990
Customer advances	573,442	893,116
Trade payables	489,934	185,457
Payables to affiliated companies	457,914	1,191,367
Other liabilities	348,177	476,896
thereof from taxes: EUR 264,558 (prior year: EUR 324,685) thereof from social security benefits: EUR 24,886 (prior year EUR 19,308)		
	4,977,467	**6,904,826**
Deferred income	**3,505,464**	**2,373,751**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,267,518**	**27,309,899**

FINANCIAL STATEMENTS

Statement of Operations of INTERSHOP Communications Aktiengesellschaft

in EUR	January 1 to December 31, 2021	2020
Revenues	28,794,497	25,685,301
Decrease or increase in inventories of work in progress	(448,270)	636,458
Other own work capitalized	1,409,516	1,742,695
Other operating income	370,273	680,217
Cost of Materials		
Cost of purchased merchandise	(145,807)	(91,735)
Cost of purchased services	(3,664,710)	(2,823,792)
Personnel Costs		
Salaries	(14,388,502)	(12,936,774)
Social security contribution	(2,470,701)	(2,276,633)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(1,744,780)	(1,780,758)
Other operating expenses	(7,178,751)	(8,229,717)
Other interest and similar income	121,166	132,143
thereof from affiliated companies: EUR 121,015 Euro (prior year: EUR 132,051)		
Interest and similar expenses	(114,452)	(89,924)
Taxes on income	(37,034)	(2,199)
Net income after tax/Net income for the year	**502,445**	**645,282**
Loss carried forward from the prior years	0	(27,552,620)
Income from the simplified decrease in capital	0	28,388,327
Allocation to the capital reserve according to the provisions for the simplified capital decrease	0	(1,419,416)
Allocation to the retained earnings	(502,445)	(61,573)
Accumulated profit	**0**	**0**

Notes to the Financial Statements
INTERSHOP Communications Aktiengesellschaft

INTERSHOP Communications Aktiengesellschaft ("Intershop", "Company") is an Aktiengesellschaft (German stock corporation) under German law based in Jena, Germany. The business adress is Steinweg 10, 07743 Jena, Germany. INTERSHOP Communications AG is entered in the commercial register of the Jena Local Court under number HRB 209419.

The annual financial statements of INTERSHOP Communications Aktiengesellschaft for fiscal year 2021 are prepared in accordance with the provisions of the HGB (German Commercial Code) and the AktG (German Stock Corporation Act). The Company is a large listed corporation as defined by sec. 267 (3) HGB. The fiscal year corresponds with the calendar year. The income statement is prepared using total expenditure format.

Accounting Policies

The accounting policies presented below remained the same as in the prior year.

For internally generated internally developed Software, the capitalization option was exercised in accordance with sec. 248 (2) HGB.

Internally generated intangible assets classified as development costs of newly developed software products were measured at cost of production less depreciation. The cost of production includes the compulsory parts according to sec. 255 (2) HGB. Capitalization of software development costs generally begins when the technological feasibility of the product is established, which the Company defines with the compilation of the software functionalities considered as marketable to so-called PSIs (Potential Shippable Increment) and the definition of the EPICs (Features). The items were written off over the intended estimated useful life of three or six years from the time when the software was made available; the straight-line method was used. Impairment losses are recognized if the impairment in value is expected to be permanent.

Acquired intangible fixed assets and property, plant and equipment are carried at cost, less scheduled, straight-line depreciation and any required non-scheduled write-downs. Scheduled depreciation is recorded over the expected useful lives of the assets, which are between two and five years.

Low-value assets are written off in full in the year in which they are acquired as long as the cost does not exceed EUR 800.

Financial assets are entered at acquisition cost, reduced by the required value adjustments for impairments that are expected to be of a permanent duration. If the reasons for the write-downs no longer apply, the write-downs are reversed accordingly.

Inventories (work in process) are measured at cost. In addition to direct materials and labor costs, they include an appropriate share of the necessary indirect materials and labor costs. Payments already received for these services are identified as payments received.

Prepayments, receivables and other assets are carried at their principal amounts, less any necessary valuation allowances. Foreign currency receivables are measured at their historical rate prevailing at the respective transaction date when added.

Cash is measured at its nominal value.

The prepaid expenses comprise outgoing payments in the fiscal year under review that represent expenses for a certain time in the following years. A discount paid relating to the issue of an option bond is reversed as expenses using the straight-line method over the term of this bond (5 years).

Common stock is stated at par value.

Accrued liabilities cover all recognizable risks and contingent liabilities and are measured in the amount dictated by prudent business practice. They are measured at the settlement value deemed necessary by prudent business practice. Price and cost increases have been accounted for in the computation.

Liabilities are stated at their settlement value. Foreign currency payables are measured at their historical rate prevailing at the respective transaction date when added. Payments received are reported at face value.

The deferred income comprises payments from customers in the fiscal year under review that represent revenue in the following years.

Assets and liabilities in foreign currency were translated at the average spot exchange rate on the balance sheet date. With a remaining term of more than one year, the realization principle (Sec. 252 (1) no. 4 clause 2 HGB) and the acquisition cost principle (Sec. 253 (1) sentence 1 HGB) are observed.

Deferred taxes are recognized on the differences in the valuations of the trade balance and the tax balance if these are expected to reduce in later fiscal years. Furthermore, deferred tax assets on the existing loss carryforwards under corporate and trade tax law are recognized if a loss offset is expected in the next five years. Differences between trade balance and tax balance as well as accumulated deficits carried forward result in deferred tax assets. Deferred taxes from temporary differences as specified in sec. 274 HGB resulted from the application of the tax rate of 31.312% (15.825% for corporate income tax including solidarity surcharge and 15.487% for trade tax) on the intangible assets and the other accrued liabilities. The Company did not make use of the option to account for the deferred tax assets pursuant to section 274(1) sentence 2 of the HGB (German Commercial Code).

Notes to the items in the annual financial statements

Balance Sheet

Fixed assets changed as follows:

	Intangible Assets		**Tangible Assets**	**Financial Assets**	**Total**
in EUR thousand	Internally developed Software	Purchased Software licenses	Other equipment, operating and office equipment	Shares in affiliated companies	
Costs of purchase					
Balance at January 1, 2021	11,556	1,813	2,589	41,504	57,462
Additions	1,492	0	325	0	1,817
Disposals	0	(46)	(667)	(1)	(714)
Balance at December 31, 2021	13,048	1,767	2,247	41,503	58,565
Depreciation, write-downs, and impairment losses					
Balance at January 1, 2021	5,701	1,764	2,088	36,375	45,928
Additions	1,466	28	235	0	1,729
Disposals	0	(46)	(663)	0	(709)
Balance at December 31, 2021	7,167	1,746	1,660	36,375	46,948
Net carrying amount at December 31, 2020	5,855	49	501	5,129	11,534
Net carrying amount at December 31, 2021	**5,881**	**21**	**587**	**5,128**	**11,617**

The addition to internally generated software results from the first-time capitalization of software development costs. Overall, development costs of EUR 7,150 thousand were incurred in the 2021 fiscal year. The capitalization of the software development costs led to a restricted amount of EUR 5,317 thousand less deferred tax liabilities in the amount of EUR 1,841 thousand as set forth in Sec. 268 (8) HGB. The financial assets include EUR 4,818 thousand attributable to Intershop Communications Inc. on shares of which impairment losses were recorded in the prior years to mark them down to the lower fair market value. There are no indications of a need to further adjust the values according to current corporate planning.

Within the financial assets, the 100% interest in Intershop Communications Asia Limited, Hongkong, China was disposed of in the fiscal year due to the liquidation of the company. The acquisition costs and the book value of the holding were EUR 508.

Receivables from affiliated companies in the amount of EUR 750 thousand (prior year: EUR 1,350 thousand) resulted from Group financing; EUR 600 thousand (prior year: EUR 750 thousand) of these receivables fall due within more than one year. The other receivables from affiliated companies relate to current business service relationships. All other receivables and other assets have a remaining maturity of up to one year, as in the prior year.

The prepaid expenses include a discount in the amount of EUR 54 thousand (prior year: EUR 69 thousand) as of the balance sheet date. The nominal interest that was reduced due to the option right of the option bond issued in the 2020 fiscal year (overbearing interest) results in an equity share (Sec. 272 (2) No. 2 HGB). This was carried as a discount over the term (prepaid expenses) and added to the capital reserve as an additional payment to the partners in the relevant amount. The discount is reversed as expenses using the straight-line method over the term of the option bond (5 years).

The capital stock in the amount of EUR 14,194,164 (prior year: EUR 14,194,164) consists of 14,194,164 no-par value bearer shares. The calculated par value per share in the capital stock is EUR 1.00. As on the balance sheet date of the previous year, the capital reserve amounts to EUR 1,494 thousand.

The net profit as of December 31, 2021 developed as follows (in EUR thousand):

Balance at December 31, 2020	**0**
Net income for 2021	502
Allocation to the retained earnings	(502)
Balance at December 31, 2021	**0**

The allocation to the retained earnings was performed in accordance with Sec. 22 (3) of the Company's Articles of Association.

The other provisions mainly relate to outstanding invoices (EUR 764 thousand, prior year: EUR 815 thousand), variable remuneration components (EUR 754 thousand, prior year: EUR 496 thousand), as well as vacation accruals (EUR 373 thousand, prior year: EUR 316 thousand). The other provisions relate to the costs of the financial statements and the Annual Stockholders' Meeting, remuneration for the Supervisory Board, as well as imminent losses, and warranties.

Liabilities comprise the following:

in EUR thousand	Remaining term of up to one year Dec. 31, 2021	Remaining term of more than one year Dec. 31, 2021	Total Dec. 31, 2021	Remaining term of up to one year Dec.31, 2020	Remaining term of more than one year Dec. 31, 2020	Total Dec. 31, 2020
Bonds	–	3,108	3,108	0	3,108	3,108
Bank loans	0	0	0	1,050	0	1,050
Advance payments received	573	0	573	893	0	893
Accounts payable	490	0	490	186	0	186
Liabilities to affiliated companies	458	0	458	1,191	0	1,191
Other liabilities	348	0	348	477	0	477
	1,869	**3,108**	**4,977**	**3,797**	**3,108**	**6,905**

As in the prior year, there are no liabilities with a remaining term of more than five years.

The liability from the warrant bond is reported in the amount to be paid according to Sec. 253 (1) HGB.

In the 2020 fiscal year, namely on July 24, 2020, the Management Board of INTERSHOP Communications AG, with the consent of the Supervisory Board, decided to issue a warrant bond in the nominal amount of EUR 3,108,000.00 under the exclusion of the subscription rights of the existing shareholders. The warrant bond contains a combination of a bond and warrants to obtain no-par value shares of the Company. The warrant bond has a term of five years (July 24, 2020 to July 23, 2025) with an interest rate of 3.00% p.a. and an ordinary notice of termination of two years by the bondholders, subject to the waiver of the corresponding warrants.

Intershop can ordinarily terminate the partial warrant bonds early, in whole or in part, giving three months' notice if a change or amendment to tax laws and regulations of the Federal Republic of Germany or a change or amendment to these laws and regulations on the next interest payment date means that Intershop has to pay additional amounts. In the event of a termination, the repayment amount (= 100%) together with the accrued interest is due. The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital of INTERSHOP Communications AG with a share of the capital stock on each share of EUR 1.00 per share. The option right can be exercised on any banking day from July 24, 2020 until the 10th business day before the date the partial warrant bonds become due. The option price per share is EUR 2.19. The warrant bond was fully allocated to the investors Shareholder Value Beteiligungen AG and AXXION S.A. on behalf of two fund clients.

The partial warrant bonds create direct, unconditional, non-subordinated, and unsecured liabilities of Intershop that are all ranked equally and, in the event Intershop is liquidated or becomes insolvent, are equal to all other existing and future unsecured and non-subordinated liabilities. Intershop is entitled at any time to acquire partial warrant bonds, either directly or indirectly, on the market or in any other way. Intershop can choose whether to keep, sell, or cancel the purchased partial warrant bonds.

Other liabilities mainly include liabilities from current payroll accounting and sales tax. Receivables from affiliated companies relate to deliveries of goods and services, as in the prior year.

Statement of Operations

The following table shows a breakdown of revenues by region:

in EUR thousand	2021	2020
Germany	10,109	10,776
Rest of Europe	15,421	13,112
Rest of the world excluding Europe	3,264	1,797
	28,794	**25,685**

Revenues from software and cloud sales and from service sales are EUR 16,291 thousand (prior year: EUR 15,175 thousand) and EUR 12,503 thousand (prior year: EUR 10,510 thousand) respectively.

Other operating income includes income from currency translation of EUR 85 thousand (prior year: EUR 22 thousand). Of the other operating income, EUR 99 thousand is related to prior periods. These result mainly from the reversal of provisions.

Other operating expenses include depreciation and amortization of receivables from affiliated companies of EUR 65 thousand (prior year: EUR 66 thousand), as well as expenses from currency translation of EUR 34 thousand (prior year: EUR 111 thousand).

Other Disclosures

Authorized capital

As at December 31, 2021, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2020: EUR 1,437,636) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2020: 1,437,636 shares). According to the INTERSHOP Communications AG's Articles of Association, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the capital stock by issuing new common shares as follows:

- Up to a total of EUR 1,437,636 by issuing up to 1,437,636 new bearer shares against cash contributions and/or contributions in kind. The Management Board's authorization is valid until June 15, 2025. The Management Board is authorized, subject to approval of the Supervisory Board, to exclude the stockholders' subscription rights in certain cases.

Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000 (December 31, 2020: EUR 1,437,000). As of December 31, 2021, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares.

The General Meeting on May 20, 2020 resolved to conditionally increase the capital stock by up to EUR 1,437,000. The conditional capital is to enable no-par value bearer shares to be granted upon exercising option rights or upon the Company exercising a voting right to grant shares in the Company, either as a whole or in part, in lieu of the cash amount due for shares in the Company to the holders of bonds that are issued by Intershop against cash contributions by May 19, 2025 based on the authorization resolution adopted at the general meeting on May 20, 2020. The new shares are issued at the option price to be determined based on the aforementioned authorization resolution. The Management Board is authorized to determine additional details for the implementation of the increase in the conditional capital subject to the approval by the Supervisory Board. On July 24, 2020, the Company announced the issue of a warrant bond in the nominal amount of EUR 3,108,000.00 excluding the subscription right for existing shareholders. The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital.

Voting rights notifications

In the 2021 fiscal year, the Company was provided with the following details regarding shareholdings in accordance with Sec. 33(1) WpHG, which it announced in accordance with Sec. 40(1) WpHG: The voting rights notifications published on April 26, 2021 show that the voting rights share of Frankfurter Investmentgesellschaft mit variablem Kapital (SICAV), Grevenmacher, Luxembourg, in the Company was 16.15% (2,291,789 voting rights) and the voting rights share of Axxion SA, Grevenmacher, Luxembourg, was 1.41% (199,836 voting rights) as of April 21, 2021. The voting rights notifications of Value Focus Beteiligungs GmbH, Hofheim am Taunus, Germany, and Mr. Rainer Sachs published on October 8, 2021, show that Value Focus Beteiligungs GmbH, Hofheim am Taunus, Germany, and Mr. Rainer (indirectly via Sachs Assets GmbH, Erbach, Germany) together with Shareholder Value Beteiligungen AG and Shareholder Value Management AG held 36.87% (5,232,713 voting rights) in the Company as of September 30, 2021 (coordinated voting behavior).

Disclosures pursuant to section 285 No. 3 of the HGB, contingent liabilities and other financial liabilities

Other financial obligations of EUR 13,347 thousand (prior year: EUR 14,617 thousand) exist from rental agreements and from leasing agreements for vehicles and office equipment. The term of the agreement or the earliest possible termination dates were used as a basis for the calculation. The financial obligations under lease agreements essentially relate to the leases for the company's business premises at the company headquarters. Financial obligations from lease agreements relate mainly to the lease agreement for the business premises of the Company at the head office with a remaining term of nine years. The rental and leasing agreements contain the typical benefits and risks. The maturities of the other financial liabilities are broken down as follows:

in EUR thousand	due 2022	due 2023 to 2026	due after 2026	Total Dec.31,2021	Total Dec.31,2020
Rental agreements*	1,398	5,196	5,304	**11,898**	12,818
Leases	375	1,061	13	**1,449**	1,799
Total	**1,773**	**6,257**	**5,317**	**13,347**	**14,617**

* including ancillary rental expenses

Employees

The Company had an average of 248 employees during the 2021 fiscal year, including 27 students (calculated on a full-time basis, prior year: 246 employees including 21 students). The employees are distributed over the following areas over the following areas:

in EUR thousand	2021	2020
Technical Departments (Service Functions and Research Development)	193	191
Sales and marketing	28	28
General administration	27	27
Total	**248**	**246**

In accordance with Section 267 (5) of the German Commercial Code (HGB), the Company had an average of 271 employees (excluding full-time equivalents; 2020: 269 employees).

Executive bodies of the Company

The Supervisory Board comprised the following members in fiscal year 2021:

Christian Oecking
Chairman of the Supervisory Board since 06/02/2016
Senior Advisor

Ulrich Prädel
Vice Chairman of the Supervisory Board since 12/16/2016
Member since 12/01/2016
Executive Advisor

Univ.-Prof. Dr. Louis Velthuis
Member since 06/02/2016
Professor to the Chair for controlling at the Faculty of Law, Management and Economics at the Johannes Gutenberg University in Mainz
Further Supervisory Board mandate:
SMT Scharf AG (Chairman)

The Management Board included the following persons:

Markus Klahn
Chairman of the Management Board and Sole Director since 05/06/2021
Management Board member responsible for operational business from 04/09/2018 to 05/06/2021
Responsibilities as Management Board member responsible for operational business: Professional Services, Sales and Marketing

Dr. Jochen Wiechen
(until 05/06/2021)
Dipl.- Physicist
Chairman of the Management Board from 09/01/2015 to 05/06/2021
Member of the Management Board from 08/01/2013 to 05/06/2021
Responsibilities: technical departments, administrative departments, including Finance and Communication

Compensation of the members of the Management Board and the Supervisory Board

Total remuneration paid to the Management Board for its activities in the 2021 fiscal year amounted to EUR 664 thousand (2020: EUR 546 thousand), of which EUR 345 thousand (2020: EUR 485 thousand) relate to fixed remuneration, EUR 101 thousand (2020: EUR 61 thousand) to variable components, and EUR 218 thousand (2020: 0 thousand) to other remuneration. The other remuneration includes one-time payments for special bonuses and payments relating to the termination of the Management Board mandate. In the 2021 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 194 thousand (2020: EUR 228 thousand), of which EUR 160 thousand (2020: EUR 168 thousand) accounted for fixed remuneration and EUR 34 thousand (2020: EUR 60 thousand) for the performance-based variable portion. Payments made to the Management Board and Supervisory Board consist exclusively of benefits due in the short term. Details regarding the remuneration of the Management Board and the Supervisory Board are presented in the Remuneration Report. This is published on the website of the Company at https://www.intershop.com/de/verguetungssystem.

Intershop Group

As a listed company, INTERSHOP Communications AG prepares consolidated financial statements in accordance with IFRS and according to the provisions of Section 315a of the HGB (German Commercial Code) for the largest and, at the same time, the smallest group of companies for which consolidated financial statements must be prepared. The consolidated financial statements will be submitted to the Bundesanzeiger (German Federal Gazette). As of December 31, 2021, in addition to the ultimate parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., The Bakery GmbH, Intershop Communications Ventures GmbH and Intershop Communications SARL.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2020:

	Interest in %	Equity* in TEUR	Annual result** in TEUR
Intershop Communications, Inc., San Francisco, USA	100	(316)	250
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	1,551	136
Intershop Communications SARL, Paris, France	100	364	14
The Bakery GmbH, Jena, Germany	100	(4,134)	(48)
Intershop Communications Ventures GmbH, Jena, Germany	100	(1,417)	(18)

* Equity as of December 31, 2021 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2021 is translated at the average annual rate

The expenses for auditors' fees have been omitted in accordance with Sec. 285 (17) HGB and are disclosed in the notes to the Company's consolidated financial statements. These include services for the final audit with the support services for a DPR audit and tax consultancy.

Declaration of Conformity in accordance with section 161 of the German Stock Corporation Act

The Company issued a declaration of conformity as required by section 161 of the Aktiengesetz on December 14, 2021 and made this declaration publicly available on the Company's website at https://www.intershop.com/investors-corporate-governance.

Events subsequent to the balance sheet date

There have been no significant reportable events after the balance sheet date.

Appropriation of net income/loss

The Management Board of INTERSHOP Communications Aktiengesellschaft proposes to have the annual net profit of EUR 502,445 to be transferred to the other revenue reserves in accordance with Section 22(3) of the Company's Articles of Association.

Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of INTERSHOP Communications AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

Jena, March 4, 2022

The Management Board of INTERSHOP Communications Aktiengesellschaft

M. Klahn

Markus Klahn

Independent Auditor's Report

To INTERSHOP Communications Aktiengesellschaft, Jena

Report on the Audit of the Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of INTERSHOP Communications Aktiengesellschaft, Jena, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss for the financial year from 1 January to 31 December 2021 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of INTERSHOP Communications Aktiengesellschaft, which is combined with the group management report, for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- • the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recognition and measurement of internally generated intangible fixed assets
❷ Revenue recognition and allocation of revenue to correct periods

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Recognition and measurement of internally generated intangible fixed assets**

① Internally generated intangible fixed assets amounting in total to EUR 5,881 thousand (representing 22% of total assets and 36% of equity) is reported under the "intangible fixed assets" balance sheet item in INTERSHOP Communications Aktiengesellschaft's annual financial statements. These internally generated intangible fixed assets are internally developed Intershop software solutions. The recognition of an internally generated intangible fixed asset depends significantly on the nature of the asset being such that it is highly probably that the intangible fixed asset to be recognized will be created and it will be possible to reliably allocate the development costs to the intangible fixed asset to be recognized. Internally generated intangible fixed assets are measured at cost less amortization and impairment charges. In our view, this matter was of particular importance for our audit since the capitalization of development costs is based to a large extent on the executive directors' estimates and assumptions, and is therefore subject to corresponding uncertainties.

② As part of our audit, we reviewed, among other things, the internal processes and controls for recording intangible fixed assets as well as the methodology adopted for the determination, accounting treatment and measurement of incurred development costs. Moreover, we evaluated the capitalization requirements for individual projects on a sample basis. We assessed the amount of the capitalized development costs and the recoverability of the intangible fixed assets based on internal projections as to future usability and evaluated the appropriateness of the underlying estimates and assumptions. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

③ The Company's disclosures on internally generated intangible fixed assets are contained in the balance sheet disclosures in the notes to the financial statements.

❷ **Revenue recognition and allocation of revenue to correct periods**

① Revenue amounting to EUR 28,794 thousand is reported in the income statement in the annual financial statements of INTERSHOP Communications Aktiengesellschaft. The company recognizes revenue from the sale and temporary granting of licenses, the provision and running of systems for online-commerce as standardized service (CaaS), the provision of installation services and advice, maintenance and operation of online shops on behalf of customers in return for a sales- or transaction-based fee. The recognition of revenue from the sale of licenses depends in particular on the transfer of beneficial ownership to the purchaser. Proceeds from services are recognized as at the date the services are rendered, while maintenance revenue and revenue from the provision and running of systems for online-commerce as standardized service and proceeds from the temporary granting of licenses is recognized over the performance period. These various services of the company can be the object of agreements with customers, either individually or in various constellations. In light of the complexity of the customer agreements underpinning revenue recognition, these significant items are subject to particular risk. Against this background, the correct application of the accounting standards is considered to be complex and is based in some respects on estimates and assumptions made by management, with the result that this matter was of particular importance for our audit.

② In the context of our audit with regard to the correct presentation of revenue in the annual financial statements, we have assessed the accounting policies applied by NTERSHOP Communications Aktiengesellschaft in relation to the recognition of software revenue against the backdrop of German with commercial law.

To do so, we first identified the material controls implemented to ensure the correct identification of contracts and individual services and the recognition of revenue, assessed their appropriateness and tested their effectiveness with respect to avoiding and/or identifying errors. Moreover, we assessed in detail the recognition of individual material transactions, as well as further transactions on a test basis, in light of contracts, proof of performance and payments, as well as assessing in particular the proper allocation of such transactions to the correct periods. In addition, we verified the consistency of the methods used by the Company to recognize revenue.

In this connection, we also reviewed the appropriateness of individual assumptions relating to the allocation of portions of revenue to individual services in the case of contracts with several primary services offered, and assessed their mathematical accuracy and the accounting treatment used. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions relating to revenue recognition made by the executive directors were adequately documented and justified.

③ The Company's disclosures on revenue recognition are contained in the income statement disclosures in the notes to the financial statements and in the management report.

Other Information

The executive directors are responsible for the other information.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file Intershop_AG_EA_LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 6 May 2021. We were engaged by the supervisory board on 27 October 2021. We have been the auditor of the INTERSHOP Communications Aktiengesellschaft, Jena, without interruption since the financial year 2007.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an Other Matter – Use of the Auditor’s Report

Our auditor’s report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Kremser.

Erfurt, March 4, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Andreas Kremser)	(sgd. ppa. Marcus Engelmann)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Report of the Supervisory Board

Report of the Supervisory Board

Dear stockholders,

With a profitable business development and strongly growing cloud business, Intershop has successfully concluded another fiscal year. Thanks to our strategy and organizational orientation we consider ourselves in an excellent position to continue this sustained and profitable growth path in the 2022 fiscal year.

In the 2021 fiscal year, the Supervisory Board duly performed its assigned tasks as per the applicable laws, the Articles of Association, as well as the Rules of Procedure. We continuously monitored and advised the Management Board in the management of the Company. The Supervisory Board was involved in all important corporate decisions. The Management Board informed the Supervisory Board regularly, promptly, and comprehensively, verbally as well as in writing, regarding ongoing and strategic business developments, important business transactions, the risk position and risk management, the internal control system, as well as the economic situation of the company.

Supervisory Board meetings and content

In the 2021 fiscal year, the Supervisory Board met in eleven board meetings. Some of the meetings were held as video conferences due to the coronavirus pandemic. All Supervisory Board members took part in all the meetings. The Management Board has participated in all Supervisory Board meetings. The meetings focused on the sales and earnings situation as well as corporate developments with regard to the cloud strategy.

In the meeting of February 1, 2021, the Management Board submitted the preliminary results for the 2021 fiscal year as well as the corresponding key figures and presented the expected sales and earnings developments for the first quarter of 2021.

At the balance sheet meeting of March 16, 2021, resolutions on approving the annual and consolidated financial statements for the 2020 fiscal year as well as on the remuneration system for the Management Board were adopted. In addition, the agenda for the 2021 Annual General Meeting was adopted, risk management and the 2020 risk report were discussed, and the current sales and earnings forecast was reviewed at the meeting. The Management Board presented a tool for supporting the OKR system.

In the meeting of April 20, 2021, the focus was on the OKR system. The Management Team presented the rate of target achievement and the future quarterly targets for their organizational divisions. The Management Board reported on the results of the first quarter. Moreover, this meeting also dealt with the forecast for the second quarter of 2021 and preparing the virtual Annual General Meeting as well as the meeting of May 5, 2021.

The main issues discussed at the meeting on June 24/25, 2021 included the development of the American subsidiary as well as the status of goal achievement in the organizational divisions. In this connection, the Management Team reported comprehensively to the Supervisory Board on the organizational and economic development of the responsible divisions. In particular, discussions were carried out on potential and current orders for both the Cloud and Service segments and opportunities and risks were identified. The Management Board explained the current sales and earnings situation as well as the forecast for the second and third quarters.

In the meetings on July 16, August 24, and September 21, 2021, the focus was on the economic development for the second half of the year. The Supervisory Board was comprehensively informed by the Management Board about the corporate key figures, sales pipeline, as well as opportunities and risks.

The main topics of the meetings on October 26, November 23, and December 14, 2021 were the 2022 budget and medium-term planning. Other topics, in addition to the sales and earnings forecast for the 2021 fiscal year, included the development of the Australian subsidiary as well as individual company divisions. The current order and earnings situation for the Service segment was discussed in detail. In the December meeting, the Supervisory Board adopted the 2022 budget, the medium-term planning, Declaration of Compliance, and the 2021 Corporate Governance Declaration.

In addition to the resolutions that were adopted at the meetings, the Board also adopted resolutions by circular procedure.

The Management Board submitted all transactions requiring Supervisory Board approval under its Rules of Procedure to the Supervisory Board for approval. The Supervisory Board examined the relevant draft resolutions in detail and took the appropriate decisions. Business transactions of importance to the Company were discussed in detail and carefully monitored by the Supervisory Board on the basis of Management Board reports. In addition to the Supervisory Board meetings, the Supervisory Board was in regular contact with the Management Board.

No committees were established because the Supervisory Board only comprises three members.

Corporate Governance

Conflicts of interest of Supervisory Board members within the meaning of recommendation E.1 of the German Corporate Governance Code, which must be immediately disclosed to the Chair of the Supervisory Board, and of which the General Meeting must also be informed, did not occur during the 2021 fiscal year.

The Supervisory Board was given adequate support by the Company in training and further education measures, including through presentations on corporate governance and new legal regulations, such as the Financial Market Integrity Strengthening Act and the EU Whistleblower Directive. Furthermore, managers of individual company divisions provided information on important developments in their divisions.

The 2021 Declaration of Compliance with the German Corporate Governance Code was submitted by the Management Board and the Supervisory Board on December 14, 2021. The remuneration of the respective Supervisory Board members, individualized and broken down by component, is disclosed in the 2021 Remuneration Report. More information on corporate governance can be found in the Corporate Governance Declaration.

Annual financial statements and consolidated financial statements, dependent company report, remuneration report, annual audit

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the auditor for the 2021 fiscal year elected at the Annual Stockholder's Meeting held on May 6, 2021 and engaged by the Supervisory Board, thoroughly reviewed the annual financial statements, the consolidated financial statements, the combined management report of INTERSHOP Communications AG and issued unqualified audit opinions in each case.

In addition, the auditors reviewed the dependent company report prepared by the Company pursuant to section 312 of the German Stock Corporation Act (AktG), reported on it pursuant to section 313 (3) of the AktG, and issued the following unqualified audit opinion:
"Based on our audit and assessment in accordance with professional standards, we confirm that (1) the actual disclosures contained in the report are correct, (2) the payments made by the Company in connection with transactions detailed in the report were not unreasonably high."

The 2021 Remuneration Report was examined by the auditor for completeness of information required in accordance with Section 162(1) and (2) of the German Stock Corporation Act (AktG). The formal audit did not result in any objections.

Following its own thorough examination, in particular after inspecting the auditor's reports, as well as discussing the key points of the audit in detail with the auditor and the material findings of the audit, the Supervisory Board did not raise any objections with respect to the financial statements, the dependent company report or Remuneration Report. The Supervisory Board concurs with the result of the audit, the audit of the dependent company report and the Remuneration Report. The Supervisory Board does not raise any objections against the declaration given by the Management Board at the end of the dependent company report and approved the separate financial statements and consolidated financial statements prepared by the Management Board as well as the Remuneration Report at its meeting on March 16, 2022. The annual financial statements of INTERSHOP Communications AG were thus adopted. With the consent of the Supervisory Board, the net income for the year was allocated by the Management Board to the retained earnings in accordance with Sec. 22(3) of the Intershop Articles of Association during the preparation process. Therefore, there was no need to examine a recommendation for the appropriation of profit.

Personnel changes in the Supervisory Board and the Management Board

As planned, the long-time chairman of the board, Dr. Jochen Wiechen, stepped down from the Management Board at the end of the Annual General Meeting on May 6, 2021. Dr. Wiechen had been Chief Technical Officer since August 1, 2013 and then CEO of INTERSHOP Communications AG as of September 1, 2015. The Supervisory Board would like to thank Dr. Wiechen for his exceptional commitment to Intershop. As CEO, Jochen Wiechen has significantly shaped the transformation of Intershop from a license to a cloud provider focusing on B2B commerce and has laid the foundation for a future-proof business model and a profitable growth course.

Markus Klahn, who has been on the board as COO since April 2018, has been CEO of INTERSHOP Communications AG since the 2021 Annual General Meeting and is the sole director of the Company. Markus Klahn is committed to the consistent implementation of the cloud strategy and the continued increase in recurring revenues of the Company. The Supervisory Board believes that with the appointment of Marcus Klahn as CEO Intershop is very well prepared for the future. Markus Klahn is supported by an expanded Management Team.

There were no changes in personnel in the composition of the Supervisory Board in the 2021 fiscal year.

The Supervisory Board would like to thank the Management Board and all employees of the Intershop Group for their dedication and special achievements in the 2021 fiscal year. We would like to thank our shareholders for the trust they have placed in Intershop.

Jena, March 2022

On behalf of the Supervisory Board

Christian Oecking
Chairman of the Supervisory Board

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Corporate Governance Declaration

Corporate Governance Declaration 2021

Declaration of the Management Board and Supervisory Board pursuant to section 161 of the Aktiengesetz (AktG – German Stock Corporation Act)

The recommendations of the German Corporate Governance Code were largely complied with in fiscal year 2021; any departures were explained in the Declaration of Conformity. The Supervisory Board and the Management Board issued the following joint Declaration of Conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on December 14, 2021:

Since the Declaration of Conformity of December 10, 2020 to the time of this declaration INTERSHOP Communications AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019, ("Code") with the following exceptions and will comply with them in future with the following exceptions:

a) The Management Board ensures that measures suitable for the risk profile of the company are put into place; however, it does not have a stand-alone compliance system (Code Recommendation A.2, sentence 1) as the company believes that the measures implemented within the framework of the internal control and risk management system are sufficient based on the size of the company For this reason, the company has not yet set up a whistleblower system in accordance with recommendation A.2, sentence 2 of the Code. However, the company is currently setting up a whistleblower system and will comply with this recommendation in the future.
b) The Supervisory Board has not defined any specific goals and no competence profile in accordance with Recommendation C.1 of the German Corporate Governance Code. The Supervisory Board believes that a precise definition of objectives and a competency profile would limit the selection of suitable Supervisory Board members. The Supervisory Board wishes to make its decisions with regard to proposals about its composition independently and freely based on the respective situation. In this context, the Supervisory Board will ensure diversity in accordance with the recommendation.
c) The Supervisory Board has rules of procedure. However, in order to maintain confidentiality, these are not made available on the company's website (Code Recommendation D.1).
d) Since the Supervisory Board has only three members, it does not form any committees (Recommendation D. 2 sentence 1). Therefore, the members and chairperson of the committees are not named in the Corporate Governance Statement (Recommendation D.2, sentence 2.)
e) The variable remuneration components for the Management Board do not include any share-based remuneration, because the granting of new shares is too costly and an obligation to purchase shares on the market is difficult to implement under insider-trading law (Code recommendation G.10).

This declaration of conformity and all previous declarations have been made permanently available on the Company's website at http://www.intershop.com/investors-corporate-governance.

Remuneration Report

The Remuneration Report for the 2021 financial year along with the auditor's report will be published on the company's website at https://www.intershop.com/de/verguetungssystem immediately after adoption of the resolution on the 2021 Remuneration Report by the Supervisory Board and presented to the 2022 Annual General Meeting. The applicable remuneration system for the Management Board and the Supervisory Board, approved by the annual general meeting of INTERSHOP Communications AG on May 6, 2021, is available at https://www.intershop.com/de/verguetungssystem.

Corporate Governance Practices

Beyond the recommendation of the German Corporate Governance Code, the company does not follow any other corporate governance practices, e.g. its own code of conduct. The company considers suggestions of the Corporate Governance Code as far as possible.

Information on the Management Board's and Supervisory Board's principles of work, as well as their composition

In accordance with the fundamental principle of German company law, Intershop is subject to the dual management system, which requires the separation of the management body (Management Board) and the supervisory body (Supervisory Board). Both bodies cooperate in the management and supervision of the Company.

The **Management Board** is responsible for managing the Company with the goal of creating sustainable value. The Management Board jointly develops the Company's strategy and ensures that it is implemented in consultation with the Supervisory Board. The Management Board must manage the Company's business in accordance with the law, the Articles of Association, and the by-laws. The principle of joint responsibility applies; this means that the members of the Management Board are jointly responsible for the management of the entire Company. The principles of the Management Board's work are summarized in the By-laws of the Management Board. In particular, these by-laws govern the adoption of resolutions and the allocation of responsibilities. The By-laws of the Management Board also include a list of transactions for which the Management Board requires the Supervisory Board's approval.

The Management Board currently consists of one member who is also the Chairman of the Management Board. The number of members of the Management Board is determined by the Supervisory Board, which can also appoint a Chairman or a Spokesperson and Deputy Chairman of the Management Board.

The Management Board provides the Supervisory Board with regular, timely, and comprehensive information about all aspects of business development that are material for the Company, significant transactions, and the current earnings situation, including the risk situation and risk management. Where business developments deviate from earlier forecasts and targets, these deviations are discussed and the reasons given in detail. The Management Board also reports regularly on compliance, i.e., the measures taken to meet legal requirements and internal guidelines, which is also the responsibility of the Management Board.

The **Supervisory Board** advises the Management Board on the management of the Company and monitors the Management Board's activities. It appoints and dismisses the members of the Management Board, resolves the compensation system for the Management Board members, and sets their total compensation.

The Articles of Association stipulate that the Supervisory Board must comprise three members. Its regular term of office is five years and ends at the Annual Stockholders' Meeting that resolves the approval of the Supervisory Board's activities for the fourth fiscal year after the beginning of its term of office. It must perform its duties in accordance with the provisions of the law, the German Corporate Governance Code, the Articles of Association, and its By-laws. The Supervisory Board must be consulted on all decisions of fundamental importance for the Company. The By-laws of the Management Board therefore stipulate certain transactions – such as major investment projects, acquisitions, and employment contracts above a certain amount – that require the Supervisory Board's approval. The Chairman of the Supervisory Board represents the Supervisory Board externally and in dealings with the Management Board. He chairs the Supervisory Board meetings. No committees were established because the Supervisory Board only comprises three members. In addition to its reports at the Supervisory Board meetings, the Management Board regularly informs the Supervisory Board about current key developments at the Company and the related measures required, as well as about the forecast for future quarters.

D&O insurance has been taken out for all members of the Management Board and the Supervisory Board; a deductible of 10% was agreed upon for Management Board members in accordance with section 93(2) sentence 3 of the AktG.

Age limit and long-term succession planning for the Management Board

The agreement with the Management Board Member stipulates that the membership on the Management Board ends when the standard limit of the statutory pension insurance is reached. For long-term succession planning, the Supervisory Board, in consultation with the Management Board, estimates the time to fill the Management Board positions, i.e. at what times in the future will it become necessary to appoint a Management Board member and how long will an existing Management Board member remain available. The defined diversity objectives and strategic corporate criteria will be considered when appointing members. For existing agreement with Management Board member, an extension of the agreement will be renegotiated with the Supervisory Board in good time before the agreement with the Management Board member expires.

Self-assessment of the work of the Supervisory Board

The Supervisory Board regularly assesses the effectiveness of the performance of its duties. The work of the Supervisory Board members is discussed several times a year at the Supervisory Board meetings. In addition, a self-assessment takes place via a questionnaire which must be answered by each Supervisory Board member at certain intervals, but at least every two years.

Information on setting the women's quota

The target figures for the proportion of women on the Management Board and the Supervisory Board were set by the Supervisory Board as per Section 111 (5) AktG by resolution of June 21, 2017 for the period until June 30, 2021 and of July 1, 2021 for the period until June 30, 2025 in accordance with the actual share of 0% and achieved for the reporting year 2021. Due to the size of the committees of three members on the Supervisory Board and one member of the Management Board, the Supervisory Board is of the opinion that a binding specification of a higher target figure is structurally not appropriate at this time, as this would restrict the selection of suitable candidates and thereby limiting the ability of the committee to act. The Supervisory Board would like to be free to adopt individual decisions in the respective situation in the interest of the company. However, the Supervisory Board will continue to make every effort to give preference to women with equal qualification, in order to increase the proportion of women both on the Supervisory Board as well as the Management Board.

The target figures for the proportion of women in the two management levels below the Management Board set by the Management Board as per Section 76 (4) AktG, were set to 26.92% for the period until June 30, 2021 by the resolution of June 21, 2017 corresponding to the existing proportion of women as of June 2017. The target figures adopted on July 1, 2021 for the period until June 30, 2025 were reassessed to 28.57% in keeping with the actual proportion of women at the management level as of June 2021. By the end of 2021 the achieved quota of 25.93% was below the target figures for INTERSHOP Communications AG, because when recruiting new managers, the positions could not be filled by women despite intensive efforts on the part of the company. Since a separate consideration and target setting for each of the two management levels below the Management Board would not be structurally appropriate, the Management Board decided to set only one target figure for this management level as a whole.

Diversity Concept for Management Board and Supervisory Board

The Supervisory Board has adopted a diversity concept for the composition of the Management Board, which consists of the following elements:

- As a rule, the membership in Management Board ends when the standard limit of the statutory pension insurance is reached;
- The target figure set by the Supervisory Board for the proportion of women on the Supervisory Board in accordance with section 111(5) of the AktG;
- Management Board members should have many years of leadership experience and, if possible, have gained experience in various industries and professions;
- The Management Board members should have international management experience;
- The Chairman of the Management Board shall preferably be replaced by an existing Management Board member.

In their Declaration of Conformity, the Management Board and Supervisory Board stated a deviation from the Code's Recommendations concerning their composition with regard to a precise definition of objectives and competency profile. Thus, this declaration does not require that information on the status of implementation of these objectives in terms of Recommendation C.1 of the Code is included. However, in its diversity concept, the Supervisory Board stipulated the following for the composition of the Supervisory Board:

- according to its rules of procedure, the age limit for the Supervisory Board is 70 years for the appointment of new Supervisory Board members;
- the target figure set by the Supervisory Board for the proportion of women on the Supervisory Board in accordance with section 111(5) of the AktG;
- Management Board members should have many years of leadership experience and, if possible, have gained experience in various industries and professions;
- Management Board members should have international management experience;
- the Supervisory Board shall have at least two independent members.

In the opinion of the Supervisory Board members, currently, all three Supervisory Board members are independent.

Jena, December 14, 2021

INTERSHOP Communications AG

For the Management Board	For the Supervisory Board
Markus Klahn	Christian Oecking Chairman of the Supervisory Board

Intershop-Shares

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Stock Market Data

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

Intershop **shares**

		2021	2020
Closing price*	in EUR	**4.03**	3.14
Number of shares outstanding (end of period)	in million shares	**14.19**	14.19
Market capitalization	in EUR million	**57.20**	44.57
Earnings per share	in EUR	**0.06**	0.06
Cashflow per share	in EUR	**0.32**	0.33
Carrying amount per share	in EUR	**1.23**	1.16
Average trading volume per day **	Number	**16,289**	20,024
Free float	in %	**47**	49

* Basis: Xetra
** Basis: all stock exchanges

Intershop-Shares

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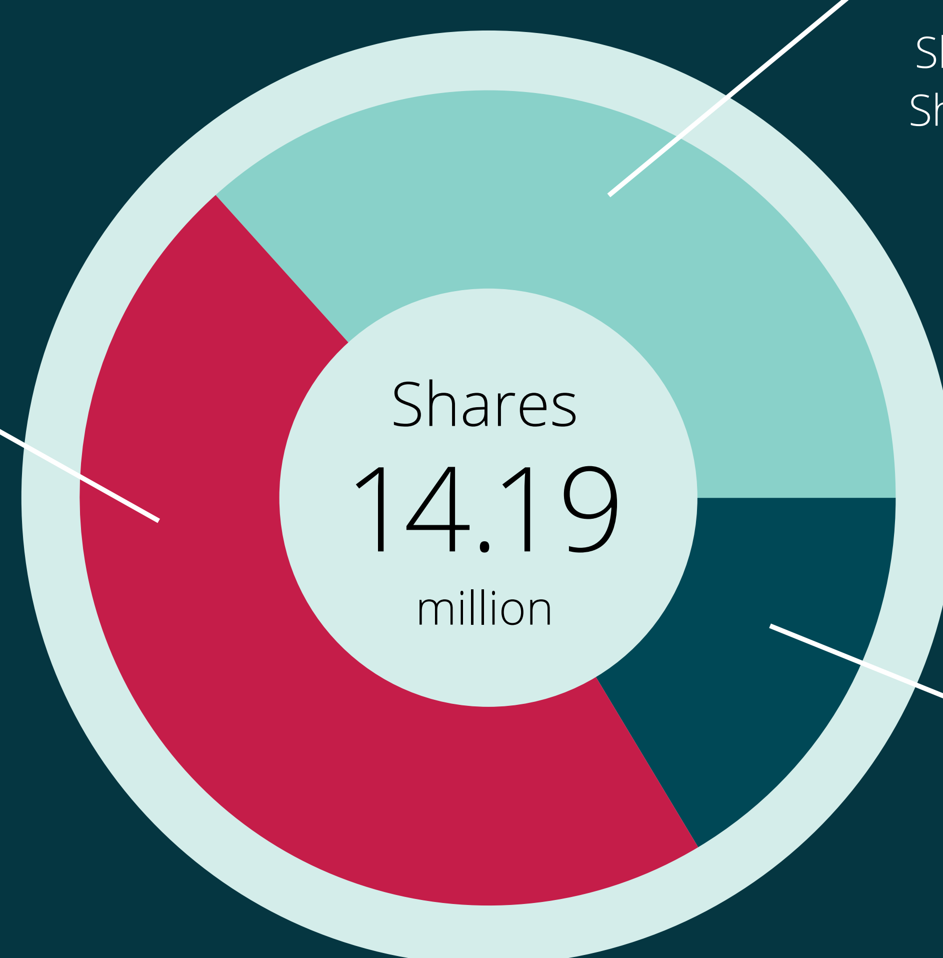
Share price

in EUR,
XETRA closing price

Shareholder structure



36.87%

Shareholder Value Management AG/
Shareholder Value Beteiligungen AG/
Reiner Sachs/
Value Focus Beteiligungs GmbH

46.98%

Free Float

16.15%

Frankfurter Investmentgesellschaft
with variable capital (SICAV)

Financial Calender

Date	Event
February 16, 2022	Release of (preliminary) Q4 and FY financials 2021
April 27, 2022	Release of Q1 financials 2022
May 10, 2022	Ordinary Annual Stockholders´ Meeting 2022
July 27, 2022	Release of Q2 and 6-month financials 2022
October 26, 2022	Release of Q3 and 9-month financials 2022

The current financial calendar can be found at www.intershop.com/financial-calendar.

This annual 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.

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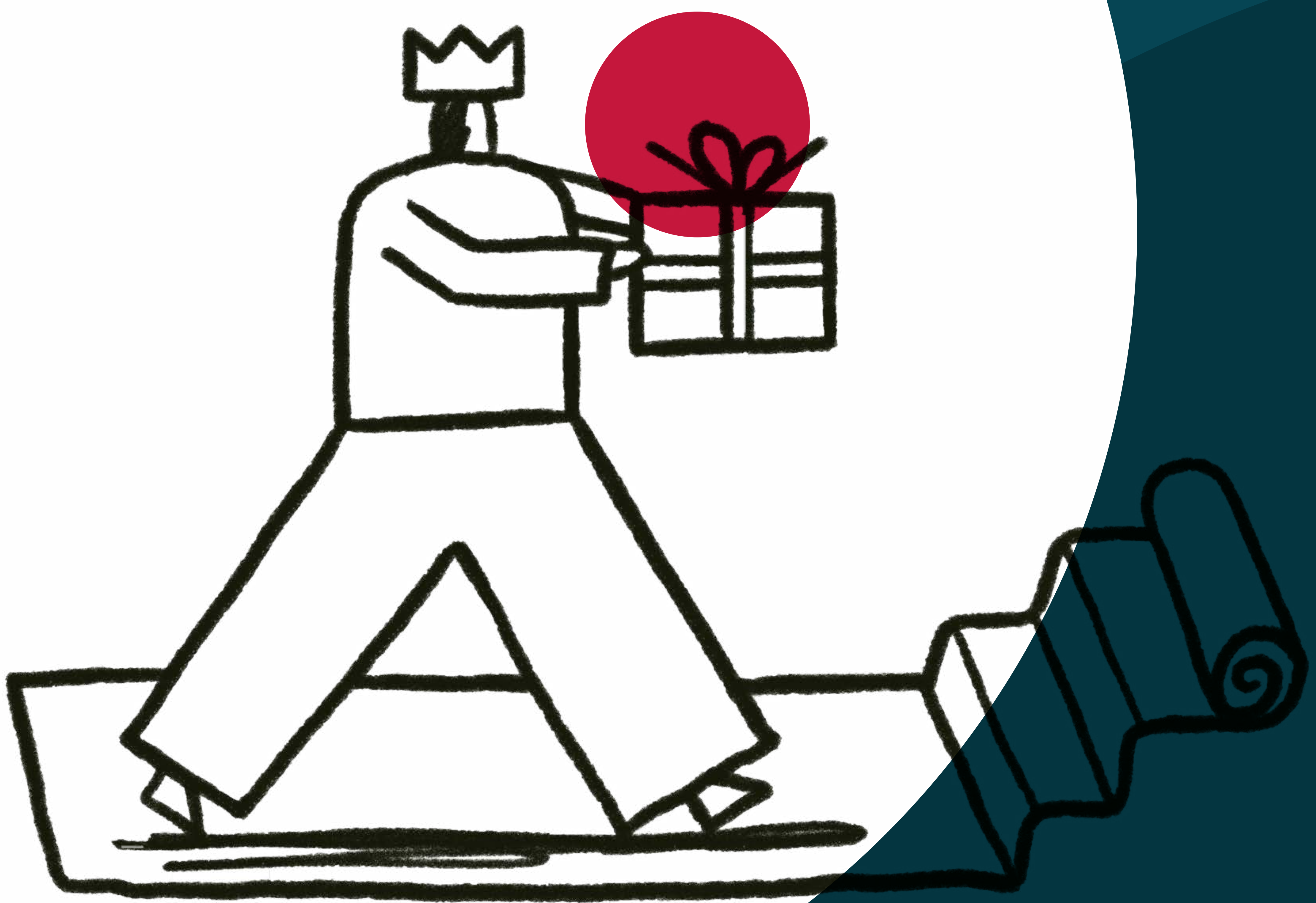

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