intershop®

# Annual Report 2020

# Key Figures for the Group

Cloud Order Entry

15.8

EUR million (in 2020)

Net New ARR

2.6

EUR million (in 2020)

Revenue

33.6

EUR million (in 2020)

EBIT

1.0

EUR million (in 2020)

Cash and Cash Equivalents

11.6

EUR million (as of 12/31/2020)

Equity Ratio

56%

(as of 12/31/2020)

Employees

299

(as of 12/31/2020)

intershop®

# KEY FIGURES FOR THE GROUP

| in EUR thousand | 2020 | 2019 | Change |
|---|---|---|---|
| **KPIs** | | | |
| Cloud Order Entry | 15,776 | 13,137 | 20% |
| Net New ARR | 2,550 | 1,641 | 55% |
| Revenue | 33,605 | 31,620 | 6% |
| EBIT | 1,044 | (6,469) | ++ |
| **Revenues** | | | |
| Revenues | 33,605 | 31,620 | 6% |
| Licenses and Maintenance | 12,136 | 10,689 | 14% |
| Cloud and Subscription | 7,332 | 6,383 | 15% |
| Services Revenues | 14,137 | 14,548 | -3% |
| Revenues Europe | 23,848 | 20,741 | 15% |
| Revenues USA | 5,398 | 6,248 | -14% |
| Revenues Asia/Pacific | 4,359 | 4,631 | -6% |
| **Earnings** | | | |
| Cost of revenues | 17,943 | 20,556 | -13% |
| Gross profit | 15,662 | 11,064 | 42% |
| Gross margin | 47% | 35% | |
| Operating expenses, operating income | 14,618 | 17,533 | -17% |
| Research and development | 3,778 | 4,557 | -17% |
| Sales and marketing | 7,707 | 8,760 | -12% |
| General and administrative | 3,114 | 3,373 | -8% |
| Other operating expenses/income | 19 | 843 | -98% |
| EBIT | 1,044 | (6,469) | ++ |
| EBIT margin | 3% | -20% | |
| EBITDA | 4,468 | (2,323) | ++ |
| EBITDA margin | 13% | -7% | |
| Net result | 793 | (6,774) | ++ |
| Earnings per share (EUR) | 0.06 | (0.50) | ++ |
| **Net Assets** | | | |
| Shareholders´ equity | 16,535 | 15,731 | 5% |
| Equity ratio | 56% | 57% | |
| Balance sheet total | 29,360 | 27,626 | 6% |
| Noncurrent assets | 12,839 | 13,007 | -1% |
| Current assets | 16,521 | 14,619 | 13% |
| Noncurrent liabilities | 3,848 | 457 | ++ |
| Current liabilities | 8,977 | 11,438 | -22% |
| **Financial Position** | | | |
| Cash and cash equivalents | 11,574 | 7,731 | 50% |
| Net cash operating activities | 4,727 | (1,815) | ++ |
| Depreciation and amortization | 3,424 | 4,146 | -17% |
| Net cash used in investing activities | (2,194) | (3,354) | -35% |
| Net cash provided by financing activities | 1,335 | 5,520 | -76% |
| **Employees** | 299 | 314 | -5% |

# **Letter** of the **Management Board**

Dear stockholders and business partners,

Three years after launching our Cloud First offensive, we achieved profitable growth in the 2020 fiscal year and substantially expanded our incoming cloud orders. The fact that this was achieved in a year that did not go the way any of us had imagined makes us very proud. We are convinced that we have therefore passed an important milestone and Intershop in its current form can look forward to a positive future.

The past year has shown that our offer is in demand on the market even in difficult times and that we can benefit significantly from the further digital transformation of business processes, particularly in the long term. However, initially, the effects of the coronavirus pandemic on our business were not all positive. And contrary to what the general technology euphoria may suggest, the global IT markets shrunk considerably on average in 2020. But at the same time, the online retail trade is booming more than ever and for many wholesalers and production companies, the pandemic revealed digital deficits. Therefore, we assume that the current crisis will result in companies making considerable investments in digital commerce platforms in the medium term.

The framework conditions for Intershop as a technology leader and independent B2B specialist continue to be very promising. Considering the successful completion of the cloud transformation and the positive development in a challenging year, we believe we are in a good position. Now we need to make sure that we do not slow down, seize the marketing and sales opportunities, continue to grow, particularly in the cloud segment, and achieve positive company results.

In order to realize our vision of sustainably establishing Intershop as the first choice for B2B eCommerce-as-a-Service solutions, we will continue this year to work on gearing our organization towards streamlined, fast, and intelligent business processes with clear responsibilities. Therefore, the organization will be adjusted to the product life cycle. In light of this, an expanded management team will be established that acts in a more autonomous and entrepreneurial manner than previously and therefore helps to simplify the processes.

At this point, we would like to extend our heartfelt thanks to our employees who made this successful year possible in a challenging market environment. Of course, we would also like to thank our partners, customers, and you, our shareholders, for your trust.

Best regards,
The Intershop Management Board

Dr. Jochen Wiechen          Markus Klahn

**Dr. Jochen Wiechen**

CEO

**Markus Klahn**

COO

intershop®

# Management Board

intershop®

# Management Report

CONTENT

# Consolidated Management Report and Group Management Report

## The Intershop Group

### Group structure and business activities

The Intershop Group[1] is a globally-oriented provider of omnichannel commerce solutions. At the center of its service range is the Intershop Commerce software, which is available as a cloud-based Commerce-as-a-Service solution or as a license model. Intershop's business model includes the orchestration of the entire omni-channel commerce process chain from the design of the online channels to implementation of the software platform and coordination of delivery of goods, i.e., fulfillment. Intershop's business activities are divided into the two main business segments "Software and Cloud" and "Service". The license revenues and the associated maintenance revenues, and the cloud and subscription revenues are included in "Software and Cloud" revenues. With more than 25 years' experience, Intershop helps over 300 clients turn products into profits, customers into business partners, and transactions into lasting relationships. The Company is continuously improving the software and is systematically expanding and supplementing its range of services. The customers include both large corporations such as HP, BMW, Würth and Deutsche Telekom, but also medium-size companies. Intershop operates in Europe, the United States and in the Asia Pacific region (mainly Australia). Europe is by far the market that generates the highest revenue. In the 2020 fiscal year, revenue with European customers totaled around 71% of the total group revenues.

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, 2020, it directly holds 100% of the shares in Intershop Communications Inc., San Francisco, USA, Intershop Communications Australia Pty Ltd., Melbourne, Australia, Intershop Communications Asia Ltd., Hong Kong, China, Intershop Communications SARL, Paris, France and two non-operating companies. In Germany, INTERSHOP Communications AG has locations in Frankfurt am Main, Boeblingen and Ilmenau. Moreover, the Company has sales representations in the Netherlands and Sweden.

[1] „Intershop“

## Strategic orientation and business objectives

The Intershop strategy continues to focus on the consistent expansion of the cloud business and the B2B market. With this strategic course, Intershop considers itself in an optimum position to exhaust the growth potentials in the future global market of omni-channel solution providers. The aim is to establish Intershop as the first choice for B2B eCommerce-as-a-Service platforms among partners and customers. All company areas were specifically aligned towards this as part of the cloud transformation and enabled sustainable growth in the cloud segment, particularly in the B2B target market, over the past fiscal years. Growth, especially in the cloud business, is expected to continue in the coming fiscal years and still with the greatest possible cost efficiency.

### “Cloud First”: cloud preference in all business segments

Since 2018, Intershop has been pursuing the “Cloud First” strategy which defines the business focus and places the cloud approach, both for investments in research and development and in marketing and sales, at the center of the activities. The decision to switch from a license to a cloud provider is based on the increasing willingness of companies to use cloud-based systems and applications. The growing market acceptance is the result of strategic advantages such as availability, security due to automatic updates, and resource efficiency. At the same time, the pressure on companies to establish or expand their own digital distribution channels is mounting. The advantage of the Intershop Commerce Suite is that due to its high scalability, it can be used in a wide range of solutions for companies of different sizes and with different sales volumes, from a standard cloud to a highly customized on-premise installation.

### Focusing on the B2B market

Over the past years, Intershop has established itself as one of the most technologically advanced omni-channel solution providers. The biggest opportunities here are in B2B commerce due to the size of the target market and the number of customers who can be contacted, 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. Since Intershop has extensive experience and prominent B2B customers already, it has a know-how advantage for building a strong market position in this sector. We consider the extensive experience and prominent B2B customers Intershop already has a know-how advantage that can be used to build a strong market position in this sector. Even in terms of technology, the Intershop platform is ideally suitable for use in the B2B market, as regularly confirmed by external analysts. For example, Intershop was classified as a “Strong Performer” in the renowned market study “The Forrester Wave™: B2B Commerce Suites, Q2 2020” in May 2020. According to the study, the Intershop commerce platform is “the ideal solution for manufacturers wishing to digitize their after-sales and service business using a customer portal.”

### Strategic partnership with Microsoft

The Intershop Commerce Suite is tailored to complex and customer-oriented B2B business processes. Intershop 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 part of achieving this goal is the strategic partnership Intershop has maintained with Microsoft since 2016. The partnership involves combining Intershop and Microsoft solutions, as well as carrying out joint marketing and sales activities. The commerce solution has now become an integral part of the Microsoft Azure Cloud solution portfolio. The global partnership enables Intershop to approach new customers and market segments and to advise companies on their digital transformation far more comprehensively than before and assist them in digitizing or reforming their sales activities.

### Clearly defined sales priorities and strong partner network

The current sales efforts are focusing on production companies and large wholesalers with sales of EUR 100 million and more as well as companies with various sales channels and complex business models and organizational structures. In addition to focusing on B2B companies, the main geographical areas of Intershop's sales activities are the developed eCommerce markets in Europe, North America, and the Asia-Pacific region, where there is high revenue potential. Major focus in this respect will be given to the established Intershop markets DACH, the Benelux countries, Scandinavia, France, the UK, Australia, and the United States. In these markets, Intershop either has its own local subsidiary or has flexible sales units and a corresponding partner network. The partnership business plays an important role in this, as it has become a key sales channel in the last few years that is to be gradually further expanded in order to increase the Company's international reach. The focus is on further developing the expanded target markets in order to form a leading international network of B2B Commerce experts with an emphasis on production and trade. The main benefit offered by the partner network consists of an optimized customer approach and increased scalability in the area of distribution activities. The cooperation with partners combines Intershop's know-how and experience with the specific knowledge of the companies in the partner network. In addition to providing 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, 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. In this way, liquidity developments can be managed early on by cost adjustment measures, for example. The EBIT, earnings before interest and taxes or the operating result, is examined and analyzed for managing profitability.

During the 2020 fiscal year, the control system was adjusted to focus on the cloud segment. Incoming cloud orders and net new ARR are now included in the key performance indicators in addition to revenue and EBIT. The gross result (total revenues less cost of revenues) and the associated gross margin (gross result compared to revenues) continue to be monitored and analyzed, but are no longer part of the key performance indicators.

## Research and Development

The research and development activities (R&D) of Intershop focus on the consistent further development of the Intershop commerce platform. Within the existing product cycles, the Company consistently provides technical updates as well as innovative functions and expansions. In addition, major platform releases are developed on a regular basis that comprise significant function upgrades and thus support companies comprehensively in the digital transformation of their business processes. Intershop has an efficient and experienced development team. In the 2020 fiscal year, the Company focused on new features and developing additional digital services in addition to the further development of a new version of the Intershop platform and the migration of existing Commerce-as-a-Service customers to the latest version of the Intershop Commerce solution. The Intershop Progressive Web App (PWA), which combines the benefits of a browser with those of a mobile application, was further developed and provided new functions and improvements in several update releases. Other services that have been developed include the Concardis Service Connector and the BI DataHub. The Concardis Service Connector gives European customers access to more than 250 payment methods such as PayPal, American Express, AliPay, and many more. The BI Data Hub provides comprehensive analyses of shop data and is comes with various templates. Furthermore, the digital customer portal as a further development of B2B online shops created the technical basis to meet complex customer demands and to collect and export data to develop digital services and business models.

R&D expenditures (expenses and investments) in the 2020 fiscal year declined by 18% to EUR 5.7 million (2019: EUR 7.0 million). This decline is mainly the result of reducing personnel costs due to reduced working hours and staff cuts in Research & Development. R&D expenses fell by 17% to EUR 3.8 million (2019: EUR 4.6 million), taking into account the capitalization of software development costs. This accounts for 11% of the revenue (2019: 14%).

# The 2020 fiscal year

## Overall Economy and Industry

According to current figures provided by the International Monetary Fund (IMF) in January 2021, the global economy contracted by 3.5% in 2020. Therefore, the global recession due to the coronavirus pandemic was much less severe than the IMF projection in October 2020, in which a decline of 4.4% was expected. In the industrialized countries, the combined GDP sank by 4.9%. The economic output of the emerging and developing countries dropped by 2.4%. The US economy recorded a decline of 3.4%; in the heavily affected Eurozone, the decline was 7.2%. For Germany, the IMF expects economic performance to decline by 5.4%.

The global eCommerce market benefited from the restrictive global measures to contain the coronavirus pandemic. The experts at eMarketer assume that revenues in the online retail trade in 2020 increased by 27.6% globally to a market volume of USD 4.3 trillion. Given the sales and trade restrictions, Germany also experienced very dynamic eCommerce growth. The German Retail Federation (HDE) currently estimates that the German online retail trade grew by more than 20% in 2020. The B2B eCommerce market is also developing at a dynamic rate. For the US B2B eCommerce market alone, Forrester estimated an average annual growth rate of 10% between 2019 and 2023 to a market volume of USD 1.8 trillion, even before the coronavirus pandemic. Since the shift of B2B sales processes to digital channels seems to have been further accelerated in 2020 due to the restrictions of the global coronavirus pandemic, Forrester now expects the growth in volume to be achieved considerably more quickly.

In the IT sector, companies were generally reluctant to make investments in 2020 due to the negative overall economic development despite the exceptional boom in areas such as video conference software. According to estimates by the analyst company Gartner, global IT expenses dropped by 5.4% in 2020. Expenses for business software declined by 3.6%; for the IT services area, a decline of 4.6% was recorded. According to information obtained from the industry association Bitkom, IT revenues in Germany dropped by 0.6%. The market for software and IT services shrank by 1.0% and 3.2%, respectively.

## Business performance during the 2020 fiscal year

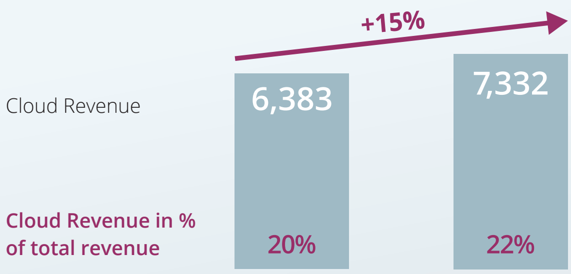
During the reporting period, the Intershop Group's business development was focused on the strategic goal of accelerating cloud growth and achieving profitable growth of the entire company while strictly adhering to cost discipline. The Group's most important financial key figures (KPIs) are shown in the overview below.

| in EUR thousand | **2020** | **2019** | **Change** |
|---|---|---|---|
| Cloud Order Entry | **15,776** | **13,137** | 20% |
| Net New ARR | **2,550** | **1,641** | 55% |
| Revenue | **33,605** | **31,620** | 6% |
| EBIT | **1,044** | **(6,469)** | ++ |

## Intershop with accelerated cloud growth

Intershop's cloud business developed very positively during the reporting period and the main goal of the Company for 2020 of continuing to grow in the cloud segment was achieved. Incoming cloud orders rose by 20% to EUR 15.8 million in the reporting period; of this amount, EUR 11.6 million are attributable to new customers and EUR 4.2 million to existing customers. Cloud and subscription revenue rose by 15% to EUR 7.3 million. The ARR (annual recurring revenue) was EUR 9.3 million at the end of 2020, an increase of 38% compared to the prior year. The share of recurring revenue in the total revenue increased to 28% (2019: 21%). The net new ARR (new ARR less ARR for cancellations and currency translation differences) rose by 55% to EUR 2.6 million. In the past twelve months, 15 new cloud customers were added, who contributed EUR 2.5 million to the new ARR. Many existing customers extended or expanded their contracts so that EUR 0.6 million of new ARR could be achieved. The cloud margin improved from 39% to 40% in the 2020 fiscal year. Overall, the results were in line with planning. The achieved incoming cloud orders of EUR 15.8 million were 13% higher than the planned incoming cloud orders of EUR 14.0 million. Cloud and subscription sales were also expected to increase considerably, which was achieved with growth of 15% compared to the prior year. Only the Company's net new ARR was below what was planned. A net new ARR of EUR 4.3 million was the target, but only EUR 2.6 million could be achieved, which corresponds to a deviation of 41% compared to the planned figure. However, an increase of 55% was achieved compared to the prior year.

## Cloud business development




| in EUR thousand | 2019 | 2020 | Change |
|---|---|---|---|
| Cloud order entry | 13,137 | 15,776 | 20% |
| New ARR | 2,560 | 3,051 | 19% |
| Net New ARR | 1,641 | 2,550 | 55% |
| ARR | 6,757 | 9,307 | 38% |

**ARR development in 2020**

| in EUR thousand | |
|---|---|
| **ARR December 31, 2019** | **6,757** |
| New ARR new customers | 2,480 |
| New ARR existing customers | 571 |
| **New ARR total** | **3,051** |
| Churn | (301) |
| Currency changes | (200) |
| **Net New ARR** | **2,550** |
| **ARR December 31, 2020** | **9,307** |

### Intershop with profitable growth

Sales grew by 6% in the 2020 fiscal year. This growth was generated given a consistently positive result over all four quarters of 2020 and therefore the annual target of profitable growth was also achieved.

The impact of the coronavirus pandemic on Intershop was linked to opposing trends. The crisis during the year led to some delays and project postponements in the service area as a result of the increased reluctance to make investments. However, this development could be partly compensated for in the fourth quarter. At the same time and potentially in the long term, the current crisis has had a favorable impact on digital business models and therefore companies such as Intershop and their target markets since many market participants are re-evaluating their digital strategies. While digital pioneers continue to systematically expand their online business, their competitors must supplement their traditional distribution channels even faster now in order to keep up with the competition. In times of restricted freedom of movement and resources, digital availability of sales, services, and products around the clock has become more important than ever. The trend towards cloud applications will continue as well since it offers major advantages to companies in terms of infrastructure, costs, and flexibility.

The positive trend in the Company’s development is underlined by ambitious, successfully completed customer projects. This includes the new Intershop-based commerce platforms of Alkor, Dynapac, and Trouw Nutrition which could be implemented within a short period of time to the customers’ satisfaction. Furthermore, considerable synergy effects result from partnerships with other experienced B2B players. For example, in November Intershop was able to announce a new partnership with Tacton, one of the world’s leading providers of intelligent commerce solutions for manufacturers with CPQ offers (configure price quote). The joint solution allows engineering companies to realize modern and high-performing digital customer portals that meet the expectations to which their customers are accustomed from the consumer goods sector.

## Earnings, financial and asset position

### Actual development of key financial figures compared to the original forecast

Business development in 2020 was highly satisfactory as Intershop achieved its forecast revenues and earnings targets. In the 2019 Annual Report, the Management Board projected a slight increase in the Group’s revenue with a slight improvement in the gross result and gross margin and a slightly positive operating result (EBIT) for the 2020 fiscal year. With an increase in revenues by 6% combined with an increase in the gross result by 42%, an improved gross margin by 12 percentage points compared to the prior year, and an operating result (EBIT) of EUR 1.0 million, this forecast was achieved. The development of the Company’s net assets, financial position, and results of operations are discussed in detail in the sections below.

## Presentation of the earnings

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

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| Revenues | 33,605 | 31,620 |
| Cost of revenues | 17,943 | 20,556 |
| Gross margin | 47% | 35% |
| Operating expenses, operating income | 14,618 | 17,533 |
| EBIT | 1,044 | (6,469) |
| EBIT margin | 3% | -20% |
| EBITDA | 4,468 | (2,323) |
| EBITDA margin | 13% | -7% |
| Earnings after tax | 793 | (6,774) |

Intershop generated **revenues** of EUR 33.6 million in the 2020 fiscal year, a 6% increase compared to the prior year's revenue of EUR 31.6 million. At EUR 9.3 million in the fourth quarter of 2020, the Company generated the highest revenues in three years (Q4/2017). During the reporting period, revenues for the core segment **software and cloud** rose by 14% to EUR 19.5 million. Within this segment, the realized **cloud and subscription** revenue increased by 15% to EUR 7.3 million. **Incoming cloud orders** (new and existing customers) for 2020 totaled EUR 15.8 million, which constitutes an increase of 20% (2019: EUR 13.1 million). The cloud ARR (annual recurring revenue) increased by 38% to EUR 9.3 million in the reporting period compared to the prior year (2019: EUR 6.8 million). The new ARR (new annual recurring revenue) amounted to EUR 3.1 million (2019: EUR 2.6 million). The **net new ARR** increased from EUR 1.6 million to EUR 2.6 million. The share of cloud revenue increased to 22% in the reporting period (2019: 20%).

**License revenues** experienced significant growth compared to the prior year by 57% to reach EUR 4.2 million. Both new and existing customers chose the Intershop license model particularly due to the increased digital trade as a result of the coronavirus pandemic. Totaling EUR 8.0 million, **maintenance revenues** remained almost at the prior year's level (2019: EUR 8.1 million). **Service revenues** declined by 3% to EUR 14.1 million during the 2020 fiscal year (2019: EUR 14.5 million). After project delays and postponements due to the coronavirus pandemic resulted in a sharp decline in revenues in the service segment, particularly in the second and third quarter, this development could be compensated for at least in part in the fourth quarter. The share of software and cloud sales in total sales increased by four percentage points to 58% (2019: 54%).

The following overview shows the development of revenues:

| in EUR thousand | 2020 | 2019 | Change |
|---|---|---|---|
| **Software and Cloud Revenues** | **19,468** | **17,072** | **14%** |
| **Licenses and Maintenance** | **12,136** | **10,689** | **14%** |
| Licenses | 4,152 | 2,638 | 57% |
| Maintenance | 7,984 | 8,051 | -1% |
| **Cloud and Subscription** | **7,332** | **6,383** | **15%** |
| **Service Revenues** | **14,137** | **14,548** | **-3%** |
| **Revenues total** | **33,605** | **31,620** | **6%** |

In the 2020 fiscal year, Intershop experienced double-digit growth on the European market, the Group's **key region**. Revenue in that region increased by 15% from EUR 20.7 million in the prior-year period to EUR 23.8 million. Software and cloud sales increased by 22% and service revenues by 5%. The share of European customers in total revenue rose by six percentage points to 71% (2019: 65%). However, revenues in the other regions of Intershop declined. In the U.S., revenues fell by 14% to EUR 5.4 million (2019: EUR 6.2 million). This can mainly be attributed to project postponements in the service segment due to the pandemic (-31% to EUR 2.5 million). The software and cloud sales generated in the U.S. amounted to EUR 2.9 million after EUR 2.7 million in the prior year. Thus, the share in the total revenue decreased to 16% (2019: 20%). In the Asia-Pacific region, Intershop recorded revenue of EUR 4.4 million (2019: EUR 4.6 million). While software and cloud revenues decreased (-19% to EUR 2.1 million), service revenues increased (+11% to EUR 2.3 million). The share in the total revenue declined to 13% (2019: 15%).

In the 2020 fiscal year, Intershop's **gross profit** increased by 42% to EUR 15.7 million (2019: EUR 11.1 million). The **gross margin** increased significantly by twelve percentage points to 47% (2019: 35%). This increase is the result of a slightly improved software and cloud margin as well as a substantial increase in the service margin. The **operating expenses and income** fell as a result of the cost reduction program conducted towards the end of 2019 and the measures initiated to contain the effects of the coronavirus crisis, such as a hiring freeze, reduced working hours, and reducing expenses for third-party services, by 17% to EUR 14.6 million. Research and development costs decreased by 17% to EUR 3.8 million. Marketing and sales costs also fell by 12% to EUR 7.7 million. Furthermore, administrative expenses fell by 8% to EUR 3.1 million. After the deduction of all line items, **total costs** (cost of revenues and operating expenses/income) amounted to EUR 32.6 million and therefore 15% below the figure of the prior year.

Overall, the operating result (**EBIT**) for the past fiscal year improved considerably to EUR 1.0 million (2019: EUR -6.5 million). Intershop generated a positive operating result in all quarters of the 2020 fiscal year. The EBIT margin was 3% (2019: -20%). Depreciation and amortization decreased from EUR 4.1 million to EUR 3.4 million. The operating result before depreciation and amortization (**EBITDA**) improved to EUR 4.5 million (2019: EUR -2.3 million) and the EBITDA margin to 13% (2019: -7%). The **financial result** was EUR -0.1 million (2019: EUR -0.2 million). Income tax amounted to EUR 0.1 million as in the prior year. The **earnings after tax** were EUR 0.8 million (2019: EUR -6.8 million), which corresponds to **earnings per share** of EUR 0.06 (2019: EUR -0.50).

**Revenues of INTERSHOP Communications AG as an individual entity reported under commercial law** increased in the 2020 fiscal year by 12% to EUR 25.7 million (2019: EUR 23.0 million). The growth is the result of the increase in cloud revenues by 44% to EUR 4.4 million (2019: EUR 3.1 million) and higher license revenues (2020: EUR 3.9 million, 2019: EUR 2.3 million). Totaling EUR 6.9 million, maintenance revenues stayed at the prior year level. Service revenues decreased slightly by 2% to EUR 10.5 million (2019: EUR 10.7 million).

The **net income for INTERSHOP Communications AG as an individual entity under commercial law** was EUR 0.6 million in the 2020 fiscal year after a net loss for the year of EUR 11.7 million in the prior year. The main reasons were the increase in overall performance (revenues and inventory changes) as well as reduced costs. In the prior year, special effects such as write-downs on financial assets were also included. Personnel expenses fell by EUR 2.9 million to EUR 15.2 million due to fewer employees and reduced working hours; in addition, restructuring costs of EUR 0.7 million were included in the prior year. Depreciation and amortization fell from EUR 2.4 million to EUR 1.8 million, particularly due to the decline in amortization/depreciation on internally-developed software. Other operating expenses decreased by 23% to EUR 8.2 million due to various one-time circumstances. Material expenses increased from EUR 2.4 million in the prior year to EUR 2.9 million, mainly due to the increase in expenses for purchased services. Other capitalized own work, which includes the capitalization of software development costs, decreased from EUR 2.1 million to EUR 1.7 million. Other operating income increased from EUR 0.4 million to EUR 0.7 million due to higher 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. An overall net profit of EUR 0 was disclosed (2019: net loss of EUR 27.6 million) as the net income of EUR 0.1 million, which exceeded the remaining loss carried forward, was allocated to the retained earnings in accordance with Sec. 22 (3) of the Intershop Articles of Association.

## Presentation of the Net Assets and Financials Positions

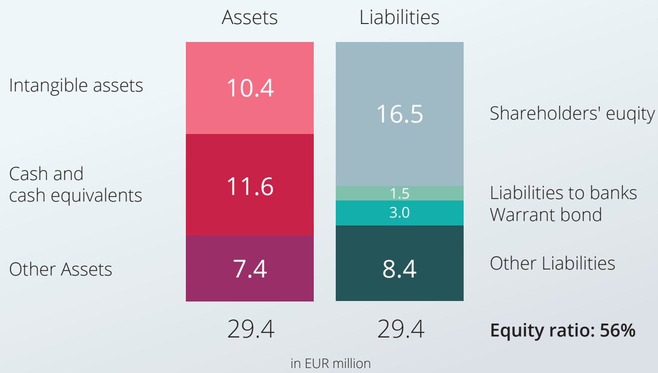
As of December 31, 2020, the balance sheet total of the Intershop Group amounted to EUR 29.4 million (December 31, 2019: EUR 27.6 million). This represents an increase of 6% compared to the same date of the previous year.

On the **assets side**, non-current assets decreased slightly to EUR 12.8 million due to the lower capitalized rights of use (December 31, 2019: EUR 13.0 million). Current assets increased by 13% to EUR 16.5 million compared to the end of December 2019. This was due to the increase in cash and cash equivalents (+50% to EUR 11.6 million) as a result of the option bond issued in the third quarter 2020 and a significantly improved result in the completed fiscal year. On the other hand, trade receivables declined by 29% to EUR 3.9 million.

On the **liabilities side**, shareholders' equity increased by 5% to EUR 16.5 million. In this regard, the simplified capital decrease at a ratio of 3:1 resolved at the extraordinary general meeting on December 20, 2019, which became legally effective upon registration in the Commercial Register on February 4, 2020, resulted in losses and other impairment losses being compensated. As a result of this simplified capital decrease, the subscribed capital was reduced (December 31, 2020: EUR 14.2 million; December 31, 2019: EUR 42.6 million) and the items capital reserve and other reserves were adjusted. Non-current liabilities increased to EUR 3.8 million as a result of the option bond issued in

July 2020 in a nominal amount of EUR 3.1 million as well as due to higher long-term lease liabilities (December 31, 2019: EUR 0.5 million). The option bond has a term of five years and bears interest of 3% p.a. The holders of the corresponding warrants are entitled to subscribe to a total of 1,419,178 Intershop shares at an option price per share of EUR 2.19. Current liabilities fell from EUR 11.4 million to EUR 9.0 million compared to the end of December 2019. The decline is mainly the result of lower current lease liabilities (-75% to EUR 0.4 million) as well as lower deferred revenue (-19% to EUR 2.7 million). The equity ratio was 56% at the end of the year (December 31, 2019: 57%). Overall, Intershop's financial position and results of operations are solid.

Group Balance Key Figures December 31, 2020




The **cash flow** from operating activities improved significantly during the reporting period to EUR 4.7 million after EUR -1.8 million in the prior-year period. This is mainly due to the improved result for the year and the reduction of trade receivables. The cash outflow from investing activities declined to EUR 2.2 million, which corresponds to 35% less than in the prior-year period with a cash outflow of EUR 3.4 million. In the prior year, a one-off cash outflow to restricted cash in the amount of EUR 0.6 million was included. The cash inflow from financing activities in the reporting period totaled EUR 1.3 million; incoming payments from issuing the option bond were at EUR 3.1 million, while outgoing payments for lease liabilities amounted to EUR 1.7 million. In the prior-year period, cash inflow was EUR 5.5 million mainly due to two capital increases. Overall, cash and cash equivalents increased in 2020 by 50% to EUR 11.6 million as of the balance sheet date after EUR 7.7 million at the end of 2019.

The **total assets of INTERSHOP Communications AG** as an individual entity in the financial statements under commercial law increased by 11% from EUR 24.6 million to EUR 27.3 million. On the assets side, fixed assets increased from EUR 11.1 million to EUR 11.5 million, mainly due to an increase in the book value of internally developed software (2020: EUR 5.9 million, 2019: EUR 5.4 million). Current assets rose by EUR 2.5 million to EUR 15.0 million. This can be attributed to an increase in unfinished services (EUR +0.6 million) as well as an increase in cash and cash equivalents (EUR +4.1 million). Cash and cash equivalents increased due to the cash inflow from issuing an option bond and from operating activities. However, trade receivables and receivables from affiliated companies decreased by EUR 1.5 million and EUR 0.8 million, respectively. On the liabilities side, shareholders' equity increased by 5% to EUR 15.8 million. The subscribed capital decreased from

EUR 42.6 million to EUR 14.2 million as a result of the simplified capital decrease at a ratio of 3:1. The net loss from the prior years was almost counterbalanced with the revenues from the simplified capital decrease. With the counterbalance from the capital decrease, the net income for the year, and the allocation of EUR 0.1 million to the other revenue reserves, the net profit as at December 31, 2020 was EUR 0 (2019: net loss of EUR 27.6 million). Provisions decreased from EUR 2.5 million to EUR 2.3 million. Liabilities increased from EUR 4.6 million to EUR 6.9 million. This is mainly due to issuing an option bond of EUR 3.1 million. Deferred income remained unchanged at EUR 2.4 million.

## Employees

As of December 31, 2020, Intershop had a total of 299 employees worldwide (prior year: EUR 314 employees).

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

| Employees by department* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Technical Departments<br>(Service Functions and Research Development) | 227 | 243 |
| Sales and marketing | 40 | 39 |
| General administration | 32 | 32 |
| | **299** | **314** |

* based on full time staff, including students and trainees

At the balance sheet date, the number of employees in the European branch offices was 253 and thus accounted for 85% of the total work force (2019: 261 employees and 83% of the total work force). The U.S. subsidiary with 18 employees accounted for around 6% of the work force (2019: 19 employees and 6% of the total work force). The number of employees in the Asia-Pacific region fell from 34 to 28 employees or 9% of the total work force (2019: 11%).

AG as a single entity had 251 employees at the balance sheet date (December 31, 2019: 259 employees).

## Management Board and Supervisory Board

No personnel-related changes occurred in the committees of INTERSHOP Communications AG during the 2020 fiscal year.

# Remuneration report

## Remuneration of the Management Board

The compensation of the Management Board comprises fixed and variable components. The fixed components comprise the fixed salary and additional benefits such as the non-cash benefit resulting from the use of a company car and are paid monthly. The variable, annual remuneration is based on various annual and multi-annual quantitative targets, the assessment of which is based on the degree of achievement of the target. Approximately 1/3 of the total remuneration is variable. Of the variable remuneration, 55% of the remuneration depends on the achievement of long-term objectives and 45% on the achievement of short-term objectives. The EBIT, revenue, the share price Cloud order entry and Net New ARR form the assessment basis for the quantitative objectives.

Total remuneration paid to the Management Board for its activities in the 2020 fiscal year amounted to EUR 546 thousand (2019: EUR 485 thousand), of which EUR 485 thousand (2019: EUR 485 thousand) relate to fixed compensation and EUR 61 thousand (2019: EUR 0 thousand) to variable components. The fixed remuneration components include EUR 460 thousand for the fixed salary component and EUR 25 thousand for additional benefits (2019: EUR 460 thousand for fixed salary and EUR 25 thousand for additional benefits). The Chairman of the Board Dr. Jochen Wiechen waived his claims to variable remuneration for the 2020 fiscal year.

The remuneration of the Management Board members is as follows:

| | **Fixed Remuneration** | | **Variable Remuneration** | | **Total Remuneration** | |
|---|---|---|---|---|---|---|
| in EUR thousand | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Dr. Jochen Wiechen | 265 | 265 | 33* | 0 | 298* | 265 |
| Markus Klahn | 220 | 220 | 28 | 0 | 248 | 220 |
| | **485** | **485** | **61** | **0** | **546** | **485** |

* Dr. Jochen Wiechen waived his variable remuneration for 2020.

Stock options were not granted to the members of the Management Board. Membership on the Management Board ends in the event of the Company's reorganization (merger, split-up, or change in legal form). By way of compensation, the Management Board member then receives a severance payment amounting to twelve months' salary; if the remaining term of the Management Board member's contract is less than one year, the severance payment is reduced accordingly. In the event of a premature termination of Management Board duties, particularly if this is not for good cause, severance payments will not exceed the value of 24 monthly salaries and will not be granted for longer than the remaining term of the contract. The members of the Management Board agreed to a non-compete agreement, which stipulates that the Company is to pay compensation for one year. The compensation includes 75% of the last remuneration received, excluding additional benefits. The compensation is not paid if Intershop foregoes the non-compete agreement within a specified period. In the event of illness, the Management Board agreements include an entitlement to continued payment of the fixed basic salary for a period of six months up to a maximum period until the end of the contract duration. In the event of the death of a member of the Management Board, the surviving dependents are entitled to the monthly fixed basic salary for the month in which the death occurs, as well as for the following six months. No member of the Management Board has been promised further benefits in the event of the termination of his employment with the Company. No loans or similar benefits were granted to members of the Management Board. No member of the Management Board received any benefits from third parties during the fiscal year that were promised or granted because of his position as a member of the Management Board.

## Remuneration of the Supervisory Board

The remuneration of the Supervisory Board comprises fixed and variable components. The fixed remuneration is comprised of an annual fixed remuneration of EUR 12,500, as well as an attendance allowance of EUR 2,500 per meeting or EUR 500 if a telephone conference is held in place of a meeting. In addition, the members of the Supervisory Board receive a performance-related remuneration, as long as the result of the operating activities (EBIT) reported in the approved consolidated financial statements of the Company for the fiscal year concerned was positive and the established quantitative goals were reached: EUR 5,000 are granted, respectively if a) the EBIT of the prior year is achieved, b) the EBIT increased by more than 10% compared to the prior year, c) the EBIT increased by more than 20% compared to the prior year, and d) there was an increase in revenue of more than 20% compared to the prior year. The chairman of the Supervisory Board receives twice the amount of the fixed and variable remuneration. Supervisory Board members who belong to the Supervisory Board for only part of the fiscal year receive remuneration proportionate to the duration of their position. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.

In the 2020 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 228 thousand (2019: EUR 154 thousand), of which EUR 168 thousand (2019: EUR 154 thousand) accounted for fixed remuneration and EUR 60 thousand (2019: EUR 0) for the performance-related variable portion. The fixed remuneration consists of EUR 50 thousand (2019: EUR 50 thousand) in fixed remuneration and EUR 118 thousand (2019: EUR 104 thousand) for meetings.

The remuneration of the Supervisory Board members is as follows:

| | **Fixed Remuneration** | | **Variable Remuneration** | | **Total Remuneration** | |
|---|---|---|---|---|---|---|
| in EUR thousand | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Christian Oecking | 84 | 77 | 30 | 0 | 114 | 77 |
| Ulrich Prädel | 42 | 38.5 | 15 | 0 | 57 | 38.5 |
| Univ.-Prof. Dr. Louis Velthuis | 42 | 38.5 | 15 | 0 | 57 | 38.5 |
| | **168** | **154** | **60** | **0** | **228** | **154** |

# 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 more often, 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 possible risks arising from 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 are reviewed and new risks 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 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 over three years is taken into account and the risk is assigned a relevance class.

The identified risks 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. 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 and comprehensive solutions for omni-channel commerce in a highly dynamic market. Intershop’s primary strategic objective is to turn the Company from an exclusive technology provider into an integrated provider of omni-channel commerce solutions. The ongoing transition from a license provider to a provider of Commerce-as-a-Service via the cloud goes hand in hand with the “cloud first” strategy.

Intershop’s target market is undergoing constant change due to factors such as technological progress, changes in the companies’ IT landscape, consolidation of provider landscape associated with new competitors or new strategies and behavior patterns of the players in eCommerce. In principle, there is a risk that Intershop offers products and services that do not reflect the needs of customers or market expectations. If the Company is not successful in monitoring the target markets adequately, sizing up the competition and providing new innovative product and solution-oriented strategies, this could lead to a negative sales trend because customers will turn to the competition, making it more difficult to acquire new customers. Intershop counters this risk through continuous market monitoring, optimization of win-loss analyses and analysis of customer requirements together with customers, partners, and market analysts. Therefore, customer and partner feedback is regularly incorporated in the new product versions. In addition, discussions are held with industry analysts such as Forrester. In May 2020, the Forrester Wave study ranked Intershop, with its B2B platform, in the “Strong Performer” category. Intershop estimates that these risks could have a strong to critical impact; however no or only weak indicators of occurrence can currently be identified.

There is a general risk that the Intershop software is partially or entirely displaced 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. However, there is currently no identifiable development that challenges eCommerce or today’s products. 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. If the Company is not able to increase the visibility of the Intershop brand this might result in 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, the Company intends to expand its online marketing measures and customer reference marketing campaigns and establish and strengthen employer branding. The positive business development in 2020 also supports these measures.

The risk generally exists that technical concepts of Intershop products are accessed by unauthorized third parties or competitors. The outflow of information may enable competitors to offer competing products or to alienate customers. Furthermore, new competitors can appear on the market and poach existing or potential new customers. Intershop estimates that these risks could have a minor impact that is minimized by technical and organizational measures, as well as market and competitor monitoring.

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 regards this risk as minor. The risk is mitigated with information security measures, data backup and recovery procedures as well as security policies and security processes that are continuously further developed, which is why its occurrence is considered to be very unlikely.

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, high 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 occur. However, an extensive quality assurance process with a designated security code officer, comprehensive security tests by external providers, and a documented escalation process minimize the risk of occurrence.

The coronavirus pandemic is affecting the Intershop business segments to varying degrees. The service area and the American subsidiary Intershop Communications Inc. are particularly affected. While the effects in the service area could largely be compensated so far, there is a sales and project risk at Intershop Communications Inc. as customer orders in their sales area may be postponed or not be placed at all. This can lead to a decline in revenues, and planned sales and earnings targets may not be achieved. The risk is regarded as a potential appreciable risk. The Company is attempting to counter this with a coronavirus measure catalog, including an order to work from home in order to protect the employees. The Company also assumes that the crisis is benefiting digital business models, which will have a positive effect on Intershop Communications Inc. in the coming year.

## 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. The risk occurring is considered possible.

At the balance sheet date, Intershop has a good liquidity position, with liquidity of EUR 11.6 million. Three bank loans totaling EUR 1.5 million and warrant bond EUR 3.1 million did not result in an interest risk at the balance sheet date since the interest rates for the loans are fixed over the term of the loan. The liquidity risk as a result of the repayment of the financial liabilities is regarded as minor since repayments have been fixed at annual or monthly installments over a fixed term. In addition, the Company has the option to make annual additional payments on one of the loans without incurring a early repayment penalty. The loan agreement includes provisions which enable the banks to modify the terms and conditions or demand repayment of the loan under certain circumstances. This loan agreement expires in mid-2021 with the last repayment. For another loan that was paid out to Intershop Communications Inc. as part of the U.S. coronavirus relief, the Company can be released from repayment in part or in full if certain application conditions are met. 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 strong but unlikely possibility 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 to which Intershop is exposed. There are no apparent risks endangering the Company’s continuation. The overall risk position has improved compared to the previous 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 according to Management Board areas, whose various departments report to the Management Board member responsible in each case. The departments are divided into a number of cost and profit centers, each with its own department head. 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 Authorization 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 and company car guidelines. These are also reviewed and adjusted accordingly on a regular basis. Management Board meetings, which take place at least once a week, discuss and monitor topics such as third-party commissions, among other things.

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.

At the balance sheet date, Shareholder Value Beteiligungen AG holds 18.39% and Shareholder Value Management AG 15.44% in the Company's capital stock. In total, both companies together hold 33.83% of the voting rights (balanced voting rights behavior) in accordance with Sec. 33 et seq. WpHG.

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 10, 2020, 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 http://www.intershop.com/en/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 2020 on the relationships with affiliated companies. This report also describes the relationships with Shareholder Value Management AG and Shareholder Value Beteiligungen AG. Shareholder Value Management AG and Shareholder Value Beteiligungen AG held 60.69% of the votes present at the Annual Stockholders' Meeting on May 20, 2020 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. 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

According to the latest forecast of the IMF in January 2021, the global economy is expected to recover considerably this year and experience growth of 5.5%. This development is driven by massive government assistance measures and the increasing availability of several vaccines. In the emerging and developing countries, the increase in economic output will amount to 6.3%. An increase of 4.3% is expected in the industrialized countries, and 5.1% for the US economy. Growth of 4.2% is expected in the Eurozone and 3.5% for the German economy.

The eCommerce market is expected to continue to grow significantly in the years to come. According to estimates by eMarketer, growth will weaken in the B2C segment to 14.3% in 2021 due to the expected recovery of brick-and-mortar shops as well as the massive early online growth in 2020. Regardless of this, it is assumed that the majority of new online sales will not return to brick-and-mortar shops and to the physical sale of products and services, both in the B2C and B2B segments.

According to Forrester, there is a certain digital fatigue and a strong desire among buyers and sellers, e.g., for physical activities, however these would be supplemented by virtual components or embedded in the digital sales process in future.

The U.S. analyst company Gartner expects a strong recovery effect for 2021 on the global IT markets. The business software segment is expected to experience the strongest upswing. An increase in spending by 7.2% is expected as companies will abandon their reluctance from 2020 as part of coping with the pandemic and accelerate their digitizing efforts. The global market for IT services will also once again see increased investments (+4.1%). The current Bitkom market forecast for the German market expects growth of 4.1% in the software segment and 1.1% in the IT services market for 2021.

## Company outlook

The coronavirus crisis is having a major impact on the global economy. Many Intershop customers are also directly and/or indirectly impacted. At the same time, the crisis has changed the assessment of future prospects with regard to their own distribution channels, which are the barometer for investment decisions. This shows more than ever that the digitalization trend in global commerce cannot be reversed and that the dynamic of this transformation process will increase even more as a result of the pandemic, in particular in the B2B market. This also applies to the trend towards cloud applications since these offer major advantages to companies in terms of infrastructure, costs, and flexibility.

In this currently uncertain but generally positive market environment, Intershop can expand on a functioning sales and marketing organization following a successful cloud transformation. The cloud business is growing continuously, particularly in the B2B target market. Furthermore, the cost structure was improved so that Intershop can also grow profitably.

In order to realize its vision of sustainably establishing Intershop as the first choice for B2B eCommerce-as-a-Service solutions, in 2021 the Company intends to focus even more on streamlined, fast, and intelligent business processes with clear responsibilities. Therefore, the organization will be adjusted to the product lifecycle comprising the core processes Product Lifecycle, Customer Acquisition, Customer Services, Customer Lifecycle, and General & Administration. The main role of the Product Lifecycle area is improving the cloud processes and further developing the Intershop platform. Customer Acquisition drives growth by acquiring new customers and retaining existing customers and identifies opportunities and target customers together with the global partners. The goal of Customer Services is to provide the best possible service for customers and partners and improve it. Customer Lifecycle focuses on customer satisfaction, thereby supporting the growth of the customer. The General & Administration area with its fast and transparent processes contributes to the further development of the Company. As part of changing the organization, the Company is planning to establish an extended management team that will support the future sole member of the Management Board Markus Klahn but also act in an independent and entrepreneurial manner and therefore contribute to simplifying processes.

Core Processes of the Future Organization:


Intershop expects a significant increase in cloud and subscription sales in the 2021 fiscal year. However, in the maintenance and licenses segments, a slight decline in revenues is expected as a result of the changed business model. In the service segment, recovery effects and the further expansion of the cloud customer base, which often involves consultations before and after starting a new solution, are expected to result in a slight increase in revenues. In this regard, growth will be expected in all three target regions (Europe, the United States, and Asia/Pacific).

## Statement on business developments for 2021

Based on the assumptions for each business segment, Intershop expects incoming cloud orders to increase by at least 10% and is also hoping for a slight increase in the net new ARR for 2021. A slightly positive operating result (EBIT) is forecast with a slight increase in revenues.

Jena, March 3, 2021

The Management Board of INTERSHOP Communications Aktiengesellschaft

Dr. Jochen Wiechen

Markus Klahn

intershop®

# Consolidated Financial Statements

CONTENT

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Balance Sheet

| in EUR thousand | Note No. | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Noncurrent assets** | | | |
| Intangible assets | (1) | 10,378 | 9,908 |
| Property, plant and equipment | (2) | 531 | 608 |
| Rights of use IFRS 16 | (3) | 1,196 | 1,763 |
| Other noncurrent assets | (5) | 14 | 17 |
| Restricted cash | (6) | 635 | 635 |
| Deferred tax assets | (22) | 85 | 76 |
| | | **12,839** | **13,007** |
| **Current assets** | | | |
| Trade receivables | (4) | 3,939 | 5,528 |
| Other receivables and other assets | (5) | 1,008 | 1,360 |
| Cash and cash equivalents | (6) | 11,574 | 7,731 |
| | | **16,521** | **14,619** |
| **TOTAL ASSETS** | | **29,360** | **27,626** |
| **SHAREHOLDERS´ EQUITY AND LIABILITIES** | | | |
| **Shareholders´ equity** | | | |
| Subscribed capital | (7) | 14,194 | 42,582 |
| Capital reserve | (7.1) | 2,575 | 1,082 |
| Other reserves | (7.2) | (234) | (27,933) |
| | | **16,535** | **15,731** |
| **Noncurrent liabilities** | | | |
| Other noncurrent provisions | (8) | 3,038 | 0 |
| Warrant Bond | (10) | 0 | 250 |
| Liabilities to banks | (3) | 810 | 207 |
| Leasing liabilities IFRS 16 | | **3,848** | **457** |
| **Current liabilities** | | | |
| Other current provisions | (13) | 286 | 428 |
| Liabilities to banks | (10) | 1,486 | 1,301 |
| Trade accounts payable | (9) | 1,480 | 1,656 |
| Income tax liabilities | (22) | 28 | 62 |
| Leasing liabilities IFRS 16 | (3) | 397 | 1,583 |
| Other current liabilities | (11) | 2,623 | 3,089 |
| Deferred revenue | (12) | 2,677 | 3,319 |
| | | **8,977** | **11,438** |
| **TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES** | | **29,360** | **27,626** |

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income

| in EUR thousand | Note No. | January 1 to December 31, 2020 | 2019 |
|---|---|---|---|
| **Revenues** | (14) | | |
| Software and Cloud Revenues | | 19,468 | 17,072 |
| Service Revenues | | 14,137 | 14,548 |
| | | **33,605** | **31,620** |
| **Cost of revenues** | (15) | | |
| Cost of revenues - Software and Cloud | | (7,497) | (7,557) |
| Cost of revenues - Services | | (10,446) | (12,999) |
| | | **(17,943)** | **(20,556)** |
| **Gross profit** | | **15,662** | **11,064** |
| **Operating expenses, operating income** | | | |
| Research and development | (16) | (3,778) | (4,557) |
| Sales and marketing | (17) | (7,707) | (8,760) |
| General and administrative | (18) | (3,114) | (3,373) |
| Other operating income | (19) | 454 | 269 |
| Other operating expenses | (20) | (473) | (1,112) |
| | | **(14,618)** | **(17,533)** |
| **Result from operating activities** | | **1,044** | **(6,469)** |
| Interest income | (21) | 1 | 15 |
| Interest expense | (21) | (143) | (176) |
| **Financial result** | | **(142)** | **(161)** |
| **Earnings before tax** | | **902** | **(6,630)** |
| Income taxes | (22) | (109) | (144) |
| **Earnings after tax** | | **793** | **(6,774)** |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | (63) | 142 |
| **Other comprehensive income from exchange differences** | | **(63)** | **142** |
| **Total comprehensive income** | | **730** | **(6,632)** |
| Earnings per share (EUR, basic, diluted) | (23) | 0.06 | (0.50) |

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Cash Flows

| in EUR thousand | Note No. | January 1 to December 31, 2020 | 2019 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Earnings before tax | | 902 | (6,630) |
| *Adjustments to reconcile net profit/loss to cash used in operating activities* | | | |
| Financial result | | 142 | 161 |
| Depreciation and amortization | | 3,424 | 4,146 |
| Other noncash expenses and income | | 83 | 113 |
| *Changes in operating assets and liabilities* | | | |
| Accounts receivable | | 1,351 | (1,633) |
| Other assets | | 342 | (243) |
| Liabilities and provisions | | (726) | 1,060 |
| Deferred revenue | | (580) | 1,414 |
| **Net cash provided by (used in) operating activities before income tax and interest** | | **4,938** | **(1,612)** |
| Interest received | | 1 | 15 |
| Interest paid | | (60) | (103) |
| Income taxes received | | (152) | (115) |
| **Net cash provided by (used in) operating activities** | | **4,727** | **(1,815)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Restricted cash | | 0 | (635) |
| Payments for investments in intangible assets | | (2,017) | (2,478) |
| Proceeds on disposal of equipment | | 8 | 2 |
| Purchases of property and equipment | | (185) | (243) |
| **Net cash provided by (used in) investing activities** | | **(2,194)** | **(3,354)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Cash received warrant bond | | 3,108 | 0 |
| Expenses of cash received for warrant bond | | (43) | 0 |
| Cash received from loan | | 435 | 0 |
| Repayments of loans | | (500) | (1,500) |
| Cash received for unregistered stock | | 0 | 8,813 |
| Expenses of cash received for unregistered stock | | 0 | (97) |
| Payments for leasing liabilities | | (1,665) | (1,696) |
| **Net cash provided by (used in) financing activities** | | **1,335** | **5,520** |
| Effect of change in exchange rates on cash | | (25) | 156 |
| **Net change in cash and cash equivalents** | | **3,843** | **507** |
| Cash and cash equivalents, beginning of period | (6) | 7,731 | 7,224 |
| **Cash and cash equivalents, end of period** | | **11,574** | **7,731** |

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Shareholders´ Equity

| | | | | Other reserves | | | |
|---|---|---|---|---|---|---|---|
| in EUR thousand | **Common shares** (Number shares) | **Subscribed capital** | **Capital reserve** | **Conversion reserve** | **Cumulative profit/loss** | **Cumulative currency differences** | **Total share-holders´equity** |
| **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** |
| | | | | | | | |
| **Balance January 1, 2019** | **34,851,831** | **34,851** | **9,738** | **(93)** | **(32,827)** | **1,977** | **13,646** |
| Total comprehensive income | | | | | (6,774) | 142 | (6,632) |
| Issue of new shares | 7,730,661 | 7,731 | 986 | | | | 8,717 |
| Reclassification | | | (9,642) | | 9,642 | | 0 |
| **Balance December 31, 2019** | **42,582,492** | **42,582** | **1,082** | **(93)** | **(29,959)** | **2,119** | **15,731** |

intershop®

# Notes to the Consolidated Financial Statements

CONTENT

# 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. The business adress is at Steinweg 10 in 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 independent provider of omni-channel commerce solutions. Intershop offers high-performance packaged software for internet sales, complemented by all necessary services. Intershop also acts as a business process outsourcing provider, covering all aspects of online retailing up to fulfillment.

The Company has prepared its consolidated financial statements assuming the Company’s continued operations. As of December 31, 2020, the Company had cash and cash equivalents of EUR 11.6 million (December 31, 2019: EUR 7.7 million). The equity ratio as of the balance sheet date was 56% (previous year: 57%). The Company’s financial liabilities to banks totaled EUR 1.5 million on the balance sheet date (prior year: EUR 1.6 million) and through the issue of warrant bond of EUR 3.0 million (2019: EUR 0 million). We refer to the statements in the Group Management Report.

### Accounting principles (compliance statement)

In fiscal year 2020, 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), 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 2020 (January 1, 2020 to December 31, 2020) 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 2020 fiscal year was the first year in which the adoption of the following financial reporting standards and interpretations became mandatory:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IAS 1 and IAS 8 – Definitions of Material
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39, and IFRS 7 due to Interest Rate Benchmark Reform
- Amendments to IFRS 16 – COVID-19-Related Rent Concessions

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 | Change | Amendment for fiscal year as of |
|---|---|---|
| IFRS 9, IAS 39, IFRS 7, 4, 16 | Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 | 01/01/2021 |
| 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 |

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 2020 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 3, 2021, the Management Board of INTERSHOP Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board.

## 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 2020, other provisions amounted to a total of EUR 286 thousand (2019: EUR 428 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 2019 and 2020. 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.

## Basis of consolidation

As of December 31, 2019, the companies included in consolidation consisted of, apart from the parent company, the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., Intershop Communications Asia Limited, The Bakery GmbH, Intershop Communications Ventures GmbH and Intershop Communications SARL. Intershop Communications LTD, United Kingdom, was shut down and deconsolidated in the 2020 fiscal year. The deconsolidation process resulted in expenses of EUR 5 thousand, which were entered under other operating expenses.

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 EUR thousand | **Annual result**** in EUR thousand |
|---|---|---|---|
| Intershop Communications, Inc., San Francisco, USA | 100 | (602) | 164 |
| Intershop Communications Australia Pty Ltd, Melbourne, Australia | 100 | 1,388 | 167 |
| Intershop Communications Asia Limited, Hongkong, China | 100 | 9 | (140) |
| Intershop Communications SARL, Paris, France | 100 | 350 | 11 |
| The Bakery GmbH, Berlin, Germany | 100 | (4,087) | (50) |
| Intershop Communications Ventures GmbH, Jena, Germany | 100 | (1,399) | (18) |

* Equity as of December 31, 2020 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2020 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 -95 thousands (2019: EUR -116 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, 2020** | **Dec. 31, 2019** | **2020** | **2019** |
| United States | USD | 1.23 | 1.12 | 1.14 | 1.12 |
| Australia | AUD | 1.59 | 1.56 | 1.66 | 1.61 |
| Hong Kong | HKD | 9.51 | 8.75 | 8.86 | 8.78 |
| United Kingdom | GBP | 0.90 | 0.85 | 0.89 | 0.88 |

# 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, such as goodwill, 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 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 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 furniture/ Presentation equipment | 4-5 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 2019 and 2020. 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 2019 and 2020. 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, 2020: EUR 4,473 thousand). For the goodwill the relevant cash-generating unit is the Europe segment. In a first step, the carrying amount of the cash-generating unit is compared with the recoverable amount of the Company at the balance sheet date. The recoverable amount in this context is defined as the minimum 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 2021 to 2024 and a “perpetual annuity” (without growth rate) for the period after and including 2025 were identified. The calculations are based on the corporate planning for the period from 2021 to 2024 approved by Intershop’s management. The plan reflects the consistent expansion of the cloud business in that the license and maintenance revenues will reduce over time and the cloud revenues will experience strong growth. The share of cloud sales in the total revenue increases each year. An annual growth of the total revenue between 9% and 13% over the planning period is expected. In the planning period, the Group assumes that the gross margin will increase, with the cloud margin experiencing particular growth. The Company expects positive EBIT margins that will increase slightly over time. 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 8.10% (WACC) (WACC before tax: 11.70%). No impairment losses on goodwill were reported in 2019 and 2020; 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 with a term exceeding 12 months. 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 current financial assets measured at amortized cost include trade receivables, cash and cash equivalents and other assets. Financial liabilities at amortized cost comprise liabilities to banks in the form of interest-bearing bank loans, warrant bond, trade payables, leasing liabilities and other current liabilities. 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 non-current 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 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 Commerce-as-a-Service solutions (CaaS solution) as a comprehensive and efficient standard cloud solution or the commerce solution for operating the Intershop software in a cloud environment. These revenues include the following services: (1) contractually agreed-upon use of the CaaS solution 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. Prepayments are disclosed under 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. 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. Grants for social security contributions due to reduced working hours relating to the coronavirus pandemic are deducted as income from the expenses for the cost of revenues or operating expenses (research and development, sales and marketing, general and administrative costs).

## 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 loss 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 loss 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. All potential ordinary shares have been excluded from the computation of the diluted net loss per share because the effect would be antidilutive.

# 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, 2019** | **1,905** | **20,980** | **24,097** | **46,982** |
| Additions | 57 | 2,452 | 0 | 2,509 |
| Disposals | (2) | 0 | 0 | (2) |
| Currency translation differences | 0 | 0 | 0 | 0 |
| **Balance at December 31, 2019** | **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** |
| | | | | |
| **Amortization, write-downs, and impairment losses** | | | | |
| **Balance at January 1, 2019** | **1,875** | **15,884** | **19,624** | **37,383** |
| Additions | 44 | 2,156 | 0 | 2,200 |
| Disposals | (2) | 0 | 0 | (2) |
| Currency translation differences | 0 | 0 | 0 | 0 |
| **Balance at December 31, 2019** | **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** |
| **Net carrying amount at December 31, 2019** | **43** | **5,392** | **4,473** | **9,908** |
| **Net carrying amount at December 31, 2020** | **49** | **5,856** | **4,473** | **10,378** |

"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 1,537 thousand (2019: EUR 2,168 thousand) are included in the cost of revenues, EUR 3 thousand (2019: EUR 6 thousand) in research and development expenses as well as EUR 14 thousand (2019: EUR 26 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 improve-ments | Total |
|---|---|---|---|---|
| **Costs of purchase** | | | | |
| **Balance at January 1, 2019** | **2,854** | **1,054** | **280** | **4,188** |
| Additions | 186 | 64 | 0 | 250 |
| Disposals | (198) | (123) | 0 | (321) |
| Currency translation differences | 5 | 2 | 1 | 8 |
| **Balance at December 31, 2019** | **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** |
| **Depreciation, write-downs, and impairment losses** | | | | |
| **Balance at January 1, 2019** | **2,298** | **952** | **280** | **3,530** |
| Additions | 256 | 37 | 0 | 293 |
| Disposals | (197) | (116) | 0 | (313) |
| Currency translation differences | 4 | 2 | 1 | 7 |
| **Balance at December 31, 2019** | **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** |
| **Net carrying amount at December 31, 2019** | **486** | **122** | **0** | **608** |
| **Net carrying amount at December 31, 2020** | **390** | **141** | **0** | **531** |

Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 80 thousand (2019: EUR 88 thousand) are included in the cost of revenues, EUR 57 thousand (2019: EUR 72 thousand) in research and development expenses, EUR 37 thousand (2019: EUR 44 thousand) in marketing and sales expenses as well as EUR 78 thousand (2019: EUR 89 thousand) in general and administrative expenses.

## (3) Leases

The items disclosed in the balance sheet relating to leases are as follows:

### Rights of use IFRS 16

| in TEUR | **Office space** | **Office and operating equipment** | **Vehicles** | **Total** |
|---|---|---|---|---|
| **Balance at Jan. 1, 2019** | **3,262** | **0** | **108** | **3,370** |
| Additions | 0 | 0 | 36 | 36 |
| Disposals | 0 | 0 | 0 | 0 |
| Depreciation, write-downs, and impairment losses | (1,582) | 0 | (71) | (1,653) |
| Currency translation differences | 10 | 0 | 0 | 10 |
| **Balance at Dec. 31, 2019** | **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** |

### Lease liabilities IFRS 16

| in EUR thousand | **2020** | **2019** |
|---|---|---|
| Non-current | 810 | 207 |
| Current | 397 | 1,583 |
| | **1,207** | **1,790** |

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

| in EUR thousand | **2020** | **2019** |
|---|---|---|
| Depreciation on rights of use | 1,618 | 1,653 |
| Interest expenses from lease liabilities | 31 | 70 |
| Expenses for short-term leases | 237 | 282 |
| Expenses for leases for a low-value asset | 37 | 39 |
| Income from subleasing of rights of use | (433) | (399) |
| Expenses variable lease payments | 0 | 0 |
| | **1,490** | **1,645** |

The cash paid for leases totaled EUR 1,665 thousand in 2020 (2019: EUR 1,696 thousand); this amount includes interest in the amount of EUR 31 thousand (2019: EUR 70 thousand).

The Company had planned to move to new business premises at the end of the 2020 financial year. Due to time delays, the completion of the offices and the contractual handover of the new premises did not take place until January 2021. The new lease was concluded in August 2017 and has a term of ten years from the move-in date. The contractually agreed lease payments excluding utilities total EUR 9.7 million over the lease term. From January 2021, the Company will recognize the right of use and corresponding lease liabilities for this lease. Other leases relating to the new premises that Intershop has entered into as the lessee but that have not yet started amount to EUR 0.7 million.

## (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 3,939 thousand (2019: EUR 5,528 thousand) which fall due within one year (current assets). EUR 299 thousand (2019: EUR 92 thousand) of this amount relates to receivables from fixed-price projects (contract assets). Of the trade receivables, total receivables of EUR 3,216 thousand (2019: EUR 3,568 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, 2020** | **Dec. 31, 2019** |
|---|---|---|
| Due within 30 days | 1,038 | 1,579 |
| Due within 31 and 60 days | 1,741 | 1,333 |
| Due within 61 days and 1 year | 437 | 655 |
| | **3,216** | **3,568** |

As of December 31, 2020, trade receivables of EUR 685 thousand were past due but were not impaired (December 31, 2019: EUR 1,960 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, 2020** | | | | | |
| expected loss rate (%) | 0.12 | 0.22 | 0.52 | 0.71 | 2.99 |
| trade receivables (EUR thousand) | 3,216 | 387 | 60 | 212 | 64 |
| **December 31, 2019** | | | | | |
| expected loss rate (%) | 0.12 | 0.22 | 0.53 | 0.76 | 2.99 |
| Trade receivables (EUR thousand) | 3,568 | 1,349 | 252 | 221 | 138 |

No valuation adjustments were made for the above trade receivables due or not yet due at the balance sheet date because they were deemed immaterial. It is generally not expected that customers will fail to fulfil their payment obligations. Overdue, non-impaired receivables as at December 31, 2020 were collected primarily in January 2021. Receivables overdue for more than 90 days in the amount of EUR 64 thousand were paid in January 2021.

For individual identifiable receivables risks, net impairment losses amounting to EUR 142 thousand (2019: EUR 51 thousand) were recognized in the operating result on December 31, 2020. Impairments changed as follows:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| **Balance at beginning of year** | **51** | **15** |
| Impairment of receivables | 142 | 51 |
| Amounts derecognized due to uncollectibility | 0 | 0 |
| Amounts received during the fiscal year on receivables written off | (51) | (15) |
| Reversals of impairments | 0 | 0 |
| **Balance at end of year** | **142** | **51** |

## (5) Other receivables and other assets

Other noncurrent assets in the amount of EUR 14 thousand (2019: EUR 17 thousand) comprise rental security deposits.

Other current receivables and current assets include the following items:

| in EUR thousand | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Prepayments | 871 | 1,229 |
| Other tax receivables from sales tax | 21 | 30 |
| Receivables from Employment Agency | 12 | 0 |
| Other | 104 | 101 |
| | **1,008** | **1,360** |

## (6) Cash and cash equivalents

Cash and cash equivalents include current cash and cash equivalents (EUR 11,574 thousand) as well as non-current restricted cash (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 a rental deposit for the new office space at the Company's headquarters.

## (7) Equity

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

### Subscribed capital

As of December 31, 2020, the subscribed capital amounted to EUR 14,194,164 and is divided into 14,194,164 no-par value bearer shares, all of which have been fully paid. There are no restrictions on the voting rights. As at December 31, 2019, the subscribed capital amounted to EUR 42,582,492. The change is due to a simplified capital decrease at a ratio of 3:1 and can be described as follows:

| in EUR | 2020 | 2019 |
|---|---|---|
| **Balance at January 1** | **42,582,492** | **34,851,831** |
| Simplified capital decrease at a ratio of 3:1 | (28,388,328) | 0 |
| Capital increases from authorized capital | 0 | 7,730,661 |
| **Balance at December 31** | **14,194,164** | **42,582,492** |

## Capital decrease

On December 20, 2019, the extraordinary general meeting resolved that losses and other impairment losses shall be compensated by way of a simplified capital decrease at a ratio of 3:1 to EUR 14,194,164, which became legally effective upon registration in the commercial register on February 4, 2020. Technical implementation of the reverse split occurred on February 14, 2020 after close of trading at the Frankfurt Stock Exchange.

## Authorized capital

As at December 31, 2020, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2019: EUR 8,625,817) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2019: 8,625,817 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 (Authorized Capital I/2020). 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. The General Meeting on May 20, 2020 resolved to cancel Authorized Capital I/2019 in the amount of EUR 8,625,817 and to create new Authorized Capital I/2020 in the amount of EUR 1,437,636. The new authorized capital was entered in the Commercial Register on June 15, 2020.

## Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000. As of December 31, 2020, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares. As at December 31, 2019, the Company did not have any conditional capital.

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 and EUR 1,419 thousand transferred in the financial year in accordance with the resolution on the simplified capital reduction (Section 229 et seq. AktG). In addition, the equity component of the warrant bond issued is recognized in the amount of EUR 74 thousand (Section 272 (2) No. 2 HGB). 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 of EUR 2,056 thousand. 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

| in EUR thousand | |
|---|---|
| Proceeds from issuing the warrant bond | 3,108 |
| Transaction costs | (43) |
| **Net proceeds** | **3,065** |
| Amount classified as shareholders' equity | (74) |
| Accrued interest | 47 |
| **Carrying amount of the warrant bond on Dec. 31, 2020** | **3,038** |

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).

## (9) Trade accounts payable

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services and amounted to EUR 1,480 thousand (2019: EUR 1,656 thousand).

## (10) Liabilities to banks

Liabilities to banks are broken down as follows:

| in EUR thousand | **Dec. 31, 2020** | **Dec. 31, 2019** |
|---|---|---|
| Liabilities to banks - noncurrent | 0 | 250 |
| Liabilities to banks - current | 1,486 | 1,301 |
| | **1,486** | **1,551** |

In the 2020 fiscal year, Intershop had an unsecured loan in the amount of EUR 435 thousand over a period of two years with a fixed interest rate of 1.00% p.a. and a constant monthly repayment rate as part of the U.S. coronavirus relief. If certain application requirements are met, the Company can be released from repayment of the loan in whole or in part.

In the 2018 financial year, Intershop entered into an unsecured loan agreement with Commerzbank AG in the amount of EUR 1,500 thousand over a period of three years with a fixed interest rate of 2.85% p.a. and a constant monthly repayment rate.

In the 2015 financial year, the Company entered into a loan agreement in the amount of EUR 6,000 thousand with Sparkasse Jena-Saale-Holzland. The term of the loan is six years, with a fixed interest rate of 4.5% p.a. over the entire term. The contractually agreed repayment amount is EUR 1,000 thousand annually. It was also agreed that annual unscheduled payments would not incur a prepayment penalty. In the 2016 fiscal year, a special repayment in the amount of EUR 1,200 thousand was made from the pledged portion of the loan. In the 2020 fiscal year, the due date of the remaining amount to be repaid of EUR 800 thousand was suspended at Intershop's request due to the coronavirus pandemic with the approval of the lender and the due date and term of the loan were extended by one year. The loan is secured with an indemnity bond covering 80% of the loan amount from the state of Thuringia, and the approval of a distribution license for the Intershop software.

## (11) Other liabilities

Other liabilities consist only of current liabilities and comprise:

| in EUR thousand | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Liabilities to employees | 781 | 1,031 |
| Liabilities from outstanding vacation entitlement | 729 | 645 |
| Other VAT and wage tax liabilities | 430 | 742 |
| Liabilities from advance payments received | 217 | 150 |
| Liabilities to the Occupational Health and Safety Agency | 95 | 105 |
| Other liabilities relating to social security benefits | 55 | 63 |
| Miscellaneous other liabilities | 316 | 353 |
| | **2,623** | **3,089** |

Liabilities to employees mainly include liabilities from commissions and performance-based remuneration and obligations under the restructuring program in 2019 (EUR 420 thousand).
The item “liabilities from prepayments” are contractual obligations as defined in IFRS 15 comprising prepayments (EUR 96 thousand) and prepayments received for fixed-price projects (EUR 121 thousand). As at December 31, 2019, the amount of EUR 150 thousand included in this amount was recorded as revenues in the 2020 fiscal year (2019: EUR 10 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 (2019: EUR 107 thousand).

## (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 3,319 thousand included in the current deferred revenue as at December 31, 2019 was recorded as revenues in the 2020 fiscal year (2019: EUR 1,670 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 286 thousand (2019: EUR 428 thousand).

The following table shows the development of other current provisions:

| in EUR thousand | Guarantee | Other | Total |
|---|---|---|---|
| **Balance at January 1, 2020** | **145** | **283** | **428** |
| Additions | 141 | 151 | 292 |
| Utilization | (143) | (283) | (426) |
| Reversal | 0 | 0 | 0 |
| Currency adjustments | (2) | (6) | (8) |
| **Balance at December 31, 2020** | **141** | **145** | **286** |

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 2021. 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 33,605 thousand (2019: EUR 31,620 thousand) are divided into software and cloud revenues and service revenues as follows:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| Licenses | 4,152 | 2,638 |
| Maintenance | 7,984 | 8,051 |
| Cloud and Subscription | 7,332 | 6,383 |
| **Software and Cloud Revenues** | **19,468** | **17,072** |
| **Service Revenues** | **14,137** | **14,548** |
| **Total Revenues** | **33,605** | **31,620** |

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 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 | 2020 | 2019 |
|---|---|---|
| Licenses | 1,508 | 2,175 |
| Maintenance | 1,582 | 1,485 |
| Cloud and Subscription | 4,407 | 3,897 |
| **Cost of revenues - Software and Cloud** | **7,497** | **7,557** |
| **Cost of revenues - Services** | **10,446** | **12,999** |
| **Total cost of revenues** | **17,943** | **20,556** |

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 decreased by 17% from EUR 4,557 thousand to EUR 3,778 thousand and account for 11% of the revenue (2019: 14%). The decline primarily relates to the reduction of personnel costs due to reduced working hours and staff cuts.

## (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. Selling and marketing expenses decreased by 12% from EUR 8,760 thousand to EUR 7,707 thousand, primarily due to decreased personnel expenses and less travel costs. The share of sales and marketing expenses to total revenue was 23% (2019: 28%).

## (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 costs fell by 8% from EUR 3,373 thousand to EUR 3,114 thousand mainly due to lower personnel expenses. As in the prior year, the share of general administrative costs in total revenues was 11%.

## (19) Other operating income

Other operating income is composed of the following items:

| in EUR thousand | **2020** | **2019** |
|---|---:|---:|
| Income from currency translation gains | 155 | 74 |
| Income from the reversal of restructuring provisions | 84 | 0 |
| Income from government grants | 76 | 0 |
| Income from IFRS 16 | 47 | 43 |
| Gains from the disposal of fixed assets | 12 | 3 |
| Miscellaneous | 80 | 149 |
| | **454** | **269** |

Income from government grants was paid out in 2020. These contributions relate to a research and development project that is supported by the Federal Ministry for Education and Research. Income from currency gains of EUR 61 thousand is attributable to financial instruments.

## (20) Other operating expenses

Other operating expenses relate to the following items:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| Currency translation losses | 250 | 190 |
| Income from the disposal of consolidated companies | 5 | 0 |
| Other taxes | 1 | 1 |
| Restructuring costs | 0 | 825 |
| Expenses from defaults on receivables | 0 | 67 |
| Miscellaneous | 217 | 29 |
| | **473** | **1,112** |

The remaining expenses refer mainly to one-off costs relating to the move to the new office space at the Company's headquarters. Expenses from currency translation losses of EUR 250 thousand were attributable to financial instruments.

## (21) Interest income and Interest expenses

Interest income of EUR 1 thousand (2019: EUR 15 thousand) consists primarily of interest on bank balances. Interest expenses amounted to EUR 143 thousand (2019: EUR 176 thousand) and are mainly the result of interest expenses for liabilities to banks for the 2020 fiscal year in the amount of EUR 61 thousand, EUR 47 thousand for the warrant bond, and interest expenses from leases in the amount of EUR 31 thousand.

## (22) Income taxes

Income tax liabilities on the balance sheet date amounted to EUR 28 thousand (2019: EUR 62 thousand) and foreign income taxes for the year 2020.

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, 2020 was based on a corporate income tax rate of 15% (2019: 15%) plus the solidarity surcharge of 5.5% (2019: 5.5%) and an effective expected trade tax rate of 14,969% (2019: 15.691%). The change in the trade tax rate is the result of lower assessment rates under trade tax law.
The Group's income taxes are broken down as follows:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| **Current taxes** | | |
| Abroad | 118 | 147 |
| Germany | 2 | 2 |
| **Deferred taxes** | | |
| Abroad | (11) | (5) |
| Germany | 0 | 0 |
| | **109** | **144** |

The Group tax rate of 30.794% applicable in fiscal year 2020 (2019: 31.517%) 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 | 2020 | 2019 |
|---|---|---|
| IFRS pretax income | 902 | (6,630) |
| Corporate tax rate | 30.794% | 31.517% |
| Expected tax expense/ tax income | 278 | (2,089) |
| Effects of changes in tax rates and different rates of foreign taxation | 1 | 49 |
| Effects of non-recognition of deferred taxes or utilization of tax losses | (299) | 2,197 |
| Permanent effects, tax refunds | 127 | 70 |
| Taxes of prior years | 2 | (83) |
| **Income taxes** | **109** | **144** |

The components of the deferred tax assets were as follows:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| Taxes on eligible loss carryforwards | 1,814 | 1,559 |
| Inventories | 297 | 103 |
| Prepaid expenses | 21 | 0 |
| Provisions/Liabilities | 109 | 252 |
| Leasing liabilities | 338 | 482 |
| Warrant bond | 2 | 0 |
| **Deferred tax assets** | **2,581** | **2,396** |
| Offset | (2,496) | (2,320) |
| **Deferred tax assets after offset** | **85** | **76** |
| Intangible assets | 1,803 | 1,699 |
| Receivables | 60 | 92 |
| Liabilities/advances received | 296 | 54 |
| Right of use IFRS 16 | 337 | 475 |
| **Deferred tax liabilities** | **2,496** | **2,320** |
| Offset | (2,496) | (2,320) |
| **Deferred tax liabilities after offset** | **0** | **0** |
| **Net deferred tax assets** | **85** | **76** |

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, 2020, 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.

For the year ended December 31, 2020, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

| in EUR thousand | **2020** | **2019** |
|---|---|---|
| U.S. Federal | 65,422 | 66,271 |
| U.S. State | 38,042 | 38,097 |
| German corporate income tax | 308,786 | 308,598 |
| German municipal trade tax | 298,061 | 298,178 |
| Other | 0 | 148 |

U.S. federal and state net operating loss carryforwards expire in various fiscal periods through 2040. The change in loss carryforwards in the United States is mainly the result of the expiration of U.S. federal taxes in 2020, 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 302,959 thousand (2019: EUR 303,588 thousand) and for trade taxes in the amount of EUR 292,102 thousand (2019: EUR 293,296 thousand).

## (23) Earnings per share

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

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| **Basis for calculating the undiluted earnings per share (earnings after tax)** | **793** | **(6,774)** |
| Interest expenses for warrant bonds | 47 | 0 |
| **Basis for calculating the diluted earnings per share** | **840** | **(6,774)** |

| in thousand | 2020 | 2019 |
|---|---|---|
| **Weighted average of common shares (undiluted)** | **14,194** | **13,426** |
| Effect of the conversion of the warrant bonds | 619 | 0 |
| **Weighted average of common shares (diluted)** | **14,813** | **13,426** |

| in EUR | 2020 | 2019 |
|---|---|---|
| **Earnings per share (basic/diluted)** | **0.06** | **(0.50)** |

In accordance with IAS 33.64 the calculation of the number of shares was adjusted retrospectively for the prior year. 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. 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, 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 4,727 thousand in 2020 compared to a cash outflow of EUR 1,815 thousand in 2019, which is mainly due to the improved result for the year and the reduction in trade receivables. Cash used for investing activities decreased from EUR 3,354 thousand in the prior year to EUR 2,194 thousand. The reason is lower payments (EUR 2,017 thousand) for investments in intangible assets (2019: EUR 2,478 thousand). In the prior year, a one-off cash outflow in the amount of EUR 635 thousand to restricted cash was also included. Cash inflow from financing activities was EUR 1,335 thousand. Incoming payments from issuing the warrant bond were at EUR 3,108 thousand (2019: EUR 0 thousand), while outgoing payments for lease liabilities amounted to EUR 1,665 thousand (2019: EUR 1,696 thousand). In the prior-year period, the cash inflow from financing activities came to EUR 5,520 thousand, mainly due to the two capital increases. The total net inflow for the 2020 fiscal year was EUR 3,843 thousand compared to EUR 507 thousand in the prior year. Intershop had freely available cash and cash equivalents of EUR 11,574 thousand as of the balance sheet date (December 31, 2019: EUR 7,731 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, 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** |

Segment reporting as of December 31, 2019

| in EUR thousand | Europe | USA | Asia/ Pacific | Consoli- dation | Group |
|---|---|---|---|---|---|
| **Revenues from external customers** | | | | | |
| **Software and Cloud Revenues** | **11,821** | **2,653** | **2,598** | **0** | **17,072** |
| **Licenses and Maintenance** | **9,052** | **903** | **734** | **0** | **10,689** |
| Licenses | 2,303 | 335 | 0 | 0 | 2,638 |
| Maintenance | 6,749 | 568 | 734 | 0 | 8,051 |
| **Cloud and Subscription** | **2,769** | **1,750** | **1,864** | **0** | **6,383** |
| **Service Revenue** | **8,920** | **3,595** | **2,033** | **0** | **14,548** |
| **Total revenues from external customers** | **20,741** | **6,248** | **4,631** | **0** | **31,620** |
| Intersegment revenues | 1,483 | 0 | 5 | (1,488) | 0 |
| **Total revenues** | **22,224** | **6,248** | **4,636** | **(1,488)** | **31,620** |
| Cost of revenues | 13,485 | 4,070 | 3,001 | 0 | 20,556 |
| **Gross profit** | **7,256** | **2,178** | **1,630** | **0** | **11,064** |
| Operating expenses, operating income | 11,501 | 3,472 | 2,560 | 0 | 17,533 |
| **Result from operating activities** | **(4,245)** | **(1,294)** | **(930)** | **0** | **(6,469)** |
| Financial result | | | | | **(161)** |
| Earnings before tax | | | | | **(6,630)** |
| Income taxes | | | | | **(144)** |
| Earnings after tax | | | | | **(6,774)** |
| **Assets** | 18,123 | 5,470 | 4,033 | 0 | **27,626** |
| **Additions to non-current assets** | 1,831 | 551 | 409 | 0 | **2,791** |
| **Liabilities** | 7,802 | 2,350 | 1,742 | 0 | **11,895** |
| **Depreciation and amortization** | 2,720 | 821 | 605 | 0 | **4,146** |

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. and Intershop Communications Asia Limited. 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 expenses such as restructuring costs in 2019, 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.
- In 2019 and 2020, there were no significant non-cash income and expenses.

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 10,508 thousand (2019: EUR 9,805 thousand). Revenues of EUR 23,097 thousand (2019: EUR 21,815 thousand) were recorded from external customers in other countries. The amount of EUR 5,000 thousand of the revenues relates to customers in the Netherlands (2019: EUR 3,669 thousand). In fiscal years 2019 and 2020, 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 12,607 thousand (2019: EUR 12,608 thousand) in Germany and EUR 147 thousand (2019: EUR 324 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.

The Company is asserting claims for payment from a contractual agreement with a customer from the year 2013. The receivables were fully removed from the books in previous years. The contractual partner has filed a counter-claim. The Company is defending itself against this claim and is of the opinion that the claims asserted by the contractual partner in the counter-claim do not have any merits and, moreover, the amount is not justified. No provisions were recognized for these proceedings since the Company deems it highly unlikely that any expenses will be incurred in the future.

## 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, 2020 | Dec. 31, 2019 | as a % of previous year |
|---|---|---|---|
| Equity | 16,535 | 15,731 | 5% |
| Liabilities to banks | 1,486 | 1,551 | -4% |
| Trade accounts payable | 1,480 | 1,656 | -11% |
| Warrant Bond | 3,038 | 0 | - |
| Leasing liabilities | 1,207 | 1,790 | -33% |
| Other liabilities | 5,614 | 6,898 | -19% |
| Equity ratio | 56% | 57% | |

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<br>**Measurement** | Dec. 31, 2020<br>Carrying amount | Dec. 31, 2019<br>Carrying amount |
|---|---|---|
| **Measured at amortized cost** | | |
| **Financial assets** | | |
| Other noncurrent assets | 14 | 17 |
| Trade receivables | 3,939 | 5,528 |
| Restricted cash | 635 | 635 |
| Cash and cash equivalents | 11,574 | 7,731 |
| **Financial liabilities** | | |
| Trade payables | 1,480 | 1,656 |
| Liabilities to banks | 1,486 | 1,551 |
| Warrant Bond | 3,038 | 0 |
| Leasing Liabilities | 1,207 | 1,790 |
| Other current liabilities | 1,009 | 1,185 |

| Carrying amount aggregated by measurement category | 2020 | 2019 |
|---|---|---|
| Financial assets measured at amortized cost | 16,162 | 13,911 |
| Financial liabilities measured at amortized cost | 8,220 | 6,182 |

| Net gain/loss per measurement category | 2020 | 2019 |
|---|---|---|
| Financial assets measured at amortized cost | (88) | (96) |
| Financial liabilities measured at amortized cost | (139) | (176) |

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. With regard to the liabilities to banks, the fair values are calculated as the present values of the payments associated with the liabilities, using market interest rates (on December 31, 2020: EUR 1,502 thousand). The calculation of the fair value of the financial liability for the purpose of providing information in the Notes was performed on the basis of Level 2 of the Fair Value Hierarchy (recognized DCF measurement method, using observable market parameters, in particular market interest rates).

## 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 five 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 three bank loans. Of the bank loan taken up in the 2020 fiscal year of EUR 435 thousand, no repayments have been made to date. Under certain application conditions, the Company can be released from repayment in part or in full. Of the bank loan taken up in the 2018 fiscal year of EUR 1,500 thousand, EUR 1,250 thousand has so far been paid when due. Of the bank loan taken out in the 2015 fiscal year of EUR 6,000 thousand, a total of EUR 5,200 thousand has been repaid so far, of which EUR 4,000 thousand was scheduled repayment and EUR 1,200 thousand unscheduled repayment. 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 11,574 thousand at the balance sheet date.

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

| in EUR thousand | **Dec. 31, 2019** | **Cash-effective change** | **Non-cash effective change** (reclassifications) | **Non-cash effective change** (interest effects) | **Dec. 31, 2020** |
|---|---|---|---|---|---|
| Liabilities to banks - noncurrent | 250 | | (250) | | 0 |
| Liabilities to banks - current | 1,301 | (125) | 250 | 60 | 1,486 |
| **Total liabilities to banks** | **1,551** | **(125)** | **0** | **60** | **1,486** |
| Warrant bond | 0 | 3,065 | (74) | 47 | 3,038 |
| **Total** | **1,551** | **2,940** | **(74)** | **107** | **4,524** |

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, 2019** | **Cashflow in 2020** | **Carrying amount at Dec. 31, 2020** | **Cash flow in 2021** | **Cash flow after 2021** |
|---|---|---|---|---|---|
| Non-current liabilities to banks | 250 | 0 | **0** | 0 | 0 |
| Current liabilities to banks | 1,301 | 1,339 | **1,486** | 1,511 | 0 |
| Trade accounts payable | 1,656 | 1,656 | **1,480** | 1,480 | 0 |
| Warrant bond | 0 | 0 | **3,038** | 93 | 3,481 |
| Leasing liabilities | 1,790 | 1,609 | **1,207** | 417 | 838 |
| Other current liabilities | 1,185 | 1,185 | **1,009** | 1,009 | 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 an interest risk since the Company has three bank loans and warrant bond each with a fixed interest rate over the term of the loan.

## 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. 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 | **2020** | **2019** | **2020** | **2019** |
| in USD | 205 | 430 | 54 | 423 |
| in AUD | 54 | 0 | 50 | 0 |

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 | **2020** | **2019** | **2020** | **2019** |
| Change due to 10% appreciation of the euro | 0 | 0 | 0 | 0 |
| Change due to 10% depreciation of the euro | 0 | 0 | 1 | 0 |

## Related party disclosures

Intershop maintained business relationships with the consolidated subsidiaries. As at the balance sheet date, Shareholder Value Beteiligungen AG holds 18.39% and Shareholder Value Management AG 15.44% in the Company's capital stock. In total, both companies hold 33.83% of the voting rights. 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 excluding the subscription right for existing shareholders (see section (8) Warrant bond). 1,500 partial debentures were subscribed by Shareholder Value Beteiligungen AG at a purchase price of EUR 1,500,000. Interest payments were not yet due in the 2020 fiscal year. There were no other business relationships. In the prior year, there were no business relationships.

With respect to the remuneration for Management Board and Supervisory Board members, please refer also to the remuneration report in the management report.

## Disclosure requirements under German law

### Members of the executive bodies

The Management Board comprised in 2020 the following members:

| Name | Function | Term of office |
|---|---|---|
| Dr. Jochen Wiechen | CEO | since 08/01/2013 (CEO since 09/01/2015) |
| Markus Klahn | Member of the Management Board | since 04/09/2018 |

The Supervisory Board comprised the following members in 2020:

| 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 2020 fiscal year amounted to EUR 546 thousand (2019: EUR 485 thousand), of which EUR 485 thousand (2019: EUR 485 thousand) relate to fixed remuneration and EUR 61 thousand (2019: EUR 0) to variable components. The Chairman of the Board Dr. Jochen Wiechen waived his claims to variable remuneration in the amount of EUR 33 thousand for the 2020 fiscal year. In the 2020 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 228 thousand (2019: EUR 154 thousand), of which EUR 168 thousand (2019: EUR 154 thousand) accounted for fixed remuneration and EUR 60 thousand (2019: EUR 0) for the performance-related variable portion. The payments of the Management Board and Supervisory Board consist exclusively of benefits due in the short term.

The particulars regarding the remuneration of the Management Boards and Supervisory Boards are outlined in the remuneration reports as part of the combined Group management report and management report of INTERSHOP Communications AG.

## Directors' holdings and Securities transactions subject to reporting requirements

As of December 31, 2020, the following members of the Company's executive bodies held Intershop ordinary bearer shares:

| Name | Function | Shares |
|---|---|---|
| Christian Oecking | Chairman of the Supervisory Board | 27,000 |
| Ulrich Prädel | Vice Chairman of the Supervisory Board | 5,535 |
| Univ.-Prof. Dr. Louis Velthuis | Member of the Supervisory Board | 10,000 |
| Dr. Jochen Wiechen | CEO of the Management Board | 42,661 |
| Markus Klahn | Member of the Management Board | 11,366 |

During the 2020 fiscal year, the members of the Company's executive bodies undertook the following reportable securities transactions involving Intershop ordinary bearer shares:

| Name | Date | Type of transaction | Amount | Total value (EUR) |
|---|---|---|---|---|
| Christian Oecking | 04/02/2020 | Purchase | 10,000 | 20,000 |
| Christian Oecking | 09/28/2020 | Purchase | 3,576 | 11,042 |

## Employees

During the fiscal year 2020, Intershop Group had an average of 301 full-time employees, of whom 299 were salaried employees and 2 members of the executive bodies (2019: 335 full-time employees, of whom 333 were salaried employees and 2 members of the executive bodies). The employees are distributed over the following areas on an annual average:

| | 2020 | 2019 |
|---|---|---|
| Technical Departments (Service Functions and Research Development) | 227 | 252 |
| Sales and marketing | 41 | 45 |
| General administration | 31 | 36 |
| | **299** | **333** |

## Personnel expenses and cost of materials

Personnel expenses totaled EUR 20,973 thousand (2019: EUR 23,468 thousand); of which EUR 18,205 thousand relate to wages and salaries (2019: EUR 20,198 thousand) and EUR 2,768 thousand to social security contributions (2019: EUR 3,270 thousand). The reimbursement of social security contributions as part of reduced working hours was EUR 134 thousand (2019: EUR 0 thousand). Material expenses amounted to EUR 4,359 thousand (2019: EUR 4,545 thousand), EUR 4,237 thousand of which were expenses for purchased services (2019: EUR 4,425 thousand).

## Auditor´s fees

The fees incurred for the services rendered by the auditor for the 2020 fiscal year were comprised of EUR 132 thousand for audit services (2019: EUR 96 thousand) and EUR 18 thousand for tax advisory services (2019: EUR 10 thousand).

## Disclosure pursuant to Section 314 (1) No. 13 HGB

In the past fiscal year, Intershop issued a warrant bond to investors (see notes to the balance sheet). Shareholder Value Beteiligungen AG subscribed to 48% of the issue. Shareholder Value Beteiligungen AG, together with Shareholder Value Management AG, holds 33.83% of the voting rights, which creates an atypical control relationship with the two companies with regard to these majorities (33.83% anchor shareholder package with a high free float). The issued warrant bond is the granting of a loan as well as the additional granting (= issue) of warrants, which, if exercised, can also lead to early repayment of the loan. The option price when exercising the option right according to the option terms is EUR 2.19 based on the provisions of the relevant resolution adopted at the General Meeting. Taking into account the fair value of the option right of Shareholder Value Beteiligungen AG of around EUR 941 thousand, which is, however, irrelevant for accounting purposes, measured based on a binomial model, the agreement of an exercise price for the option of EUR 2.19 led to a calculated effective interest rate of the bond of approx. 28% at the time of issue, as on the date of issuing the option bond on July 24, 2020, based on a daily closing price of EUR 3.18, the option was in the money immediately at EUR 0.99 per warrant. However, this calculation is subject to the option rights being fully exercised and also does not recognize saved prepayment interest from early repayment for warrant bonds that cannot be calculated before the rights are exercised. The main reason for calculating the effective interest rate in this way is that the share price increased significantly during the six-month reference period for calculating the option price in accordance with a resolution adopted at the General Meeting before the shares were issued on July 24, 2020.

## 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 10, 2020, and made this declaration permanently available to its stockholders at https://www.intershop.com/en/investors-corporate-governance.

# Responsibility statement

To the best of our 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 3, 2021

The Management Board of INTERSHOP Communications Aktiengesellschaft

Dr. Jochen Wiechen 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 2020, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, 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 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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 § 315e Abs. [paragraph] 1 HGB 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

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 nonaudit 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 January 1 to December 31, 2020. 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 16% of total assets and 27% 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 5,855 thousand (representing 21% of total assets and 35% 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 33,605 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 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. 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.

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 "(12) Accrued revenue" and "(14) 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.

The other information comprises further the 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or 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 control.
- 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

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

## Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file Intershop_AG_KA_LB_ESEF-2020-12-31.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 engagement only extends 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 this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion 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 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

## Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: 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 reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

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

### Group Auditor's Responsibilities for the Assurance Engagement 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 engagement. 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 conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement 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 conclusion 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 applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 20 May 2020. We were engaged by the supervisory board on 7 December 2020. 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).

## German Public Auditor responsible for the engagement

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

Erfurt, March 4, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Andreas Kremser)
Wirtschaftsprüfer
(German Public Auditor)

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

# Financial Statements

CONTENT

## Balance Sheet INTERSHOP Communications Aktiengesellschaft

| in EUR | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| **Fixed Assets** | | |
| Intangible assets | | |
| Internally developed software | 5,855,371 | 5,390,613 |
| Purchased software licenses | 48,980 | 42,656 |
| Property and equipment | | |
| Other facilities, furniture, and equipment | 500,266 | 556,798 |
| Financial Assets | | |
| Investments in affiliated companies | 5,128,961 | 5,128,962 |
| | **11,533,578** | **11,119,029** |
| **Current Assets** | | |
| Inventories | | |
| Work in process | 963,813 | 327,356 |
| Payments on account | 0 | 1,685 |
| | 963,813 | 329,041 |
| Receivables and other assets | | |
| Accounts receivable | 1,933,397 | 3,402,555 |
| Receivables from affiliated companies | 2,191,996 | 2,965,846 |
| Other assets | 118,010 | 114,331 |
| | 4,243,403 | 6,482,732 |
| Cash-in-hand, bank balances | 9,765,506 | 5,646,476 |
| | **14,972,722** | **12,458,249** |
| **Prepaid expenses** | **803,599** | **999,586** |
| **TOTAL ASSETS** | **27,309,899** | **24,576,864** |
| | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Shareholders' Equity** | | |
| Common stock | 14,194,164 | 42,582,492 |
| Conditional capital: EUR 1,437,000 (prior year: EUR 0) | | |
| Capital reserves | 1,494,454 | 0 |
| Revenue reserve | | |
| Other revenue reserves | 61,573 | 0 |
| Accumulated profit/loss | 0 | (27,552,620) |
| | **15,750,191** | **15,029,872** |
| **Accrued Liabilities** | | |
| Other accrued liabilities | 2,281,131 | 2,480,680 |
| | **2,281,131** | **2,480,680** |
| **Liabilities** | | |
| Loans | | |
| of which loans convertible EUR 3,108,000 (prior year: EUR 0) | 3,108,000 | 0 |
| Bank loans | 1,049,990 | 1,549,994 |
| Customer advances | 893,116 | 315,173 |
| Trade payables | 185,457 | 378,014 |
| Payables to affiliated companies | 1,191,367 | 1,603,535 |
| Other liabilities | 476,896 | 796,864 |
| thereof from taxes: EUR 324,685 (prior year: EUR 632,990) thereof from social security benefits: EUR 19,308 (prior year EUR 21,950) | | |
| | **6,904,826** | **4,643,580** |
| **Deferred income** | **2,373,751** | **2,422,732** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **27,309,899** | **24,576,864** |

# FINANCIAL STATEMENTS

## Statement of Operations of INTERSHOP Communications Aktiengesellschaft

| | January 1 to December 31, | |
|---|---|---|
| in EUR | 2020 | 2019 |
| Revenues | 25,685,301 | 22,991,385 |
| Decrease or increase in inventories of work in progress | 636,458 | 327,356 |
| Other own work capitalized | 1,742,695 | 2,108,460 |
| Other operating income | 680,217 | 398,583 |
| Cost of Materials | | |
| Cost of purchased merchandise | (91,735) | (104,535) |
| Cost of purchased services | (2,823,792) | (2,308,558) |
| Personnel Costs | | |
| Salaries | (12,936,774) | (15,458,510) |
| Social security contribution | (2,276,633) | (2,650,866) |
| Depreciation and amortization | | |
| of intangible fixed assets and property and equipment | (1,780,758) | (2,365,838) |
| Other operating expenses | (8,229,717) | (10,666,104) |
| Other interest and similar income | 132,143 | 164,203 |
| thereof from affiliated companies: EUR 132,051 Euro (prior year: EUR 154,198) | | |
| Write-downs of long-term financial assets and current securities | 0 | (4,045,000) |
| Interest and similar expenses | (89,924) | (88,060) |
| Taxes on income | (2,199) | (2,297) |
| **Net loss after tax/Net income/loss for the year** | **645,282** | **(11,699,781)** |
| Loss carried forward from the prior years | (27,552,620) | (25,494,788) |
| Withdrawal from the capital reserve | 0 | 9,641,949 |
| Income from the simplified decrease in capital | 28,388,327 | 0 |
| Allocation to the capital reserve according to the provisions for the simplified capital decrease | (1,419,416) | 0 |
| Allocation to the retained earnings | (61,573) | 0 |
| **Accumulated profit/accumulated loss** | **0** | **(27,552,620)** |

# Notes to the Financial Statements INTERSHOP Communications Aktiengesellschaft

INTERSHOP Communications Aktiengesellschaft (“Intershop”) is an Aktiengesellschaft (German stock corporation) under German law based in Jena. The business adress is at Steinweg 10 in 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 2020 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 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 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 30.794% (15.825% for corporate income tax including solidarity surcharge and 14.969% 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:

| In EUR thousand | Intangible Assets | | Tangible Assets | Financial Assets | Total |
|---|---|---|---|---|---|
| | Internally developed Software | Purchased Software licenses | Other equipment, operating and office equipment | Shares in affiliated companies | |
| **Costs of purchase** | | | | | |
| **Balance at January 1, 2020** | 9,586 | 1,959 | 3,864 | 41,504 | 56,913 |
| Additions | 1,970 | 53 | 173 | 0 | 2,196 |
| Disposals | 0 | (199) | (1,448) | 0 | (1,647) |
| **Balance at December 31, 2020** | 11,556 | 1,813 | 2,589 | 41,504 | 57,462 |
| **Depreciation, write-downs, and impairment losses** | | | | | |
| **Balance at January 1, 2020** | 4,195 | 1,917 | 3,307 | 36,375 | 45,794 |
| Additions | 1,506 | 46 | 222 | 0 | 1,774 |
| Disposals | 0 | (199) | (1,441) | 0 | (1,640) |
| **Balance at December 31, 2020** | 5,701 | 1,764 | 2,088 | 36,375 | 45,928 |
| **Net carrying amount at December 31, 2019** | 5,391 | 42 | 557 | 5,129 | 11,119 |
| **Net carrying amount at December 31, 2020** | **5,855** | **49** | **501** | **5,129** | **11,534** |

The addition to internally generated software results from the first-time capitalization of software development costs. Overall, development costs of EUR 5,749 thousand were incurred in the 2020 fiscal year. The capitalization of the software development costs led to a restricted amount of EUR 5,855 thousand less deferred tax liabilities in the amount of EUR 1,803 thousand as set forth in Sec. 268 (8) HGB. Furthermore, deferred tax assets were recognized in the amount of EUR 1,803 thousand which were offset against the deferred tax liabilities. 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 LTD, Romsey, United Kingdom 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 1.

Receivables from affiliated companies in the amount of EUR 1,350 thousand (prior year: EUR 1,350 thousand) resulted from Group financing; EUR 750 thousand (prior year: EUR 600 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 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 42,582,492) consists of 14,194,164 no-par value bearer shares. The calculated par value per share in the capital stock is EUR 1.00. The reduction in share capital is the result of a simplified capital decrease at a ratio of 3:1. On December 20,2019, the extraordinary general meeting resolved that losses and other impairment losses shall be compensated by way of a simplified capital decrease at a ratio of 3:1 to the amount of EUR 14,194,164, which became legally effective upon registration in the commercial register on February 4, 2020. Technical implementation of the reverse split occurred on February 14, 2020 after close of trading at the Frankfurt Stock Exchange.

The amount gained from the capital decrease of EUR 28,388,328 was used for allocation to the capital reserves and to cover loss carryforwards from prior years.

During the 2020 fiscal year, the capital reserve changed as follows (in EUR thousand):

| **Balance at December 31, 2019** | **0** |
|---|---|
| Allocation to the capital reserve according to the provisions for the simplified capital decrease in accordance with Sec. 229 (1) AktG | 1,419 |
| Addition of equity share to warrant bond | 75 |
| **Balance at December 31, 2020** | **1,494** |

The accumulated profit as of December 31, 2020 developed as follows (in EUR thousand):

| | |
|---|---|
| Loss carried forward from the prior years | (27,553) |
| Income from the simplified decrease in capital | 28,388 |
| Allocation to the capital reserve according to the provisions for the simplified capital decrease | (1,419) |
| Net income for 2020 | 645 |
| Allocation to the retained earnings | (61) |
| **Accumulated profit as of 12/31/2020** | **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 815 thousand, prior year: EUR 728 thousand), variable remuneration components (EUR 496 thousand, prior year: EUR 286 thousand), as well as vacation accruals (EUR 316 thousand, prior year: EUR 296 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 | Remaining term of more than one year | Total December 31, 2020 | Total December 31, 2019 |
|---|---|---|---|---|
| Bonds | - | 3,108 | 3,108 | 0 |
| Bank loans | 1,050 | - | 1,050 | 1,550 |
| Advance payments received | 893 | - | 893 | 315 |
| Accounts payable | 186 | - | 186 | 378 |
| Liabilities to affiliated companies | 1,191 | - | 1,191 | 1,604 |
| Other liabilities | 477 | - | 477 | 797 |
| | **3,797** | **3,108** | **6,905** | **4,644** |

In the prior year, the bank loans amounted to EUR 250 thousand with a remaining term of more than one year. There are no liabilities with a remaining term of more than five years.

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

Of the Liabilities to banks, EUR 800 thousand, are secured with an indemnity bond covering 80% of the loan amount from the state of Thuringia and the approval of a distribution license for the Intershop software. 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 | 2020 | 2019 |
|---|---|---|
| Germany | 10,776 | 10,035 |
| Rest of Europe | 13,112 | 10,935 |
| Rest of the world excluding Europe | 1,797 | 2,020 |
| | **25,685** | **22,991** |

Revenues from software and cloud sales and from service sales are EUR 15,175 thousand (prior year: EUR 12,277 thousand) and EUR 10,510 thousand (prior year: EUR 10,714 thousand) respectively.

Other operating income includes income from currency translation of EUR 22 thousand (prior year: EUR 29 thousand). Of the other operating income, EUR 487 thousand is related to prior periods. These result from the reversal of provisions in the amount of EUR 279 thousand. They also contain income from incoming payments from the liquidation of a group company in the amount of EUR 204 thousand, which relate to receivables from group financing depreciated in the prior year.

The personnel expenses for social security contributions include EUR 134 thousand (prior year: EUR 0) in income from the reimbursement from social security contributions due to reduced working hours.

Other operating expenses include depreciation and amortization of receivables from affiliated companies of EUR 66 thousand (prior year: EUR 513 thousand), as well as expenses from currency translation of EUR 111 thousand (prior year: EUR 30 thousand).

# Other Disclosures

## Authorized capital

As at December 31, 2020, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2019: EUR 8,625,817) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2019: 8,625,817 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 (Authorized Capital I/2020). 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. The General Meeting on May 20, 2020 resolved to cancel Authorized Capital I/2019 in the amount of EUR 8,625,817 and to create new Authorized Capital I/2020 in the amount of EUR 1,437,636. The new authorized capital was entered in the Commercial Register on June 15, 2020.

## Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000. As of December 31, 2020, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares. As at December 31, 2019, the Company did not have any conditional capital.

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 2020 fiscal year, the Company was given the following details regarding shareholdings in accordance with Sec. 33 (1) WpHG, which it announced according to Sec. 40 (1) WpHG: The voting rights notification published on July 31, 2020 shows that the voting rights share of Frankfurter Investmentgesellschaft mit variablem Kapital (SICAV), Grevenmacher, Luxembourg, in the Company was 7.95% (1,128,610 voting rights) on July 24, 2020. The voting rights notification also shows that Frankfurter Investmentgesellschaft mit variablem Kapital (SICAV) is the holder of option bonds of the Company according to Sec. 38 (1) no. 1 WpH, which gives it the right to acquire 4.83% (684,932 voting rights) of the voting rights of the Company within the period of July 24, 2020 to July 11, 2025.

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

Other financial obligations of EUR 14,617 thousand (prior year: EUR 14,868 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 term of ten 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 2021 | due 2022 to 2025 | due after 2025 | Total Dec. 31, 2020 | Total Dec. 31, 2019 |
|---|---|---|---|---|---|
| Rental agreements* | 1,392 | 5,078 | 6,348 | 12,818 | 14,753 |
| Leases | 370 | 1,332 | 97 | 1,799 | 115 |
| **Total** | **1,762** | **6,411** | **6,445** | **14,617** | **14,868** |

*including ancillary rental expenses

## Employees

The Company had an average of 246 employees during the 2020 fiscal year, including 21 students (calculated on a full-time basis, prior year: 276 employees including 24 students). The employees are distributed over the following areas on an annual average:

| in EUR thousand | 2020 | 2019 |
|---|---|---|
| Technical Departments (Service Functions and Research Development) | 191 | 211 |
| Sales and marketing | 28 | 33 |
| General administration | 27 | 32 |
| **Total** | **246** | **276** |

## Executive bodies of the Company

The Supervisory Board comprised the following members in fiscal year 2020:

**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:

**Dr. Jochen Wiechen**
Dipl.-Physicist
CEO
Responsibilities: technical departments, administrative departments,
including Finance and Communication
CEO of the Management Board since 09/01/2015
Member of the Management Board since 08/01/2013

**Markus Klahn**
COO
Responsibilities: Professional Services, Sales and Marketing
Member of the Management Board since 04/09/2018

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

Total remuneration paid to the Management Board for its activities in the 2020 fiscal year amounted to EUR 546 thousand (2019: EUR 485 thousand), of which EUR 485 thousand (2019: EUR 485 thousand) relate to fixed remuneration and EUR 61 thousand (2019: EUR 0) to variable components. The Chairman of the Board Dr. Jochen Wiechen waived his claims to variable remuneration in the amount of EUR 33 thousand for the 2020 fiscal year. In the 2020 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 228 thousand (2019: EUR 154 thousand), of which EUR 168 thousand (2019: EUR 154 thousand) accounted for fixed remuneration and EUR 60 thousand (2019: EUR 0) for the performance-related variable portion. The payments of the Management Board and Supervisory Board consist exclusively of benefits due in the short term. The particulars regarding the remuneration of the Management Boards and Supervisory Boards are outlined in the remuneration reports as part of the combined Group management report and management report of INTERSHOP Communications AG.

## 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, 2020, in addition to the ultimate parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., Intershop Communications Asia Limited, 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 EUR thousand | **Annual result**** in EUR thousand |
|---|---|---|---|
| Intershop Communications, Inc., San Francisco, USA | 100 | (602) | 164 |
| Intershop Communications Australia Pty Ltd, Melbourne, Australia | 100 | 1,388 | 167 |
| Intershop Communications Asia Limited, Hongkong, China | 100 | 9 | (140) |
| Intershop Communications SARL, Paris, France | 100 | 350 | 11 |
| The Bakery GmbH, Berlin, Germany | 100 | (4,087) | (50) |
| Intershop Communications Ventures GmbH, Jena, Germany | 100 | (1,399) | (18) |

* Equity as of December 31, 2020 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2020 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 audit of the financial statements and tax consulting.

### Information in accordance with Sec. 285 no. 21 HGB: Transactions with related parties

Within the scope of normal business activities, the Company maintains business relationships with many companies, including affiliated companies that are considered related companies.

In the past fiscal year, Intershop issued a warrant bond to investors (see notes to the balance sheet). Shareholder Value Beteiligungen AG subscribed to 48% of the issue. Shareholder Value Beteiligungen AG, together with Shareholder Value Management AG, holds 33.83% of the voting rights, which creates an atypical control relationship with the two companies with regard to these majorities (33.83% anchor shareholder package with a high free float). The issued warrant bond is the granting of a loan as well as the additional granting (= issue) of warrants, which, if exercised, can also lead to early repayment of the loan. The option price when exercising the option right according to the option terms is EUR 2.19 based on the provisions of the relevant resolution adopted at the General Meeting. Taking into account the fair value of the option right of Shareholder Value Beteiligungen AG of around EUR 941 thousand, which is, however, irrelevant for accounting purposes, measured based on a binomial model, the agreement of an exercise price for the option of EUR 2.19 led to a calculated effective interest rate of the bond of approx. 28% at the time of issue, as on the date of issuing the warrant bond on July 24, 2020, based on a daily closing price of EUR 3.18, the option was in the money immediately at EUR 0.99 per warrant. However, this calculation is subject to the option rights being fully exercised and also does not recognize saved prepayment interest from early repayment for warrant bonds that cannot be calculated before the rights are exercised. The main reason for calculating the effective interest rate in this way is that the share price increased significantly during the six-month reference period for calculating the option price in accordance with a resolution adopted at the General Meeting before the shares were issued on July 24, 2020.

### 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 10, 2020 and made this declaration publicly available on the Company's website at http://www.intershop.com/en/investors-corporate-governance.

### Events subsequent to the balance sheet date

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

# Responsibility statement

To the best of our 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 3, 2021

The Management Board of INTERSHOP Communications Aktiengesellschaft

Dr. Jochen Wiechen

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 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020 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 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, 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 January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual 9financial 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 5,855 thousand (representing 21% of total assets and 37% 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 25,685 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 INTERSHOP 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.

The other information comprises further the 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or 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

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

## Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file Intershop_AG_EA_LB_ESEF-2020-12-31.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 engagement only extends 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 this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion 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 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

## Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: 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 reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

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

### Auditor's Responsibilities for the Assurance Engagement 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 engagement. 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 conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement 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 conclusion 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 applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction 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 20 May 2020. We were engaged by the supervisory board on 7 December 2020. 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).

## German public Auditor Responsible for the Engagement

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

Erfurt, March 4, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Andreas Kremser)
Wirtschaftsprüfer
(German Public Auditor)

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

intershop®

# Report of the Supervisory Board

CONTENT

# **Report** of the **Supervisory Board**

Dear stockholders,

We have reached our goal of achieving profitable growth in the 2020 fiscal year. Now we must focus on remaining on this growth path and continuing to intensively expand our cloud business. We believe we are well equipped to make good progress in the 2021 fiscal year.

In the 2020 fiscal year, the Supervisory Board properly performed its assigned tasks as per the applicable laws, the Articles of Association, as well as the by-laws. We consistently monitored and supported the management of the business by the Management Board and were involved in all corporate decisions of fundamental significance. The Management Board provided the Supervisory Board with information regarding business development, significant business transactions, as well as the most recent sales and earnings of the Company on a regular basis and in a timely and comprehensive manner, both verbally and in writing.

## Supervisory Board meetings and content

In 2020, the Supervisory Board met in ten meetings and nine telephone conferences. Some of the meetings were held as video conferences due to the coronavirus pandemic. All Supervisory Board members participated in all of the meetings, only Univ. Prof. Dr. Louis Velthuis was unable to attend one telephone conference. The Management Board attended the meetings on a regular basis. The Supervisory Board discussed all topics relevant to Intershop, with the focus of the meetings being on the current sales and earnings position with the Company's transition to the cloud business, as well as the influence of the coronavirus pandemic on the Company's situation.

In the meeting on February 5, 2020, the Management Board presented the preliminary results for the 2019 fiscal year as well as the projected sales and earnings development for the first quarter of 2020. The agenda for the 2020 Annual General Meeting was also discussed in the meeting. The Supervisory Board also approved the report on corporate governance.

The main topics of the meeting on March 16, 2020 were the 2019 annual and consolidated financial statements, the current project situation in the service segment, as well as an analysis of the DACH region. In the presence of the auditors, the Supervisory Board dealt with and approved the 2019 annual and consolidated financial statements. In addition, risk management and the 2019 risk report were discussed. The Management Board also presented the Supervisory Board with the updated sales and earnings forecast and the cash development for the first quarter of 2020. The agenda for the 2020 Annual General Meeting was also discussed and resolved in the meeting.

The telephone conferences on March 20, March 24, April 9, and May 12, 2020 focused on the effects of the coronavirus pandemic on the Company. The Management Board presented various scenarios and provided information about implemented and planned coronavirus measures.

In the meeting on May 19, 2020, the Management Board outlined the preparations for the virtual Annual General Meeting and presented the forecast for the second quarter of 2020 associated with the current coronavirus measures and their effects. The focus of the meeting on June 19, 2020 was the cloud and service business segments.

The meeting on July 15/16, 2020 focused on the development of the EMEA region as well as marketing activities and the meeting on August 20, 2020 on the economic situation and the forecast for the American subsidiary. The Management Board also presented the six-month figures, the forecast for the third quarter of 2020, and the current status of the headquarter relocation project.

The meetings on September 22 and October 26, 2020 focused on the 2021 budget and the October meeting on the current and future development of the Australian subsidiary. Other topics included the sales and earnings forecast for the second half of the year, the development of the DACH region, as well as the partner strategy.

The main topic of the meetings on November 19 and December 10, 2020 was the forecast for 2020. The Management Board also presented the medium-term plan. In the December meeting, the Supervisory Board decided on the 2021 budget, the declaration of compliance, and the 2020 Corporate Governance Declaration.

In the other telephone conferences on July 10, July 24, October 16, October 19, and November 12, 2020, resolutions to issue an option bond were adopted and topics regarding the earnings trend and the future remuneration model for Management Board members were discussed.

In addition to the resolutions that were adopted at the meetings, the Board also adopted resolutions (virtual Annual General Meeting, Management Board contracts) 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 and was informed of the current developments at the Company, the risk situation and risk management, as well as the related measures required.

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 2020 fiscal year.

The Supervisory Board was given adequate support by the Company in training and further education, including by means of presentations on the topics of Corporate Governance, ARUG II (Second Shareholders' Rights Directive), and new legal regulations. Furthermore, managers of individual business segments provided information about important developments in their segments.

The 2020 declaration of compliance with the German Corporate Governance Code was submitted by the Management Board and the Supervisory Board on December 10, 2020. The remuneration of the respective Supervisory Board members, individualized and broken down by component, is shown in the consolidated Group management report and the management report of INTERSHOP Communications AG. More information on corporate governance can be found in the Corporate Governance Declaration.

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

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the auditor for the 2020 fiscal year elected at the Annual Stockholder's Meeting held on May 20, 2020 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."*

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 or the dependent company report. The Supervisory Board concurs with the result of the audit and the audit of the dependent company 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 at its meeting on March 16, 2021. The net income for the year which exceeded the remaining loss carried forward was allocated by the Management Board with the consent of the Supervisory 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.

The Supervisory Board would like to thank the stockholders for their confidence in Intershop and the Management Board and all the employees of the Intershop Group for their commitment during the 2020 fiscal year. Thanks to their dedication and high level of motivation, Intershop had a successful 2020 fiscal year despite the difficult conditions due to the coronavirus pandemic.

Jena, March 2021

On behalf of the Supervisory Board

Christian Oecking

Christian Oecking
Chairman of the Supervisory Board

intershop®

# Corporate Governance Declaration

## CONTENT

# Corporate Governance Declaration 2020

## 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 2020; 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 10, 2020:

Since the Declaration of Conformity of December 19, 2019 until March 19, 2020, INTERSHOP Communications AG complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017 ("GCGC 2017"), subject to the exceptions listed in Section 1. As of March 20, 2020, until today, the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019, ("GCGC 2019") have been complied with, subject to the exceptions listed in Section 2, and will continue to be complied with in future with these exceptions.

1. **Deviations from the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017**
   a) The existing D&O insurance does not include a deductible for the members of the Supervisory Board (section 3.8 of the GCGC 2017) since the Company has not been offered a policy with comparatively more favorable terms. Furthermore, the Management Board and Supervisory Board hold the view that the members of the Supervisory Board also exercise their obligations responsibly without a deductible.
   b) 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 (GCGC 2017 paragraph 4.1.3, sentence 2) as the Management Board and Supervisory Board believe 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, a whistleblower system in accordance with GCGC 2017 paragraph 4.1.3, sentence 3 has also not set up by the company.
   c) In the remuneration reports, remuneration of the Management Board was individualized and shown based on fixed and variable components in accordance with the applicable accounting standards under the German Commercial Code. In the opinion of the Management Board and the Supervisory Board there is no requirement for an additional breakdown of remuneration components and costs or reporting of the overall achievable variable remuneration pursuant to section 4.2.5 of the Code, since the statutory individ-

ualized data already offers sufficient information about the remuneration structure and amount, and the noting of merely a maximum and minimum amount of variable remuneration in the required form – without the context of the underlying remuneration provisions – is misleading and can thus lead to incorrect conclusions.

d) Since the Supervisory Board has only three members, it did not constitute any committees (GCGC 2017, paragraph 5.3.1). The Supervisory Board had not determined a time limit for Supervisory Board membership, a competency profile, or a required number of independent Supervisory Board members in accordance with GCGC 2017 paragraph 5.4.1. The Supervisory Board believes that a time limit for Supervisory Board membership would not be appropriate since, in general, there is no necessary correlation between term of office, independence of the members of the Supervisory Board, and the occurrence of potential conflicts of interest. Furthermore, due to the small number of Supervisory Board members, 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 would like to be able to freely and flexibly decide on proposals for the composition of the Board in each specific situation and, when making nominations, took the length of service of the Board members and their independence into account on a case-by-case basis.

**2. Deviations from the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16,2019**

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 (GCGC 2019: 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, a whistleblower system in accordance with Recommendation A.2, sentence 2 of GCGC 2019 will also not be set up by the company.

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 2019. 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 (GCGC 2019: Recommendation D.1).

d) Since the Supervisory Board has only three members, it does not form any committees (GCGC 2019: Recommendation D. 2 sentence 1). Therefore, the members and chairperson of the committees are not named in the Corporate Governance Statement (GCGC 2019: Recommendation D.2, sentence 2.)

e) At this time, the Supervisory Board is reviewing the current remuneration regulations for the Management Board and the Supervisory Board and is comparing them with the regulations under ARUG II and the new recommendations of the GCGC 2019. The new remuneration system will be submitted as a proposed resolution to the ordinary Annual Stockholders' Meeting 2021 and will apply for the first time for fiscal year 2021 as required by law. However, at this time, no statement can be made with regard to future deviations from Recommendations G.1 to G.18 of GCGC 2019 for the compensation system. However, the company will report on this in the Remuneration Report as part of the legal regulations and explain any future deviations.

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

## Remuneration Report

The Remuneration Report is part of the combined Group Management Report and Management Report of INTERSHOP Communications AG. In the Remuneration Report, the remuneration system of the Management Board and the Supervisory Board is explained and remuneration is individualized and shown separately based on fixed and variable components. For fiscal year 2020, the Remuneration Report will still be prepared in accordance with the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017. The Remuneration Report is shown in the Annual Report, which is available on the company's web site at https://www.intershop.com/en/financial-reports.

## 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 comprises two members. There is a Chief Executive Officer for 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. It is involved in all decisions that are of fundamental importance for the Company.

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 Members 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 agreements with Management Board members, 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, in the future at least every two years.

## Information on setting the women's quota

Pursuant to section 111 (5) of the AktG, the resolution of the Supervisory Board dated June 21, 2017 set the target figure of women on the Management Board and the Supervisory Board at 0% by June 30, 2021, which was achieved for the 2019 reporting year. However, the Supervisory Board is endeavoring to give priority to women with the same qualifications in order to increase the percentage of women on the Supervisory Board and the Management Board.

The target figure for women on the two executive tiers below the Management Board set by the Management Board in accordance with section 76 (4) of the AktG was limited until June 30, 2021 at 26.92% by the resolution of June 21, 2017. The target figure of 26.92% was defined according to the existing percentage of women as of June 2017. Since it would be inappropriate to consider and set target figures separately for each executive tier below the Management Board, the Management Board decided to specify just one target figure for this executive tier. The target figure was reached for INTERSHOP Communications AG at the end of 2020.

## 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 GCGC 2019 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 10, 2020

INTERSHOP Communications AG

For the Management Board

Dr. Jochen Wiechen

Markus Klahn

For the Supervisory Board

Christian Oecking
Chairman of the Supervisory Board

# Stock Market Data and Share

intershop®

# 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 |

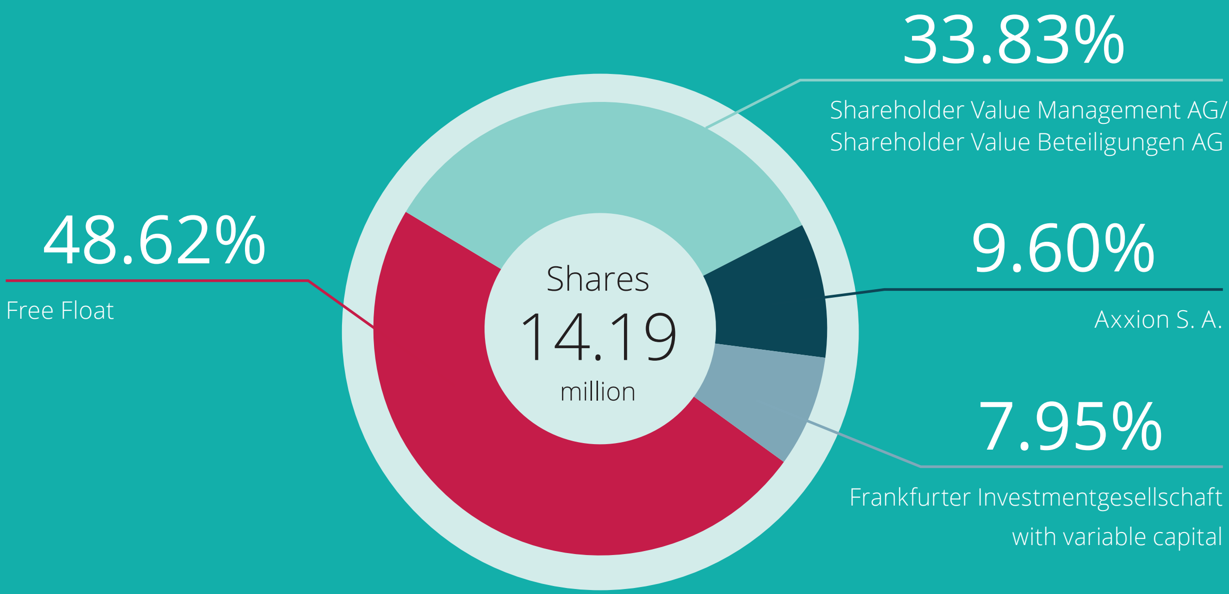
# Intershop Shares

| KEY FIGURES FOR INTERSHOP SHARES | | 2020 | 2019 |
|---|---|---|---|
| Closing price[1] | in EUR | 3.14 | 1.00 |
| Number of shares outstanding (end of period) | in million shares | 14.19 | 42.58 |
| Market capitalization | in EUR million | 44.57 | 42.58 |
| Cashflow per share | in EUR | 0.33 | (0.04) |
| Carrying amount per share | in EUR | 1.16 | 0.37 |
| Average trading volume per day[2] | Number | 20,024 | 37,411 |
| Free float | in % | 49 | 51 |

* Basis: Xetra
** Basis: all stock exchanges

intershop

# **Shareholder structure** and **share price**





in EUR,
XETRA closing price
(adjusted to reverse stock split)

intershop®

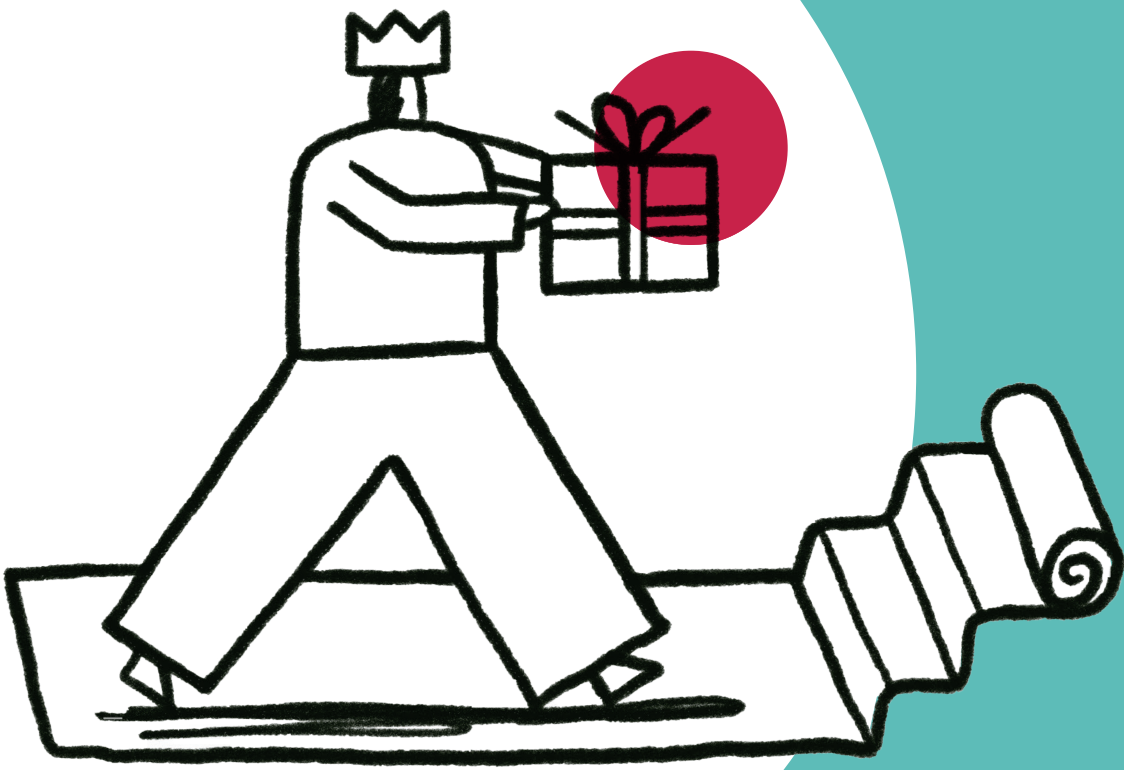
# Financial Calender 2021

| Date | Event |
|---|---|
| February 17, 2021 | Release of (preliminary) Q4 and FY financials 2020 |
| April 28, 2021 | Release of Q1 financials 2021 |
| May 6, 2021 | Ordinary Annual Stockholders´ Meeting 2021 |
| July 22, 2021 | Release of Q2 and 6-month financials 2021 |
| October 21, 2021 | Release of Q3 and 9-month financials 2021 |

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

Layout & Design: timespin Digital Communication GmbH., www.timespin.de



**Investor Relations Contact**
INTERSHOP Communications AG
Investor Relations
Steinweg 10, D-07743 Jena

Phone: +49 3641 50-1000
Fax: +49 3641 50-1309
Email: ir@intershop.com
www.intershop.com/en/investors

intershop®