intershop®

Annual Report 2022

Net New ARR
3.2
EUR million (in 2022)

Revenue
36.8
EUR million (in 2022)

EBIT
(2.9)
EUR million (in 2022)

Employees
297
(as of 12/31/2022)

Cash and Cash Equivalents
10.5
EUR million (as of 12/31/2022)

Equity Ratio
34%
(as of 12/31/2022)

Cloud Order Entry
25.9
EUR million (in 2022)

Key Figures for the Group

KEY FIGURES FOR THE GROUP

in EUR thousand	2022	2021	Change
KPIs			
Cloud Order Entry	25,897	18,264	42%
Net New ARR	3,237	2,847	14%
Revenue	36,803	35,995	2%
EBIT	(2,869)	1,310	-319%
Revenues			
Revenues	36,803	35,995	2%
Licenses and Maintenance	9,526	9,801	-3%
Cloud and Subscription	14,194	11,107	28%
Services Revenues	13,083	15,087	-13%
Revenues Europe	24,633	25,139	-2%
Revenues USA	8,370	6,602	27%
Revenues Asia/Pacific	3,800	4,254	-11%
Earnings			
Cost of revenues	21,090	18,593	13%
Gross profit	15,713	17,402	-10%
Gross margin	43%	48%	
Operating expenses, operating income	18,582	16,092	15%
Research and development	6,853	5,659	21%
Sales and marketing	8,124	7,698	6%
General and administrative	3,346	3,282	2%
Other operating expenses/income	259	(547)	-147%
EBIT	(2,869)	1,310	-319%
EBIT margin	-8%	4%	
EBITDA	419	4,423	91%
EBITDA margin	1%	12%	
Net result	(3,557)	810	-539%
Earnings per share (EUR)	(0.25)	0.06	-
Net Assets			
Shareholders´ equity	13,854	17,408	-20%
Equity ratio	34%	44%	
Balance sheet total	41,253	39,554	4%
Noncurrent assets	24,962	21,464	16%
Current assets	16,291	18,090	-10%
Noncurrent liabilities	14,933	11,995	25%
Current liabilities	12,466	10,151	23%
Financial Position			
Cash and cash equivalents	10,471	12,209	-14%
Net cash operating activities	1,159	4,597	-75%
Depreciation and amortization	3,288	3,113	6%
Net cash used in investing activities	(3,407)	(1,455)	134%
Net cash provided by financing activities	483	(2,553)	-119%
Employees	297	288	3%

intershop

Petra Stappenbeck

CFO

Markus Klahn

CEO

Management Board

Letter of the Management Board

Dear shareholders and business partners,

Strategically, the 2022 fiscal year was a successful year for us. All the essential targets in the cloud segment were exceeded. We had to deal with unexpected problems with the service segment where we posted declining sales with the corresponding impact on the operating earnings. Overall, despite the slightly declining dynamic in consumer behavior after the provisional end of the “corona boom”, our growth trend in online trade remains intact. The ongoing transformation to the cloud and the high level of digitization pressure in B2B Commerce remain the central driving factors for our business. Thanks to the size of the target market and the large number of addressable customers, B2B Commerce offers enormous opportunities for our company. Even in terms of technology, the Intershop platform is best suited for use in the B2B market, which is regularly confirmed by external analyses. Our commerce platform was particularly enhanced as a result of the takeover of Sparque B.V., one of the leading European solution providers in terms of technology for personalized website searches and product recommendations based on artificial intelligence.

As mentioned, we pushed ahead with the expansion of the cloud segment in the 2022 fiscal year and all cloud figures increased once again. In the reporting period, the incoming cloud orders increased by 42% to EUR 25.9 million and the net new ARR increased by 14% to EUR 3.2 million. Cloud revenues grew significantly by 28% to EUR 14.2 million. However, there were also operational challenges, above all in the service sector, which fell short of our expectations. The reasons for this were, on the one hand, some projects which required greater expenditures than contractually calculated and, on the other hand, the relocation of projects in favor of our partners. We have initiated appropriate measures and are optimistic that in the course of the year we can once again record increasing service revenues and a positive EBIT contribution. Not least due to this unexpected decline in revenue combined with declining service margins, we were not able to meet our profit forecast from spring of 2022 and closed the fiscal year with an EBIT of EUR -2.9 million with a revenue growth of merely 2%.

There were also some changes in personnel in the past months. Not only was our Management Board committee expanded but there was also a change to the head of our Supervisory Board. We are pleased to welcome Frank Fischer, a long-standing companion as representative of our principle shareholder, as Chairman of the Supervisory Board and would also like to thank Christian Oecking for his great dedication in the important phase of transformation of Intershop. At this point, we would also like to sincerely thank all our employees for their ideas and their passion for Intershop.

We thank you, dear shareholders and corporate partners, for your trust and your loyalty and hope that you will continue to accompany us in 2023 and beyond.

Best regards

M. Klahn Stappenbeck

Markus Klahn Petra Stappenbeck

Management report

Consolidated management report and Group management report

The Intershop Group

Group structure and business activities

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

Intershop's business activities are divided into the two main business segments "Software and Cloud" and "Service." License revenues, the associated maintenance revenues, and cloud and subscription revenues are included in "Software and Cloud" revenues. Intershop makes regular investments in technology and focuses on the continuous development and optimization of its eCommerce solution. Thanks to its high scalability and customization flexibility, the Intershop solution offers a reliable all-round package comprising Commerce Management, Order Management, Product Information Management, Experience Management, Customer Engagement Center, and BI Data Hub. With 30 years of experience in digital commerce, Intershop supports over 300 customers worldwide. Customers include both large corporations such as BMW, Miele, or Deutsche Telekom, as well as medium-sized companies. The Company operates in Europe, the United States, as well as in the Asia Pacific region (mainly Australia). Europe is by far the market that generates the highest revenue. The share of revenue from European customers amounted to 67% of the Group's total revenue in the 2022 fiscal year.

INTERSHOP Communications Aktiengesellschaft (AG), which is domiciled in Jena, Germany, is the parent company of the Intershop Group. As of the reporting date of December 31, 2022, it directly holds 100% of the shares in Intershop Communications Inc., San Francisco, USA, Intershop Communications Australia Pty Ltd., Melbourne, Intershop Communications SARL, Paris, France and two non-operating companies and 75% of shares in Sparque B.V. Utrecht, Netherlands. In Germany, INTERSHOP Communications AG has locations in Frankfurt am Main, Stuttgart and Ilmenau. Moreover, the Company has sales representations in the Netherlands and Sweden.

1 "Intershop"

Strategic orientation and business objectives

INTERSHOP Communications AG aims to position the best eCommerce offer on the market so that demanding customers can increase their sales and become more scalable and efficient as a result of digitized sales process. This is what the company stands for with its leading, innovative eCommerce solution portfolio. The high degree of flexibility, scalability and performance of the Intershop platform allows customers to transform and expand their business into a digital self-service model that covers the entire customer journey from new business to after-sales.

The consistent expansion of the cloud business and focusing on the B2B market with the aim of continued and profitable corporate growth remains an integral part of the Intershop strategy. This includes, in particular, the continued expansion of the international partner network. Intershop invests in technology and infrastructure in order to maintain and expand the technology leadership in an intensely competitive environment. For example, by taking over Sparque B.V. in the past financial year, Intershop expanded its commerce platform to include AI-supported personalization. Sparque B.V. is one of the leading European solution providers for personalized website searches and product recommendation based on artificial intelligence (AI). By taking this step, Intershop is continuing to further develop its platform in order to provide customers with a personalized portal using artificial intelligence which, thanks to personalized search results and targeted product recommendations, distinguishes itself significantly in terms of shopping experience and helps to increase sales. In a future expansion stage of the Intershop platform, it will become partially autonomous thanks to artificial intelligence. The software will give Intershop customers recommendations for designing image and text contents and the platform can plan campaigns and apply them as required.

Intershop considers its most valuable asset to be its employees and positions itself as a modern, attractive employer that promotes and develops its employees in a targeted manner and expands the team know-how by recruiting and integrating new colleagues.

With this strategy, Intershop sees itself in an ideal position to exhaust the growth potentials in the future global market for eCommerce solution providers. Focusing on the cloud has resulted in sustainable growth in the cloud segment, particularly in the B2B target market, over the prior fiscal years. In the coming fiscal years, growth is expected to be further expanded and consolidated as cost-efficiently as possible. During this process, the license and maintenance revenues will gradually decline in favor of the cloud and subscription revenues and the share of annual recurring sales will be continuously expanded.

Focusing on the B2B market

Over the recent years, Intershop has established itself as one of the leading providers of innovative B2B commerce solutions. The greatest opportunities here are in B2B commerce due to the size of the target market and the number of customers who can be addressed, as well as the high level of expertise and performance of Intershop in this segment. B2B commerce is faced with the great challenge of digitizing its sales channels quickly and professionally in order to assert itself against new competitors and business models. In particular, the corona pandemic has recently boosted digital transformation and increased the demand for modern eCommerce solutions. With the provisional end of the pandemic, growth has somewhat weakened once again, especially in the B2C segment, however the trend remains intact. The fact that Intershop already has extensive experience and prominent B2B customers is a competitive edge with which the company can build up a strong market position in this sector. Even in terms of technology, the Intershop platform is best suited for use in the B2B market, which is regularly confirmed by external analyses. For third time in a row, Intershop was distinguished in "The Paradigm B2B Combine" Analyst Report in 2022. In total, ten of the twelve possible medals were awarded. According to the report, customers particularly acknowledged the cost-effective, "robust" and comprehensive functions of Intershop Commerce Management. These include mature product features, flexible pricing, strong workflows and functions for managing targeted promotions as well as a reliable content management system. The Paradigm B2B Combine Report is a global, independent analyst report. It uses a comprehensive scoring method in order to assess all providers based on 38 detailed and weighted criteria on a scale of one to five.

Strategic partnership with Microsoft

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

Synergy effects thanks to a growing international network

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

Control System

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

Research and Development

Intershop has an efficient and experienced development team whose research and development activities (R&D) focus on the continued further development of the Intershop Commerce Platform. In the 2022 fiscal year, Intershop announced the introduction of a comprehensive low-code platform for the integration of third-party systems. The so-called Intershop Integration Hub enables any number of systems to be connected in a hub with the Intershop Commerce Platform—without requiring any manual development. Moreover, as a result of the acquisition of Sparque B.V., artificial intelligence has become part of the daily work at Intershop, including in research and development, particularly due to the integration of the Dutch Sparque team. This is also reflected in the service offer of the Intershop platform.

R&D expenditures (expenses and investments) in the 2022 fiscal year increased by 5% to EUR 7.5 million (2021: EUR 7.2 million). Taking into account the capitalization of software development costs, R&D expenses increased by 21% to EUR 6.9 million (2021: EUR 5.7 million). This corresponds to a share of 19% of the total revenues (2021: 16%). The reasons for the increase were particularly the higher personnel costs as well as lower capitalization of software development costs after the new Intershop Commerce Platform went live in 2021.

The 2022 fiscal year

Overall Economy and Industry

Based on current estimates from the International Monetary Fund (IMF, January 2023), the global economy grew at a rate of 3.4% as a whole in 2022. Thus, growth weakened significantly compared to 2021 after the global economy had recovered significantly from the consequences of the corona pandemic. The primary factor triggering this was the outbreak of the war in Ukraine, which resulted in an energy crisis and generally strong price increases. There were also material and supply bottlenecks, the shortage of skilled workers and the strict, pandemic-related lockdowns in China. As a result, the IMF had to significantly lower its forecasts for the global economy in the course of 2022. The experts now retrospectively estimate an increase in the combined gross domestic product (GDP) of 2.7% for industrialized countries in 2022. The economic performance in the emerging and developing countries has increased by about 3.9%. For the USA, the IMF forecasts an increase in GDP of 2.0%. In the Eurozone, the economic performance increased by 3.5% in 2022. Economic growth of 1.9% is expected for Germany.

Despite the overall uncertain economic situation, the eCommerce market experienced stable growth in 2022. According to the forecast of the market research company eMarketer, the market volume in online retail increased by 12.2% to USD 5.5 trillion in the reporting year - a share of 20.3% of the total retail sales. The Chinese market accounted for about half of the total sales with USD 2.8 trillion. With a volume of USD 1.1 trillion, the USA is the second largest market followed by Western Europe with USD 0.7 trillion. For Germany, the Federal Association of E-Commerce and Mail Order (bevh) expects a market volume of EUR 111.0 billion for 2022, an increase of 12.0%. The global B2B eCommerce market also experienced dynamic growth. The analysts of the market research company AgileIntel Research estimate a market volume of USD 21.0 trillion for 2022 and forecast an average annual growth rate of almost 14.5% until 2026.

The IT sector also grew in 2022. According to the estimates of the analysis firm Gartner, the looming recession has not had a negative impact on the industry, especially in the B2B sector. Gartner stated that companies increased their IT investments in order to keep pace with the digital transformation, their IT expenditures are considered recession-proof. On the consumer side, however, many expenses have been postponed due to the rising inflation. Thus, the expenses for company software increased in 2022 by 7.1% to USD 783.5 billion, while the global IT expenses declined overall by 0.2% to a volume of USD 4.4 trillion. Growth of 3.0% was recorded in the IT services segment. According to information from the industry association Bitkom, IT revenues in Germany increased by 6.7% to EUR 113.0 billion. The market for software grew by 8.8%, while the market for IT services grew by 2.4%.

Business performance during the 2022 fiscal year

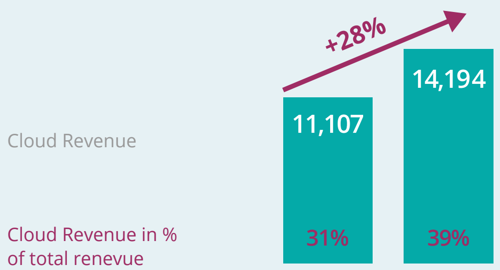
In the 2022 fiscal year, Intershop expanded the strategically important cloud growth. In contrast, the lower sales in the service segment had a negative impact on the development of Group earnings. The following overview shows the key performance indicators (KPIs or control parameters):

in EUR thousand	2022	2021	Change
Cloud Order Entry	25,897	18,264	42%
Net New ARR	3,237	2,847	14%
Revenue	36,803	35,995	2%
EBIT	(2,869)	1,310	-319%

Cloud business exceeded expectations

Intershop was able to increase all cloud figures in the 2022 fiscal year. The essential goals in cloud growth were therefore surpassed. Incoming cloud orders increased by 42% to EUR 25.9 million in the reporting period and the net new ARR by 14% to EUR 3.2 million. Intershop gained 17 new customers in the 2022 fiscal year. From the incoming cloud orders, EUR 12.4 million is attributable to new customers and EUR 13.5 million to existing customers. The new ARR (New Annually Recurring Revenue) increased by 26% to EUR 3.9 million, whereby new customers contributed EUR 2.4 million and existing customers EUR 1.5 million to new ARR. The new ARR generated from new customers includes an amount of EUR 0.3 million resulting from the acquisition of Sparque B.V. The ARR (Annual Recurring Revenue) was EUR 15.4 million as of December 31, 2022, an increase of 27% compared to the prior year's balance sheet date. Cloud and subscription revenues grew significantly by 28% to EUR 14.2 million. The share of cloud revenues in the total revenue increased to 39%, an increase of 8% compared with the prior year. The cloud margin increased further from 51% to 56% thanks to disproportionate growth of the cloud revenues combined with an optimized cost structure.

Cloud Business Development



in EUR thousand	2021	2022	Change
Cloud order entry	18,264	25,897	42%
New ARR	3,109	3,909	26%
Net New ARR	2,847	3,237	14%
ARR	12,154	15,391	27%

ARR Development in 2022

in EUR thousand	
ARR December 31, 2021	12,154
New ARR new customers	2,433
New ARR existing customers	1,476
New ARR total	**3,909**
Churn	(715)
Currency changes	43
Net New ARR	**3,237**
ARR December 31,2022	**15,391**

Negative results despite strong cloud growth

In the 2022 fiscal year, Intershop achieved a growth in sales of 2% to EUR 36.8 million and an EBIT of EUR -2.9 million. After a slightly positive result in the first quarter, Intershop could no longer maintain this growth in the subsequent quarters. Despite the strong growth in the cloud business, the revenues were negatively impacted by the declining sales and margins in the service segment as well as due to value adjustments on trade receivables. In the medium term, however, Intershop assumes that it can profit from the rapidly increasing digitization trend once again accelerated by the corona pandemic and move with its commerce platform in a constantly growing market. Here, cloud applications offer companies major advantages in terms of infrastructure, costs and flexibility. With its cloud strategy, Intershop considers itself ideally positioned to support its customers in developing and expanding their digital presence with its modern commerce platform.

Earnings, financial and asset position

Actual development of key financial figures compared to the original forecast

Intershop was not able to maintain the forecast made in March in the 2021 financial report in the course of the year. Originally, the company assumed a growth in sales of about 10% and a positive EBIT of at least EUR 1.0 million. In particular, the development of the service business lagged behind the expectations of the Management and the measures for enhancing efficiency initiated in the middle of the year did not show the desired impact in the short term. At the end of the third quarter, the Management Board of Intershop no longer assumed that the company would be able to catch up with the arrears from the previous quarters and revised the forecast accordingly. Now, sales at the level of the prior year and a negative EBIT in the lower single-digit million Euro range are expected. In the 2022 fiscal year, Intershop achieved slight growth in sales of 2% and an EBIT of EUR -2.9 million. Thanks to the strong growth, the company left the forecasts in cloud business unchanged with an increase in incoming cloud orders by about 20% and growth of net new ARR by 10%. Both figures were surpassed. The incoming cloud orders were up by 42% in 2022 compared to the prior year. An increase of 14% compared to the prior year was achieved for net new ARR.

Presentation of the earnings

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

in EUR thousand	2022	2021	Change
Revenues	36,803	35,995	2%
Cost of revenues	21,090	18,593	13%
Gross margin	43%	48%	
Operating expenses, operating income	18,582	16,092	15%
EBIT	(2,869)	1,310	-319%
EBIT margin	-8%	4%	
EBITDA	419	4,423	-91%
EBITDA margin	1%	12%	
Earnings after tax	(3,557)	810	-539%

During the 2022 fiscal year, Intershop recorded Group **revenues** of EUR 36.8 million. This corresponds to an increase of 2% compared to the revenues of EUR 36.0 million in the prior year. During the reporting period, revenues in the core segment **Software and Cloud** rose by 13% to EUR 23.7 million (2021: EUR 20.9 million). As expected, a slight decline was recorded within this Group for the revenues from **Licenses and Maintenance** due to focusing on the cloud business. While the license business declined by 19% to revenue of EUR 1.8 million, the maintenance revenues increased slightly by 2% to EUR 7.7 million. In contrast, the realized **Cloud and Subscription** revenues increased by 28% to EUR 14.2 million (2021: EUR 11.1 million). The share of cloud revenues in the total revenue increased to 39% in the reporting period (2021: 31%), while the share of revenues from licenses and maintenance fell slightly to 26% (2021: 27%).

Service revenues declined considerably by 13% to EUR 13.1 million in the 2022 fiscal year (2021: EUR 15.1 million). They were therefore the main reason for the revenues being below initial expectations. Some service projects turned out to be more demanding than initially projected and thus required more time and resources. Measures for enhancing efficiency which were initiated in the middle of the year did not impact the course of business in the service sector in the short term. Another reason for the decline in service revenues for the entire year is the large number of incoming orders outside the DACH region, which in the 2022 fiscal year meant that the strategically planned expansion of the partner business in these regions in turn resulted in a significant shift in the service revenues in favor of Intershop's certified partners. The company plans to conduct projects more closely with partners in the future. The share of service revenues in total revenue decreased from 42% in 2021 to 36% in the reporting year.

The following overview shows the development of revenues:

in EUR thousand	2022	2021	Change
Software and Cloud Revenues	**23,720**	**20,908**	**13%**
Licenses and Maintenance	**9,526**	**9,801**	**-3%**
Licenses	1,812	2,250	-19%
Maintenance	7,714	7,551	2%
Cloud and Subscription	**14,194**	**11,107**	**28%**
Service Revenues	**13,083**	**15,087**	**-13%**
Revenues total	**36,803**	**35,995**	**2%**

In the 2022 fiscal year, Intershop achieved revenues of EUR 24.6 million on the European market, the most important **business region** for the Group, corresponding to a slight decline of 2% compared with the prior year (2021: EUR 25.1 million). Rapidly increasing cloud revenues (+30%) were recorded for the region. The service revenues, in contrast, declined significantly in Europe (-20%). The revenues from licenses and maintenance also declined (-7%). The share of European customers in the total revenue was 67% (2021: 70%). Intershop achieved significant growth in the USA. Here, revenues increased by 27% to EUR 8.4 million (2021: EUR 6.6 million). All segments contributed to this growth (licenses and maintenance segment +27, cloud sales +37% and service segment +18%). The revenue share of the region was 23% (2021: 18%). In the Asia-Pacific region, Intershop achieved revenues of EUR 3.8 million (2021: EUR 4.3 million). The higher software and cloud revenues (+13%) could not compensate for the declining service revenues (-29%). The share in the total revenue declined to 10% (2021: 12%).

In the 2022 fiscal year, Intershop's **gross profit** declined by 10% to EUR 15.7 million (2021: EUR 17.4 million). The **gross margin** was 5 percentage points lower at 43% (2021: 48%), particularly due to the decline in the service margin. **Operating expenses and income** increased by 15% to EUR 18.6 million (2021: EUR 16.1 million). The reason for this was in particular the higher personnel costs due to recruiting and salary increases, acquisition-related one-time costs as well as value adjustments on receivables. Research and development costs increased by 21% to EUR 6.9 million (2021: EUR 5.7 million). With EUR 8.1 million, the marketing and sales costs were 6% higher than in the prior year (2021: EUR 7.7 million). With EUR 3.3 million, general administrative costs remained at the prior-year level. Other operating expenses amounted to EUR 0.9 million (2021: EUR 0.4 million). This includes value adjustments on receivables in the amount of EUR 0.6 million, meant to limit possible risks of default. After deducting all individual items, the **total costs** (cost of revenues and operating expenses/income) amounted to EUR 39.7 million compared with EUR 34.7 million in the prior year. This resulted in an operating result (**EBIT**) of EUR -2.9 million in the 2022 fiscal year (2021: EUR 1.3 million). The EBIT margin declined accordingly to -8% (2021: 4%). Depreciations increased slightly from EUR 3.1 million to EUR 3.3 million. The operating result before depreciation and amortization (**EBITDA**) declined to EUR 0.4 million (2021: EUR 4.4 million) and the EBITDA margin to 1% (2021: 12%). The **financial result** was EUR -0.5 million (2021: EUR -0.4 million). Taxes on income and profits amounted to EUR -0.2 million (2021: EUR -0.1 million). The **earnings after taxes** decreased to EUR -3.6 million (2021: EUR 0.8 million) corresponding to **earnings per share** of EUR -0.25 (2021: EUR 0.06).

Revenues of INTERSHOP Communications AG as a single entity reported under German commercial law declined by 6% to EUR 27.2 million in the 2022 fiscal year (2021: EUR 28.8 million). Although the cloud revenues increased by 24% from EUR 7.6 million to EUR 9.4 million, this could not compensate for the significantly declining service revenues from EUR 12.5 million to EUR 9.6 million. With EUR 6.8 million, maintenance revenues remained at the prior-year level. License revenues decreased from EUR 1.9 million to EUR 1.4 million.

The **annual net loss for INTERSHOP Communications AG as a single entity under commercial law** was EUR 4.1 million in the 2022 fiscal year after an annual surplus of EUR 0.5 million in the prior year. The main reasons for this were the decline in overall performance (revenues and inventory changes) as well as lower other own work capitalized and higher expenses. Material expenses increased from EUR 3.8 million in the prior year to EUR 4.6 million due to an increase in expenses for purchased services in connection with higher cloud sales. Personnel costs decreased from EUR 16.9 million to EUR 16.6 million thanks to lower commissions. With EUR 1.8 million, depreciation was slightly above that of the prior year (2021: EUR 1.7 million). Other operating expenses increased by 29% to EUR 9.3 million due to various one-off items, among other things, due to the increase in value adjustments on trade receivables amounting to EUR 0.6 million. Other capitalized own work, which includes the capitalization of software development costs, decreased from EUR 1.4 million to EUR 0.5 million. Other operating income increased from EUR 0.4 million to EUR 0.6 million, among other things, thanks to higher exchange rate gains. Other interest income of EUR 0.1 million resulted mainly from affiliated companies. Overall, the balance sheet loss resulting from the net loss for the year was EUR 4.1 million (2021: EUR 0 million).

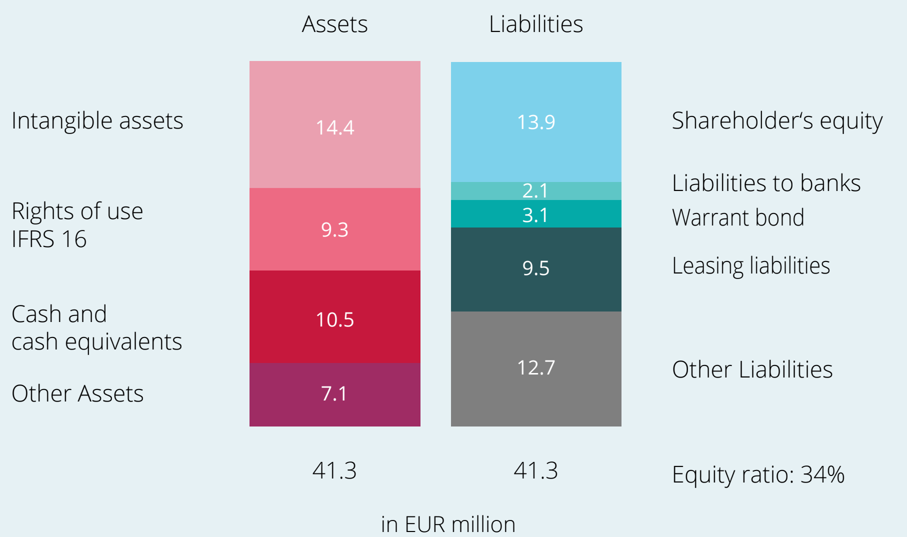
Presentation of the Net Assets and Financials Positions

As of December 31, 2022, the balance sheet total of the Intershop Group amounted to EUR 41.3 million (December 31, 2021: EUR 39.6 million). This represents an increase of 4% compared to the same reporting date of the prior year. The main reason for this increase is the acquisition of the Dutch Sparque B.V., a solution provider for AI-based search and recommendation marketing and the associated acquisition of rights of use.

On the assets side, non-current assets increased by 16% to EUR 25.0 million. Thanks to the formation of goodwill of EUR 3.0 million from the acquisition of Sparque B.V. as well as additionally acquired rights of use, the intangible assets increased to EUR 14.4 million (December 31, 2021: EUR 10.4 million). The rights of use in accordance with IFRS 16 amounted to EUR 9.3 million (December 31, 2021: EUR 10.1 million). Current assets declined to EUR 16.3 million (December 31, 2021: EUR 18.1 million). With EUR 4.9 million, the trade receivables were slightly lower than the prior-year level (December 31, 2021: EUR 5.0 million) but were encumbered by value adjustments of EUR 0.6 million (December 31, 2021: EUR 0.2 million). Cash and cash equivalents declined by 14% from EUR 12.2 million in the prior year to EUR 10.5 million in the reporting year.

On the liabilities side, equity fell by 20% to EUR 13.9 million due to the negative result after taxes (December 31, 2021: EUR 17.4 million). The increase in non-current liabilities by 25 % to EUR 14.9 million is essentially due to two reasons: On the one hand, Intershop entered into a loan agreement in the reporting year amounting to EUR 2.5 million over a term of five years. As a result, the liabilities to banks increased to EUR 1.6 million as of December 31, 2022. Intershop also has an obligation from the acquisition of Sparque B.V. of a conditional purchase price payment. That is why other non-current liabilities increased to EUR 2.2 million. As of December 31, 2022, current liabilities rose by 23% to EUR 12.5 million. The liabilities to banks in the amount of EUR 0.5 million includes the current portion of the mentioned bank loan. Deferred revenue increased from EUR 3.7 million to EUR 5.0 million, particularly due to higher advance payments from cloud contracts. The equity ratio decreased from 44% as of December 31, 2021 to 34% as of December 31, 2022 due to the increased balance sheet total and simultaneous decrease in equity. Overall, Intershop continues to enjoy a solid net assets and financial position.

Group Balance Key Figures December 31, 2022



The **cash flow** from ongoing operating activities declined to EUR 1.2 million in the reporting period compared to EUR 4.6 million in the prior-year period. The main reason for the decline is the negative income before taxes in the amount of EUR 3.4 million. The cash outflow from investment activities increased to EUR 3.4 million compared to the prior-year period (2021: EUR 1.5 million) due to the capitalized acquisition associated with the payments for investments in intangible assets and the paid purchase price for acquired corporate shares. The cash inflow from financing activities amounted to EUR 0.5 million. Payments from the loan of EUR 2.5 million were offset by the loan repayment of EUR 0.4 million and repayment of liabilities of EUR 1.6 million. In the prior year, the cash outflow from financing activities amounted to EUR 2.6 million due to the full repayment of liabilities to banks and the repayment of leasing liabilities. Overall, cash and cash equivalents declined by 14% to EUR 10.5 million compared to the end of 2021 (December 31, 2021: EUR 12.2 million).

The balance sheet total of INTERSHOP Communications AG as an individual entity in the financial statements under commercial law increased by 4% to EUR 28.2 million. On the assets side, the fixed assets increased from EUR 11.6 million to EUR 15.6 million as of December 31, 2022. On the one hand, the increase was due to the purchase of shares in the Dutch Sparque B.V., which increased the shares in affiliated companies by EUR 3.1 million. On the other hand, the software licenses acquired for a fee increased thanks to the purchase of rights of use. Current assets declined from EUR 15.0 million to EUR 12.0 million due to the decline in receivables and other assets (EUR -1.5 million) and cash and cash equivalents (EUR -1.5 million). The inventories and active prepaid expenses remained at the prior-year level. On the liabilities side, equity decreased by 25% to EUR 12.2 million due to the net loss for the year. Provisions declined from EUR 2.5 million to EUR 2.1 million, primarily due to lower commission provisions. Liabilities increased from EUR 5.0 million to EUR 9.7 million. This is due to the increase in liabilities to banks amounting to EUR 2.1 million through a new bank loan and the increase in other liabilities through purchase price liability (EUR +2.5 million) relating to the acquisition of shares in affiliated companies. The deferred income increased from EUR 3.5 million to EUR 4.3 million, in particular due to higher prepayments made by customers for cloud contracts.

Employees

As of December 31, 2022, Intershop had a total of 297 employees worldwide (December 31, 2021: 288 employees).

The close cooperation with leading universities is an integral part of the Intershop strategy. This cooperation provides the Company with direct access to know-how and excellent young talent who often work for Intershop during their studies, contributing their knowledge and in return gaining valuable insights into working life. In 2022, Intershop participated with nine other digital companies as co-founder of a new professorship for business informatics with the focus on E-Commerce and Digital Business in the Friedrich-Schiller University in Jena. Thanks to the close cooperation with universities and numerous offers, such as employee events, a comprehensive sports offer and training measures, Intershop contributes to long-term ties between employees and companies with the focus always on the employees. It also offers a modern and hybrid workplace in a new office building in Jena, which is rounded off with a flexible working time model.

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

Employees by department*	**Dec. 31, 2022**	**Dec. 31, 2021**
Technical Departments (Service Functions and Research Development)	226	223
Sales and marketing	43	36
General administration	28	29
	297	**288**

* based on full time staff, including students and trainees

As of the balance sheet date, the number of employees in the European branch offices was 255, accounting for 86% of the total workforce (2021: 250 employees with 87% of the total work force). The U.S. subsidiary with 19 employees accounted for around 6% of the workforce (2021: 15 employees with 5% of the total workforce). With 23 employees and an 8% share of the total workforce, the number of employees in the Asia-Pacific region remained at the prior-year level.

AG as a single entity had 250 employees at the balance sheet date (December 31, 2021: 247 employees).

Management Board and Supervisory Board

There were changes in the Supervisory Board in the 2022 fiscal year. With the resolution of the Annual Stockholders' Meeting in May 2022, the Supervisory Board was expanded from three to four members in order to enhance the know-how basis of the committee, particularly in the software segment. Oliver Bendig, Managing Director of STP Corporate Group, a leading provider of legal tech software, was elected by the Annual Stockholders' Meeting as the new member of the Supervisory Board effective as of May 16, 2022 and complements the Supervisory Board with his more than 20 years of experience in business-to-business SaaS software. The Chairman of the Supervisory Board, Christian Oecking, resigned from his post for personal reasons after six and half years effective as of November 30, 2022. Frank Fischer, Chairman of the Management Board of Shareholder Value Management AG and long-standing representative of the principle shareholder INTERSHOP Communications AG, has been a member of the Supervisory Board by way of court appointment at the request of the Management Board and with the approval of the Supervisory Board since December 1, 2022. He was elected by the committee as the Chairman of the Supervisory Board.

There were no changes in personnel in the composition of the Management Board in the 2022 fiscal year. However, at the end of the 2022 fiscal year, the Supervisory Board decided to expand the Management Board by a further member and appointed Petra Stappenbeck as a member of the Management Board as Chief Financial Officer (CFO) effective as of January 1, 2023. The graduate of Business Administration has been employed at Intershop as Director of Finance since 2012 and was appointed as an authorized signatory in 2013. Moreover, she has been part of the Intershop Executive Management Team since May 2021.

Report on opportunities and risks

Risk management system

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

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

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

The identified risks and opportunities are categorized as follows:
Categorization of the extent of damage:

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

Categorization of the probability of occurrence:

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

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

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

Strategic risks

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

Intershop's target market is subject to constant change processes and challenges due to the rapidly growing digitization of companies combined with changing technologies, innovative business models, and market entry of new competitors. For Intershop, there is a risk in offering products and services that do not meet the needs of customers or market expectations. If the company is not successful in monitoring the target market effectively and continually, sizing up the competition, and providing offer in time new innovative product- and solution-oriented strategies, this could lead to a drop in sales as customers will turn to the competition, making it more difficult to acquire new customers. Intershop counters this risk through continuous market monitoring, own increased marketing activities when launching Intershop products, optimizing profit-loss analyses, and analyzing customer needs in cooperation with customers, partners, and market analysts. Customer and partner feedback is regularly incorporated in new Intershop solutions. In addition, discussions are held with industry analysts such as Forrester or Gartner or external analyses such as "The Paradigm B2B Combine" analyst report, which distinguished the Intershop platform for the third time in a row in 2022. Intershop estimates that these risks could have a noticeable to high impact, for which, however, no or only weak indicators of occurrence can currently be identified.

In principle, there is a risk that the Intershop Commerce-Platform could be completely or partially superseded by new technologies. Depending on the degree and pace of the change, this can lead to Intershop no longer being able to sell its current products and services and having to replace all or some of them. Intershop regards this risk as high. Currently, however, there is no identifiable development that challenges current products or services. The risk is also mitigated approach including the transfer of technologies identified as relevant to the product portfolio (e.g. in the 2022 fiscal year through the acquisition of Sparque B.V., which expanded the Intershop platform to include AI-supported personalization), short product release cycles, rapid software development, as well as regular market and competition observations. The Company also reacts to short-term trends with its own developments or cooperations with technology partners and to long-term trends via the control process in standard product development.

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

The 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 flexible working time models, an open company culture and flat hierarchies.

Operational risks

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

The high degree of complexity of the cloud-based Intershop Commerce Platform results in diverse mutual dependencies. There is the risk of the process chain or parts thereof failing which leads to a loss of revenue for customers. For Intershop, this can lead to a loss in sales, claims for damages, legal fees and additional expenses for eliminating the process error. The risk is assessed as a potential, appreciable risk. This is monitored by detailed process documentation and specifications and their regular control, specific training of personnel, staff expansion in the relevant areas with support from external agencies and/or partners, insurance policies, limitation of liability in contracts as well as through higher levels of automation.

There is a typical product defect risk for the software which is the basis of the commerce platform offered by Intershop. Due to errors in development or faulty performance on the part of Intershop or its suppliers, it is possible that the product or a service is made available later than expected or works poorly or does not meet customer and market requirements in terms of product safety. For Intershop, this could result in claims for damages, costs for possible legal disputes and additional costs for rectifying defects. In addition, it can result in a decline in revenue, particularly due to a loss of customers which can also be associated with short-term extraordinary contract terminations. Intershop considers this to be a not material risk that might occur. However, an extensive quality assurance process with the appointment of a Security Code Officer, targeted comprehensive security tests by external providers, a documented escalation process as well as planned ISO certification can limit the likelihood of the risk occurring as well as the possible scope of the damage.

Due to the war in Ukraine, there is a sales risk for Intershop. Even though Intershop does not have any customer relationships in Ukraine or Russia, potential and existing customers bear an increased risk of insolvency and loss of sales. For Intershop, this can result in delays, cancellation or failure in acquisition of new customers and ongoing projects or loss of receivables. Intershop assesses this risk as appreciable but is unlikely to occur. In the sales process, pending financial statements are subjected to appropriate risk appraisals. For contracts that have already been concluded, payment agreements are agreed with customers where necessary.

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

Financial risks

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

A large portion of revenues is generated from consulting services, which are primarily provided in the context of projects. In this regard, customer loyalty is a very important factor. To be able to ensure customer loyalty, it is important to provide the quality the customer demands for projects, while at the same time keeping an eye on the costs and time. If this is not successful, this affects the Company's reputation and results in higher project costs and lower sales. Future contracts may be lost, projects may be canceled prematurely, or the profit margin on projects permanently reduced. Intershop regards this risk as high. 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, the company monitors projects on an ongoing basis, combined with very tight project management supported by external consultants, as well as customer satisfaction and processes are continuously improved. The risk occurring is considered possible.

With a liquidity of EUR 10.5 million, Intershop enjoys a good liquidity position as of the balance sheet date. There is no interest rate risk from a bank loan in the amount of EUR 2.1 million and an option bond in the amount of EUR 3.1 million at the balance sheet date thanks to agreements for fix interest rates over the term. The liquidity risk as a result of the repayment of financial liabilities is assessed as minimal. Loan repayments over a fixed term until 2027 are agreed with a fixed quarterly rate. The option bond is due for repayment at the end of the term in July 2025. However, if option rights are exercised beforehand, Intershop has a corresponding liquidity inflow which is used for the repayment of bonds that are possibly terminated at the same time and in the same amount. 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 considered to be immaterial or appreciable, the occurrence of which is possible.

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”.

As part of its opportunity and risk management, Intershop has so far not identified any significant opportunities or risks relating to climate change. This is due to the type of services Intershop offers and the current customer structure. We believe the eCommerce market is not directly affected by climate change as customer behavior and regulations have given no indication of this. Therefore, Intershop has not set specific targets regarding climate change.

Opportunities

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

Overall risk position

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

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

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

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

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

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

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

According to the voting rights notifications of May 27, 2019, Shareholder Value Beteiligungen AG held 17.55% and Shareholder Value Management AG 14.35% of direct stock in the Company, which according to the voluntary notification by the shareholders as of the balance sheet date still amounted to 1.03%. In addition, as per the voting rights notification last received on October 8, 2021, the two above mentioned companies are coordinating their voting with the other shareholders, Value Focus Beteiligungs GmbH (Hofheim am Taunus/Germany) and Reiner Sachs (indirectly via Sachs Assets GmbH, Erbach/Germany), in accordance with Section 34(2) of the German Securities Trading Act (WpHG). Within the meaning of Section 289a HGB,each of these four shareholders, therefore, holds an indirect stock of 36.87% (according to the voting rights notification) in the Company, which, according to the voluntary notification as of the balance sheet date, was 35.66%. In total, in accordance with Section 33 et seq. WpHG, these shareholders collectively hold 35.66% of the voting rights (coordinated voting behavior of the shareholders participating in the voting, hereinafter referred to as “share pool members”).

According to the voting rights notification dated April 26, 2021, Frankfurter Investmentgesellschaft mit variablem Kapital (Société d’Investissement à Capital Variable, SICAV) (Grevenmacher/Luxemburg) holds a 16.15% stake in the Company’s capital stock, which, according to the voluntary notification as of the balance sheet date, was 16.36%.

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 (2) and (3) 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 January 19, 2023, the Management Board and Supervisory Board issued a Corporate Governance Declaration in accordance with section 289f and 315d of the HGB have made it publicly accessible on the Company’s website at https://www.intershop.com/en/corporate-governance-declaration.

Dependent Company Report

Pursuant to section 312 of the German Stock Corporation Act (AktG), the Management Board of INTERSHOP Communications Aktiengesellschaft prepared a report for the 2022 fiscal year on the relationships with affiliated companies. This report also describes the relationships with Shareholder Value Management AG and Shareholder Value Beteiligungen AG (collectively referred to as “Shareholder Value Companies”). Shareholder Value Companies held 88.66% of the votes present at the Annual Stockholders’ Meeting on May 10, 2022 and held a majority of the votes. The Management Board therefore assumes that there is currently a dependency relationship with these companies, but not with any of the other share pool members whose voting behavior based on information provided by the Shareholder Value Companies and the publication of the exemption notification by the Federal Financial Supervisory Authority dated September 29, 2021, takes into account contributions by the other share pool members, but who, at the same time, are obligated to exercise their voting rights as coordinated between the Shareholder Value Companies. The dependency report 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

Despite the positive trends of the overall economy at the end of 2022, including a slight relaxation on the energy markets and declining inflation rates, the global situation continues to remain unstable and the economic growth is expected to slow down further in 2023. New geopolitical tensions or the pandemic flaring up again can even significantly increase the risk of recession in 2023. In the industrial countries, the IMF expects a growth in the gross domestic product of 1.2%, and in emerging and developing countries an increase in the economic performance of 4.0%. A growth of 1.4% is forecast for the U.S. economy. The gross domestic product in the Eurozone is expected to be at 0.7% and for Germany the experts estimate a slight increase in economic performance of 0.1%.

According to the analysis firm eMarketer, the positive trend in the eCommerce market will continue in the future even if lower growth rates are expected than last year. This results mainly from the recovery of stationary retail trade after the corona pandemic. Overall, however, eMarketer continues to expect that the eCommerce market will grow more rapidly in the coming years than the retail trade as a whole. Experts expect an online retail trade volume of USD 6.2 trillion for 2023. By 2025, this volume is expected to grow to USD 7.4 trillion and account for 23.6% of the total retail trade sales.

Companies are already focusing on continuing to keep pace with the digital transformation. Thus, according to AgileIntel Research, the B2B eCommerce market should grow at an annual average growth rate of 14.5% and achieve a volume of USD 36.2 trillion by 2026. According to Gartner, corporate IT expenditures are expected to increase further in 2023 despite the growing risk of recession - according to the latest forecast by 9.3% to a volume of USD 856.0 billion. In contrast, IT expenditures on the consumer side remain weak. Many private households invested in new IT equipment during the corona pandemic, a large part of which will not be renewed for the time being. In addition, prices are generally increasing, resulting in consumer hesitancy for new purchases. That is why Gartner expects a slight growth for the global IT expenditures in 2023 in the amount of 2.4% to a market volume of USD 4.5 trillion.

Company outlook

The signs on the global B2B commerce market continue to indicate further growth and the Intershop platform takes a technologically leading role here, which is repeatedly confirmed by external analyses. As shown in the latest Paradigm B2B Combine analyst report, customers particularly appreciate the mature product features, flexible pricing, strong workflows and functions for managing targeted promotions and a reliable Content Management System (CMS). Based on the positive estimates by the industry analysts, Intershop, with its powerful platform, has positioned itself as a major player in the B2B market for the implementation of digital transformation.

To be able to reliably meet the increasing demand in the future as well, Intershop places a high value on employee retention and recruitment. Proper and flexible working conditions as well as hybrid working models play a decisive role here. Moreover, team building measures, such as regular team events and the promotion of sports opportunities, will be the focus of the employer branding strategy in the future.

On the product side, the further optimization of Intershop platform will be the focus for 2023. The Company plans to integrate more AI-based technology in order to continuously improve the production functions. Here, customers benefit from the existing partnership with Microsoft which also strongly promotes this topic. The aim is to develop the Intershop commerce solution into an autonomous portal in the medium term, in which the online shops often run autonomously using primarily AI-based processes depending on the level of digital maturity of the customers.

Intershop expects a significant increase in cloud and subscription sales and a continued increase in the cloud margin for the 2023 fiscal year. However, in the maintenance and licenses segments, a slight decline in revenues is expected as a result of the changed business model. Intershop also expects significant growth in the service segment once the measures for enhancing efficiency take effect in the course of the year. In this regard, growth is expected for all three target regions (Europe, the United States and Asia-Pacific). Intershop is also striving to reach agreements with customers on passing on price and cost increases.

Statement on business developments for 2023

Based on the assumptions regarding the respective business segments, Intershop expects an increase of more than 10% in incoming cloud orders as well as in net new ARR for the 2023 fiscal year. In addition, a growth in sales of more than 10% and a balanced operating result (EBIT) is projected.

Jena, March 6, 2023

The Management Board of INTERSHOP Communications Aktiengesellschaft

M. Klahn Stappenbeck

Markus Klahn Petra Stappenbeck

Consolidated Financial Statements

Consolidated Balance Sheet

in EUR thousand	Note No.	December 31, 2022	December 31, 2021
ASSETS			
Noncurrent assets			
Intangible assets	(1)	14,385	10,375
Property, plant and equipment	(2)	531	622
Rights of use IFRS 16	(3)	9,287	10,126
Other noncurrent assets	(5)	401	0
Restricted cash	(6)	249	250
Deferred tax assets	(22)	109	91
		24,962	**21,464**
Current assets			
Trade receivables	(4)	4,901	5,019
Other receivables and other assets	(5)	919	862
Cash and cash equivalents	(6)	10,471	12.209
		16,291	**18,090**
TOTAL ASSETS		**41,253**	**39,554**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Subscribed capital	(7)	14,194	14,194
Capital reserve	(7.1)	2,575	2,575
Other reserves	(7.2)	(2,915)	639
		13,854	**17,408**
Noncurrent liabilities			
Warrant Bond	(8)	3,081	3,059
Liabilities to banks	(10)	1,617	0
Leasing liabilities IFRS 16	(3)	8,067	8,936
Other noncurrent liabilities	(11)	2,168	0
		14,933	**11,995**
Noncurrent liabilities			
Other current provisions	(13)	368	287
Liabilities to banks	(10)	497	0
Trade accounts payable	(9)	1,676	1,631
Income tax liabilities	(22)	60	11
Leasing liabilities IFRS 16	(3)	1,428	1,296
Other current liabilities	(11)	3,466	3,247
Deferred revenue	(12)	4,971	3,679
		12,466	**10,151**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**41,253**	**39,554**

Consolidated Statement of Comprehensive Income

in EUR thousand	Note No.	January 1 to December 31, 2022	2021
Revenues	(14)		
Software and Cloud Revenues		23,720	20,908
Service Revenues		13,083	15,087
		36,803	**35,995**
Cost of revenues	(15)		
Cost of revenues – Software and Cloud		(9,635)	(8,576)
Cost of revenues – Services		(11,455)	(10,017)
		(21,090)	**(18,593)**
Gross profit		**15,713**	**17,402**
Operating expenses, operating income			
Research and development	(16)	(6,853)	(5,659)
Sales and marketing	(17)	(8,124)	(7,698)
General and administrative	(18)	(3,346)	(3,282)
Other operating income	(19)	600	932
Other operating expenses	(20)	(859)	(385)
		(18,582)	**(16,092)**
Result from operating activities		**(2,869)**	**1,310**
Interest income	(21)	4	0
Interest expense	(21)	(525)	(382)
Financial result		**(521)**	**(382)**
Earnings before tax		**(3,390)**	**928**
Income taxes	(22)	(167)	(118)
Earnings after tax		**(3,557)**	**810**
Other comprehensive income			
Exchange differences on translating foreign operations		3	63
Other comprehensive income from exchange differences		**3**	**63**
Total comprehensive income		**(3,554)**	**873**
Earnings per share (EUR, basic, diluted)	(23)	(0.25)	0.06

Consolidated Statement of Cash Flows

in EUR thousand	Note No.	January 1 to December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		(3.390)	928
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		521	382
Depreciation and amortization		3,288	3,113
Other noncash expenses and income		647	(497)
Changes in operating assets and liabilities			
Accounts receivable		(442)	(902)
Other assets		(344)	158
Liabilities and provisions		(127)	705
Deferred revenue		1,263	963
Net cash provided by (used in) operating activities before income tax and interest		**1,416**	**4,850**
Interest received		4	0
Interest paid		(124)	(115)
Income taxes paid		(137)	(138)
Net cash provided by (used in) operating activities		**1,159**	**4,597**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on restricted cash		0	476
Payments for restricted cash		0	(90)
Payments for investments in intangible assets		(2,520)	(1,492)
Proceeds on disposal of equipment		2	3
Purchases of property and equipment		(148)	(352)
Disbursement as part of a company acquisition		(741)	0
Net cash provided by (used in) investing activities		**(3,407)**	**(1,455)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from loan		2,487	0
Repayments of loans		(373)	(1,051)
Payments for leasing liabilities		(1,631)	(1,502)
Net cash provided by (used in) financing activities		**483**	**(2,553)**
Effect of change in exchange rates on cash		27	46
Net change in cash and cash equivalents		**(1,738)**	**635**
Cash and cash equivalents, beginning of period	(6)	12,209	11,574
Cash and cash equivalents, end of period		**10,471**	**12,209**

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 shareholders´ equity**
Balance January 1, 2022	**14,194,164**	**14,194**	**2,575**	**(93)**	**(1,387)**	**2,119**	**17,408**
Total comprehensive income					(3,557)	3	(3,554)
Balance December 31, 2022	**14,194,164**	**14,194**	**2,575**	**(93)**	**(4,944)**	**2,122**	**13,854**
Balance January 1, 2021	**14,194,164**	**14,194**	**2,575**	**(93)**	**(2,197)**	**2,056**	**16,535**
Total comprehensive income					810	63	873
Balance December 31, 2021	**14,194,164**	**14,194**	**2,575**	**(93)**	**(1,387)**	**2,119**	**17,408**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

General Disclosures

The Company

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

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

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2022, the Company had cash and cash equivalents of EUR 10.5 million (December 31, 2021: EUR 12.2 million). The equity ratio as of the balance sheet date was 34% (previous year: 44%). The Company's financial liabilities to banks totaled EUR 2.1 million (2021: EUR 0 million) due to issuing of an option bond of EUR 3.1 million (2021: EUR 3.1 million) at the balance sheet date. We refer to the statements in the Group Management Report.

Accounting principles (compliance statement)

In fiscal year 2022, INTERSHOP Communications AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), in accordance with the provisions of the German Stock Corporation Act (AktG) and in accordance with the provisions required to be applied under section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code).

The consolidated financial statements of the Company for 2022 (January 1, 2022 to December 31, 2022) 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 2022 fiscal year was the first year in which the adoption of the following financial reporting standards and interpretations became mandatory:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments of IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendment to IFRS 3: Reference to the Conceptual Framework
- Annual improvements to the IFRS standards 2018–2020

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 17	Insurance Contracts	01/01/2023
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01/01/2024
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting methods	01/01/2023
IAS 8	Amendments to IAS 8: Definition of estimates	01/01/2023
IAS 12	Amendments to IAS 12: Deferred tax assets related to assets and liabilities from a single transaction	01/01/2023

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

Financial reporting for fiscal year 2022 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 6, 2023, the Management Board of INTERSHOP Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board. The Supervisory Board is responsible for audited the consolidated financial statements and declaring whether it approves them.

Estimates and discretionary decisions

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Estimates are based on past experience and other knowledge of transactions to be accounted for. Actual results may differ from these estimates. As a result, estimates and the assumptions on which they are based are regularly reviewed and assessed for their potential effects on the Company's financial reporting. Provisions are recognized and measured on the basis of financial estimates and data, as well as on the basis of historical data and circumstances known at the balance sheet date. It must be probable that the obligation to a third party will have to be settled. The actual obligation may differ from the amounts of the provisions. A corresponding adjustment in the carrying amounts of assets and liabilities would occur within the next fiscal year. In particular, estimates are required to recognize and measure provisions for legal costs and litigation risks, impending losses from projects, guarantee provisions, and provisions for income taxes, as well as to assess the need for and measurement of impairment losses and valuation allowances. In fiscal year 2022, other provisions amounted to a total of EUR 368 thousand (2021: EUR 287 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 2021 and 2022. 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, when determining contingent considerations as well as when recognizing leases in accordance with IFRS 16. The application of Group accounting policies is also subject to various discretionary decisions by Company management. Significant discretionary decisions were made with respect to the reporting procedures used for leasing relationships and the impairment of financial assets.

Basis of consolidation

As of December 31, 2022, the companies included in consolidation consisted of, apart from the parent company, the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., Intershop Communications SARL, Sparque B.V., The Bakery GmbH and Intershop Communications Ventures GmbH. Sparque B.V. with its registered office in Utrecht, Netherlands, was added in 2022. The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2022:

	Interest in %	**Equity*** in EUR thousand	**Annual result**** in EUR thousand
Intershop Communications, Inc., San Francisco, USA	100	(10)	293
Intershop Communications Australia Pty Ltd., Melbourne, Australia	100	1,656	116
Intershop Communications SARL, Paris, France	100	549	185
The Bakery GmbH, Jena, Germany	100	(4,185)	(51)
Intershop Communications Ventures GmbH, Jena, Germany	100	(1,435)	(18)
Sparque B.V., Utrecht, Netherlands	75	8	(32)

* Equity as of December 31, 2022 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2022 is translated at the average annual rate

Sparque B.V. acquisition

On March 16, 2022, Intershop acquired 80% of the shares in Sparque B.V., a Dutch solutions provider of search and recommendation marketing based on artificial intelligence (AI). A purchase option was agreed upon for the remaining 20% of the shares. For Intershop, the acquisition means an addition of modern AI technology to its own e-commerce platform.

The details regarding the purchase price payment for the acquired net assets and the goodwill are as follows:

in EUR thousand	
Cash compensation	787
Contingent consideration	2,313
Total purchase price	**3,100**

Intershop has a call option and the sellers a current put option for the acquisition of the remaining 20% of the shares after five years. The price of exercising the option depends on the amount of the ARR (Annual Recurring Revenue) at the end of 2026, with a minimum exercise price applying. No non-controlling interests were recognized for the minority shareholders due to the mirrored call/put option. The fair value of the contingent consideration in the amount EUR 2,313 thousand was estimated based on the present value of the redemption amount.

The recorded amounts of assets and liabilities included in the balance sheet as at the acquisition date are summarized below:

in EUR thousand	
Trade receivables	16
Other receivables and other assets	13
Cash and cash equivalents	46
Trade accounts payable	(2)
Other current liabilities	(33)
Identifiable net assets acquired	**40**
Plus goodwill	3,060
Transferred consideration	**3,100**

The goodwill results from the employees' know-how and the anticipated synergies from the integration into the Group's existing cloud business. It is expected to be non-deductible for tax purposes.

The Group's revenue and earnings include revenues of EUR 448 thousand and earnings of EUR -32 thousand of the acquired company.

Furthermore, in the course of the transaction, Intershop sold 5% of the shares to bind external service providers. Intershop has a recall option and the buyers a current put option for the reacquisition of the remaining 5% of shares after five years. The price of exercising the option depends on the amount of the ARR (Annual Recurring Revenue) at the end of 2026. The resulting liability will be estimated and recognized accordingly on each reporting date. As at December 31, 2022, the liability amounted to EUR 88 thousand. No non-controlling interests were recognized for the minority shareholders due to the mirrored call/put option.

The expenses related to the acquisition totaled EUR 113 thousand and are included in the general administrative costs in the statement of comprehensive income.

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 25 thousands (2021: EUR 50 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, 2022	Dec. 31, 2021	2022	2021
United States	USD	1.07	1.13	1.05	1.19
Australia	AUD	1.57	1.56	1.52	1.58

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 6 years.

Intangible assets with an indefinite useful life are measured at cost less accumulated impairment losses and tested for impairment both annually and when there are indications of impairment. Please refer to the section entitled “Impairment of assets”.

Software development costs

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

Goodwill

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

Property, plant, and equipment

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

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

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 2021 and 2022. 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 2021 and 2022. 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 as well as the expertise of the employees and the expected synergies from integrating the acquired Sparque B.V. into the existing cloud business of the Group (net carrying amount at December 31, 2022: EUR 7,533 thousand; December 31, 2021: EUR 4,473 thousand). For the goodwill the relevant cash-generating unit (CGU) is the Europe segment. In a first step, the carrying amount of the cash-generating unit is compared with the recoverable amount of the CGU at the balance sheet date. The recoverable amount in this context is defined as the maximum of the value in use and the stock price or the fair market value less selling costs, respectively

Secondly, the impairment write-down required is determined, but only if the value in use or market value is less than the carrying amount. To determine the value in use of the cash-generating unit, the net cash flows for the period from 2023 to 2026 and a "perpetual annuity" (without growth rate) for the period after and including 2027 were identified. The calculations are based on the corporate planning for the period from 2023 to 2026 approved by Intershop's management. The planning reflects the company strategy with the further consistent expansion of the cloud business and a focus on the B2B market thanks to strongly increasing cloud revenues and a further increase in incoming cloud orders. License and maintenance revenues, in contrast, are decreasing over time. The share of cloud revenue in the overall revenue increases every year, while the share of license and maintenance revenue is decreasing and the share of service revenue remains more or less constant over the planning period. An annual growth rate is expected for the total revenue over the planning period. The Group assumes an increasing gross margin in the planning period. The cloud margin grows over the period. The company expects positive, annually increasing EBIT margins. The increase in revenues and the improved margin will result in an increased inflow of cash of the CGU during the planning period. When determining the value in use, present values were calculated on the basis of a discount rate after tax of 11.54% (WACC) (WACC before tax: 16.80%) (2021: 7.88% WACC; 11.47% WACC before tax). No impairment losses on goodwill were reported in 2021 and 2022; impairment losses on goodwill are not reversed (no appreciation). An increase in the discount rate by two percentage points or a reduction in cash flows by up to 40% compared to the budget would not have any effect on the result of the test.

Leases

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

Financial instruments

Financial assets and financial liabilities, which include trade receivables and liabilities, cash and cash equivalents and restricted cash, are recognized in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are classified and measured based on the business model operated and the structure of the cash flows. A financial asset is initially measured as "at amortized cost," "at fair value through other comprehensive income," or "at fair value through profit or loss." Financial liabilities valued at amortized cost consist of the option bonds, liabilities to banks as interest-bearing bank loans, trade payables, leasing liabilities as well other current and non-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, 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.

Contract initiation costs

Contract initiation costs (sales commissions) are capitalized according to IFRS 15, provided they are directly attributable to the conclusion of a contract with a customer. This is recognized in the balance sheet under other assets. Contract initiation costs are amortized as scheduled over the term of the underlying contracts. The scheduled duration of amortization is three to eight years. The amortization of contract initiation costs is reported under sales and marketing expenses.

Cash and cash equivalents

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

Other provisions and contingent liabilities

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

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

Trade accounts payable

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

Liabilities to banks

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

Warrant bonds

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

Revenues

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

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

Licenses and Maintenance Revenues

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

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

Cloud and Subscription Revenues

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

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

Service Revenues

Intershop offers its customers various services in the course of implementation of the Intershop software. Daily rates and the schedule for these project services are contractually agreed with the customer. Intershop records the revenues from the rendering of the services over the period in which the services are rendered. As a rule, invoicing is done after performance with a payment target of 30 days. Revenues and expenses from fixed-price agreements are recognized based on the percentage of completion. The determination of the amount of revenues to be recognized is partly based upon the use of estimates. The Company estimates the percentage of completion on contracts with fixed or “not to exceed” fees on a monthly basis, utilizing hours incurred to date as a percentage of total estimated hours to complete the project. If Intershop does not have a sufficient basis to measure progress towards completion, revenue is recognized when the Company receives final acceptance from the customer. When total cost estimates exceed the contractually agreed upon revenues, Intershop sets aside valuation 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.”

Cost of debt

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

Income taxes

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

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

Operating segments

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

Earnings per share

The basic net profit per share is determined in accordance with IAS 33, Earnings per Share for all periods presented. Basic net loss per share is computed using the weighted average number of outstanding shares of common shares. The diluted net profit per share is computed using the weighted average number of ordinary shares outstanding and, in the case of dilution, the ordinary shares outstanding and the potential number of ordinary shares from options and warrants to purchase such shares using the treasury stock method.

Notes to the Individual Balance Sheet Items

(1) Intangible assets

in EUR thousand	Purchased Software/ other intangible assets	Internally developed software	Goodwill	Total
Costs of purchase				
Balance at January 1, 2021	**1,813**	**25,403**	**24,097**	**51,313**
Additions	0	1,492	0	1,492
Disposals	(46)	(2,107)	0	(2,153)
Currency translation differences	0	0	0	0
Balance at December 31, 2021	**1,767**	**24,788**	**24,097**	**50,652**
Additions	1,850	669	0	2,519
Disposals	0	(4,566)	0	(4,566)
Additions to the basis of consolidation	0	0	3,060	3,060
Currency translation differences	0	0	0	0
Balance at December 31, 2022	**3,617**	**20,891**	**27,157**	**51,665**
Amortization, write-downs, and impairment losses				
Balance at January 1, 2021	**1,764**	**19,547**	**19,624**	**40,935**
Additions	28	1,467	0	1,495
Disposals	(46)	(2,107)	0	(2,153)
Currency translation differences	0	0	0	0
Balance at December 31, 2021	**1,746**	**18,907**	**19,624**	**40,277**
Additions	248	1.321	0	1,569
Disposals	0	(4,566)	0	(4,566)
Currency translation differences	0	0	0	0
Balance at December 31, 2022	**1,994**	**15,662**	**19,624**	**37,280**
Net carrying amount at December 31, 2021	**21**	**5,881**	**4,473**	**10,375**
Net carrying amount at December 31, 2022	**1,623**	**5,229**	**7,533**	**14,385**

“Internally developed software” includes capitalized software development costs for continued development of Intershop’s software. The software acquired against payment includes the usage rights acquired by Intershop to the AI-based eCommerce technology from the Dutch Spinque B.V. The cost of EUR 1,800 thousand corresponds to the purchase price paid and is written off over the estimated useful life. In the statement of comprehensive income, the amortization of intangible assets in the amount of EUR 1,549 thousand (2021: EUR 1,489 thousand) is included in the sales costs, EUR 9 thousand (2021: EUR 0 thousand) in the sales and marketing expenses and EUR 11 thousand (2021: EUR 6 thousand) in the general administration 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	Total
Costs of purchase			
Balance at January 1, 2021	**2,191**	**540**	**2,731**
Additions	320	32	352
Disposals	(503)	(180)	(683)
Currency translation differences	5	1	6
Balance at December 31, 2021	**2,013**	**393**	**2,406**
Additions	139	8	147
Disposals	(92)	(1)	(93)
Currency translation differences	3	0	3
Balance at December 31, 2022	**2,063**	**400**	**2,463**
Depreciation, write-downs, and impairment losses			
Balance at January 1, 2021	**1,801**	**399**	**2,200**
Additions	202	58	260
Disposals	(502)	(178)	(680)
Currency translation differences	3	1	4
Balance at December 31, 2021	**1,504**	**280**	**1,784**
Additions	201	36	237
Disposals	(90)	(1)	(91)
Currency translation differences	2	0	2
Balance at December 31, 2022	**1,617**	**315**	**1,932**
Net carrying amount at December 31, 2021	**509**	**113**	**622**
Net carrying amount at December 31, 2022	**446**	**85**	**531**

In the statement of comprehensive income, the amortization of property in the amount of EUR 75 thousand (2021: EUR 92 thousand) is included in the sales costs, EUR 56 thousand (2021: EUR 66 thousand) in the research and development expenses, EUR 26 thousand (2021: EUR 33 thousand) in sales and marketing expenses and EUR 80 thousand (2021: EUR 69 thousand) in the general administrative costs.

(3) Leases

The following items are reported in the balance sheet in connection with leases:

Rights of use IFRS 16

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Office space	8,061	8,743
Office and operating equipment	999	1,316
Vehicles	227	67
	9,287	**10,126**

Lease liabilities IFRS 16

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Non-current	8,067	8,936
Current	1,428	1,296
	9,495	**10,232**

The additions on the rights of use during the 2022 fiscal year totaled EUR 641 thousand (2021: EUR 10,315 thousand). The high level of additions in 2021 result from the relocation of the company with the registered office of the company in the new office premises.

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

in EUR thousand	2022	2021
Depreciation on rights of use	1,482	1,357
Interest expenses from lease liabilities	236	239
Expenses for short-term leases	222	196
Expenses for leases for a low-value asset	4	6
Income from subleasing of rights of use	(32)	(25)
	1,912	**1,773**

Depreciation on rights of use are divided as follows:

in EUR thousand	2022	2021
Office space	1,080	1,002
Office and operating equipment	317	297
Vehicles	85	58
	1,482	**1,357**

The cash paid for leases totaled EUR 1,631 thousand in 2022 (2021: EUR 1,502 thousand); this amount includes interest in the amount of EUR 236 thousand (2021: EUR 239 thousand).

(4) Trade receivables

The trade receivables at the balance sheet date include receivables from rendering services and cloud services as well as the sale of software licenses amounting to EUR 4,901 thousand (Dec. 31, 2021: EUR 5,019 thousand) which fall due within one year (current assets). EUR 295 thousand (Dec. 31, 2021: EUR 271 thousand) of this amount relates to receivables from fixed-price projects (contract assets). Of the trade receivables, total receivables of EUR 3,418 thousand (Dec. 31, 2021: EUR 3,417 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, 2022	Dec. 31, 2021
Due within 30 days	1,510	1,440
Due within 31 and 60 days	1,725	1,789
Due within 61 days and 1 year	183	188
	3,418	**3,417**

As of December 31, 2022, trade receivables of EUR 1,483 thousand were past due but were not impaired (December 31, 2021: EUR 1,363 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, 2022					
expected loss rate (%)	0.18	0.43	0.83	1.41	3.10
trade receivables (EUR thousand)	3,418	391	455	193	444
December 31, 2021					
expected loss rate (%)	0.17	0.44	0.99	1.50	3.10
trade receivables (EUR thousand)	3,417	668	305	8	621

A value adjustment of EUR 17 thousand was made in accordance with the expected loss ratio with regard to the aforementioned trade receivables, whether due or not due on the balance sheet date. It is generally not expected that customers will fail to fulfil their payment obligations. Overdue, non-impaired receivables as at December 31, 2022 were collected primarily in January and February 2023.

For individual identifiable receivables risks, net impairment losses amounting to EUR 725 thousand (2021: EUR 194 thousand) were recognized in the operating result on December 31, 2022. Impairments changed as follows:

in EUR thousand	2022	2021
Balance at beginning of year	**194**	**142**
Impairment of receivables	725	129
Amounts derecognized due to uncollectibility	(80)	(13)
Amounts received during the fiscal year on receivables written off	(114)	(64)
Balance at end of year	**725**	**194**

(5) Other receivables and other assets

Other non-current assets in the amount of EUR 401 thousand (December 31, 2021: EUR 0 thousand) include contract initiation costs.

Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Prepayments	617	730
Contract initiation costs	111	0
Other tax receivables from sales tax and income tax	20	20
Receivables Government grants	20	0
Other	151	112
	919	**862**

The item “other tax receivables from sales tax and income tax” include income tax in the amount of EUR 5 thousand (December 31, 2021: EUR 0 thousand). The item “receivables for government grants” includes the grant from a research and development project funded by the Federal Ministry of Education and Research that has been applied for and approved but not yet received. As of the balance sheet date, the closing balances of the capitalized contract initiation costs amounted to EUR 512 thousand. The amortization of capitalized contract initiation costs amounted to EUR 47 thousand in 2022 (2021: EUR 0 thousand).

(6) Cash and cash equivalents

Cash and cash equivalents include current cash and cash equivalents (December 31, 2022: EUR 10,471 thousand; December 31, 2021: EUR 12,209 thousand) as well as non-current restricted cash (December 31, 2022: EUR 249 thousand; December 31, 2021: EUR 250 thousand). Cash and cash equivalents include balances at various credit institutions that are available at any time, as well as cash on hand and checks. The non-current restricted cash results from rental deposits for the new office space at the Company's headquarters and for the offices of the Australian subsidiary.

(7) Equity

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

Subscribed capital

The subscribed capital is unchanged compared to the prior year's balance sheet date at EUR 14,194,164 as of December 31, 2022 and is divided into 14,194,164 no-par value bearer shares, all of which have been fully paid.

Authorized capital

As at December 31, 2022, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2021: EUR 1,437,636) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2021: 1,437,636 shares). According to the INTERSHOP Communications AG's Articles of Association, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the capital stock by issuing new common shares as follows:

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

Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000 (December 31, 2021: EUR 1,437,000). As of December 31, 2022, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares.

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

(7.1) Capital reserve

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

(7.2) Other reserves

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

(8) Warrant bond

On July 24, 2020, the Management Board of INTERSHOP Communications AG, with the consent of the Supervisory Board, resolved to issue a warrant bond in the nominal amount of EUR 3,108,000 excluding the subscription right for existing shareholders. The warrant bond contains a combination of a bond and warrants to obtain no-par value shares of the Company. The warrant bond has a term of five years (July 24, 2020 to July 23, 2025) with an interest rate of 3.00% p.a. and an ordinary notice of termination of two years by the bondholders, subject to the waiver of the corresponding warrants. The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital of INTERSHOP Communications AG with a share of the capital stock on each share of EUR 1.00 per share. The option price per share is EUR 2.19. The warrant bond was fully allocated to the investors Shareholder Value Beteiligungen AG and AXXION S.A. on behalf of two fund mandates.

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

In the subsequent periods, the liability component is recognized at amortized cost using the effective interest method. The development of the book value of the warrant bond in the 2022 fiscal year is as follows:

in EUR thousand	
Carrying amount of the warrant bond on Dec. 31,2021	**3,059**
Accrued interest	22
Carrying amount of the warrant bond on Dec. 31,2022	**3,081**

(9) Trade accounts payable

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services and amounted to EUR 1,676 thousand (2021: EUR 1,631 thousand).

(10) Liabilities to banks

Liabilities to banks are broken down as follows:

in EUR thousand	**Dec. 31, 2022**	**Dec. 31, 2021**
Liabilities to banks - noncurrent	1,617	0
Liabilities to banks - current	497	0
	2,114	**0**

In the 2022 fiscal year, Intershop entered into an unsecured loan agreement with UniCredit Bank AG in the amount of EUR 2,487 thousand over a term of five years with a fixed interest rate of 2.24% p.a. and a constant quarterly repayment rate.

(11) Other liabilities

Other non-current liabilities in the amount of EUR 2,168 thousand (December 31, 2021: EUR 0 thousand) include contingent considerations from the acquisition of Sparque B.V. (we refer to the Section “Acquisition of Sparque B.V.”), Other current liabilities include:

in EUR thousand	**Dec. 31, 2022**	**Dec. 31, 2021**
Liabilities from outstanding vacation entitlement	925	832
Liabilities to employees	682	1,215
Liabilities from advance payments received	660	449
Other VAT and wage tax liabilities	521	388
Contingent considerations	289	0
Liabilities to the Occupational Health and Safety Agency	64	89
Other liabilities relating to social security benefits	36	60
Other liabilities	289	214
	3,466	**3,247**

Liabilities to employees mainly include liabilities from commissions and performance-based remuneration. The item "liabilities from prepayments" includes contractual obligations as defined in IFRS 15 comprising prepayments. As permitted under IFRS 15, no disclosures regarding remaining service obligations with an expected original term not to exceed one year are made. The other liabilities do not include any refund obligations.

(12) Deferred revenue

Deferred revenue relates to prepayments by customers, primarily in the form of revenue from maintenance and cloud 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 3,679 thousand included in the current deferred revenue as at December 31, 2021 was recorded as revenues in the 2022 fiscal year (2021: EUR 2,677 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 368 thousand (Dec. 31, 2021: EUR 287 thousand).

The following table shows the development of other current provisions:

in EUR thousand	Guarantee	Other	Total
Balance at January 1, 2022	**135**	**152**	**287**
Additions	126	169	**295**
Utilization	(136)	(83)	**(219)**
Reversal	0	0	**0**
Currency adjustments	1	4	**5**
Balance at December 31, 2022	**126**	**242**	**368**

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 2023. 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 36,803 thousand (2021: EUR 35,995 thousand) are divided into software and cloud revenues and service revenues as follows:

in EUR thousand	2022	2021
Licenses	1,812	2,250
Maintenance	7,714	7,551
Cloud and Subscription	14,194	11,107
Software and Cloud Revenues	**23,720**	**20,908**
Service Revenues	**13,083**	**15,087**
Total Revenues	**36,803**	**35,995**

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

(15) Cost of revenues

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

in EUR thousand	2022	2021
Licenses	1,637	1,467
Maintenance	1,760	1,701
Cloud and Subscription	6,238	5,408
Cost of revenues - Software and Cloud	**9,635**	**8,576**
Cost of revenues - Services	**11,455**	**10,017**
Total cost of revenues	**21,090**	**18,593**

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

(16) Research and development expenses

Research and development expenses comprise all expenses attributable to R&D activities, with personnel expenses accounting for the majority of this item. Research and development costs increased by 21% from EUR 5,659 thousand to EUR 6,853 thousand and correspond to 19% of the revenue (2021: 16%). The increase is primarily due to higher personnel costs as well as lower capitalization of software development costs.

(17) Sales and marketing expenses

Sales and marketing expenses primarily consist of personnel costs for sales and marketing employees, sales commissions, expenditures for sales partners, costs for various customer and partner events, online marketing expenses or expenses for market research. Sales and marketing expenses increased by 6% from EUR 7,698 thousand to EUR 8,124 thousand, primarily due to increased costs for customer and partner events. The share of sales and marketing expenses in the total revenue was 22% (2021: 21%).

(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 as well as all legal expenses. General and administrative expenses increased by 2% from EUR 3,282 thousand to EUR 3,346 thousand, primarily as a result of higher consulting and auditing costs. As in the prior year, the share of general and administrative expenses in total the revenue was 9%.

(19) Other operating income

Other operating income is composed of the following items:

in EUR thousand	2022	2021
Income from currency translation gains	234	143
Income from IFRS 16	133	145
Income from government grants	44	109
Gains from the disposal of fixed assets	1	1
Miscellaneous	188	534
	600	**932**

Of the income from government grants, EUR 24 thousand was paid out in 2022. These contributions relate to a research and development project that is supported by the Federal Ministry for Education and Research. Other income in the previous year includes an amount of EUR 445 thousand from the waiver of repayment for a loan that the Company received in 2020 as part of the U.S. corona aid. Income from currency gains of EUR 224 thousand is attributable to financial instruments.

(20) Other operating expenses

Other operating expenses relate to the following items:

in EUR thousand	2022	2021
Expenses from allowances	647	0
Currency translation losses	209	93
Other taxes	3	0
Miscellaneous	0	292
	859	**385**

Expenses from currency translation losses of EUR 207 thousand were attributable to financial instruments.

(21) Interest income and Interest expenses

Interest income amounted to EUR 4 thousand (2021: EUR 0 thousand) and primarily included interests from bank deposits.

Interest expenses amounted to EUR 525 thousand (2021: EUR 382 thousand) and primarily resulted from interest expenses for liabilities to banks for the 2022 fiscal year in the amount of EUR 30 thousand, EUR 115 thousand for the option bond, EUR 143 thousand for contingent considerations as well as interest expenses for leasing liabilities in the amount of EUR 236 thousand.

(22) Income taxes

Income tax liabilities on the balance sheet date amounted to EUR 60 thousand (2021: EUR 11 thousand) and foreign income taxes for the year 2022.

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, 2022 was based on a corporate income tax rate of 15% (2021: 15%) plus the solidarity surcharge of 5.5% (2021: 5.5%) and an effective expected trade tax rate of 15.487% (2021: 15.487%). The change in the trade tax rate is the result of higher assessment rates under trade tax law.

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

in EUR thousand	2022	2021
Current taxes		
Abroad	155	86
Germany	30	37
Deferred taxes		
Abroad	(18)	(5)
Germany	0	0
	167	**118**

The Group tax rate of 31.312% applicable in fiscal year 2022 (2021: 31.312%) 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	2022	2021
IFRS pretax income	(3,390)	928
Corporate tax rate	31.312%	31,312%
Expected tax expense/ tax income	(1,061)	291
Effects of changes in tax rates and different rates of foreign taxation	(16)	0
Change in the ability to utilize deferred tax assets in the future	1,139	(257)
Permanent effects including foreign withholding tax	105	83
Others	0	1
Income taxes	**167**	**118**

The components of the deferred tax assets were as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Taxes on eligible loss carryforwards	1,711	1,844
Inventories/Receivables	156	211
Prepaid expenses	12	17
Provisions/Liabilities	144	154
Leasing liabilities	2,789	2,991
Deferred tax assets	**4,812**	**5,217**
Offset	(4,703)	(5,126)
Deferred tax assets after offset	**109**	**91**
Intangible assets	1,637	1,841
Receivables	169	0
Liabilities/advances received	158	309
Right of use IFRS 16	2,731	2,961
Warrant bond	8	15
Deferred tax liabilities	**4,703**	**5,126**
Offset	(4,703)	(5,126)
Deferred tax liabilities after offset	**0**	**0**
Net deferred tax assets	**109**	**91**

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, 2022, deferred tax assets were only recognized in accordance with IAS 12.35 in the amount of taxable profit from temporary differences that will be available in the future.

Deferred taxes on balance sheet differences, with the exception of deferred tax liabilities on intangible assets, are short-term deferred taxes that reverse in the following year. Deferred tax liabilities on intangible assets are realized over a depreciation period of three years. Deferred taxes on loss carryforwards are basically to be regarded as long-term. Deferred tax liabilities for withholding taxes on capital for subsidiaries were not recognized. Of the deferred tax assets of EUR 4,812 thousand (2021: EUR 5,217 thousand), EUR 311 thousand (2021: EUR 382 thousand) are expected to be realized within the next twelve months. Of the deferred tax liabilities amounting to EUR 4,703 thousand (2021: EUR 5,126 thousand), EUR 326 thousand (2021: EUR 309 thousand) are expected to be realized within the next twelve months.

For the year ended December 31, 2022, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
U.S. Federal	6,951	7,579
U.S. State	4,637	35,262
German corporate income tax	311,632	308,230
German municipal trade tax	300,399	297,253

U.S. federal and state loss carryforwards are subject to a time limit and expire in various fiscal years through 2042. In the 2022 financial year, the change in loss carryforwards in the U.S. is mainly due to the forfeiture of U.S. taxes. Additional effects can be attributed to currency translation and ongoing use. Deferred taxes on foreign loss carryforwards were not recognized. With regard to the remaining German loss carryforwards, no deferred tax assets were recorded for income tax purposes in the amount of EUR 306,126 thousand (2021: EUR 302,295 thousand) and for trade taxes in the amount of EUR 294,975 thousand (2021: EUR 291,404 thousand).

(23) Earnings per share

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

in EUR thousand	2022	2021
Basis for calculating the undiluted earnings per share (earnings after tax)	**(3,557)**	**810**
Interest expenses for warrant bonds	0	114
Basis for calculating the diluted earnings per share	**(3,557)**	**924**

in thousand	2022	2021
Weighted average of common shares (undiluted)	**14,194**	**14,194**
Effect of the conversion of the warrant bonds	551	1,419
Weighted average of common shares (diluted)	**14,745**	**15,613**

in EUR	2022	2021
Earnings per share (basic)	**(0.25)**	**0.06**
Earnings per share (diluted)	**(0.24)**	**0.06**
Adjustment of earnings per share (diluted)	**(0.25)**	**0.06**

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

Notes to the Cash Flow Statement

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

The cash inflow from ongoing operating activities amounted to EUR 1,159 thousand in 2022 compared to EUR 4,597 thousand in 2021, mainly due to negative earnings before taxes. Cash outflows from investing activities increased from EUR 1,455 thousand in the prior year to EUR 3,407 due to increased payments for investments in intangible assets from the purchase of usage rights as well as the purchase price paid for acquired corporate shares. Cash inflow from financing activities amounted to EUR 483 thousand. Payments from the loan of EUR 2,487 thousand were offset by the loan repayment of EUR 373 thousand and payments for leasing liabilities of EUR 1,631 thousand. The cash outflow from financing activities amounted to EUR 2,553 thousand in the prior year due to the repayment of liabilities to banks amounting to EUR 1,051 thousand and leasing liabilities of EUR 1,502 thousand. In total, there was a net outflow of EUR 1,738 thousand in the 2022 fiscal year compared to a cash inflow of EUR 635 thousand in the prior year. Intershop had freely available cash and cash equivalents of EUR 10,471 thousand (12/31/2021: EUR 12,209 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 from January 1 to December 31, 2022

in EUR thousand	Europa	USA	Asia/ Pacific	Consoli- dation	Group
Revenues from external customers					
Software and Cloud Revenues	**16,777**	**4,699**	**2,245**	**0**	**23,720**
Licenses and Maintenance	8,033	959	534	0	9,526
Licenses	1,385	379	48	0	1,812
Maintenance	6,648	580	486	0	7,714
Cloud and Subscription	**8,744**	**3,740**	**1,710**	**0**	**14,194**
Service Revenue	**7,856**	**3,671**	**1,556**	**0**	**13,083**
Total revenues from external customers	**24,633**	**8,370**	**3,800**	**0**	**36,803**
Intersegment revenues	1,420	314	0	(1,734)	0
Total revenues	**26,053**	**8,684**	**3,800**	**(1,734)**	**36,803**
Cost of revenues	14,115	4,797	2,178	0	21,090
Gross profit	**10,516**	**3,574**	**1,623**	**0**	**15,713**
Operating expenses, operating income	12,437	4,226	1,919	0	18,582
Result from operating activities	**(1,921)**	**(652)**	**(296)**	**0**	**(2,869)**
Financial result					(521)
Earnings before tax					(3,390)
Income taxes					(167)
Earnings after tax					(3,557)
Assets	**27,611**	**9,382**	**4,260**	**0**	**41,253**
Additions to non-current assets	**2,214**	**752**	**341**	**0**	**3,307**
Liabilities	**18,339**	**6,231**	**2,829**	**0**	**27,399**
Depreciation and amortization	**2,200**	**748**	**340**	**0**	**3,288**
Non-cash expenses	**647**	**0**	**0**	**0**	**647**

Segment reporting from January 1 to December 31, 2021

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

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, Intershop Communications SARL and Sparque B.V. The segment “USA” includes the sales activities of Intershop Communications Inc. mainly in North America as well as the sales activities of INTERSHOP Communications AG in this region. The segment “Asia/Pacific” includes the sales activities of the Group in that region, including the sales activities of INTERSHOP Communications Australia Pty Ltd. The segment “Consolidation” includes all transactions in the individual segments.

Notes to the content of the individual line items:

- Revenues from external customers represent revenues from the segments with third parties outside the Group.
- Intersegment revenues include revenues from intersegment relationships. These revenues are recognized in the same way as those from external third parties.
- The cost of revenues comprises the costs attributed to each operating segment for generating its revenues.
- Gross profit, which is calculated as the difference between segment revenues and the cost of revenues, is the first assessment level for management decisions.
- Operating expenses and income comprise research and development expenses, sales and marketing costs, general and administrative expenses, and other operating expenses and income that are attributable to the relevant segments. Other operating expenses and income also include the effects of one-time and currency losses and gains.
- The result from operating activities (EBIT), which is the gross profit or loss less operating expenses and income, forms the basis for assessing the performance of the segments.
- Interest income and income taxes are not allocated to the segments as the relevant transactions are managed by the Group.
- Segment assets comprise the Intershop Group’s noncurrent and current assets that are allocated to the respective segment on the basis of the percentage revenue breakdown. No other measurement of segment assets is used.
- Segment liabilities comprise the Intershop Group’s noncurrent and current liabilities that are allocated to the respective segment on the basis of the percentage revenue breakdown. No other measurement of segment liabilities is used.
- Depreciation and amortization relates to the depreciation and amortization of the segment assets allocated to the individual regions.
- Non-cash expenses in 2022 relate to value adjustments on trade receivables. There was no significant non-cash income in 2022. Non-cash income in 2021 includes a loan forgiveness. In 2021, there were no significant non-cash 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 9,786 thousand (2021: EUR 9,693 thousand). Revenues of EUR 27,017 thousand (2021: EUR 26,302 thousand) were recorded from external customers in other countries.

The amount of EUR 7,445 thousand of the revenues relates to customers in the USA (2021: EUR 5,792 thousand). In fiscal years 2021 and 2022, 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 24,019 thousand (Dec. 31, 2021: EUR 20,557 thousand) in Germany and EUR 834 thousand (Dec. 31, 2021: EUR 796 thousand) in other countries.

Litigations/contingent liabilities

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

Financial instrument disclosures

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

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

in EUR thousand	**Dec. 31, 2022**	**Dec. 31, 2021**	**as a % of previous year**
Equity	13,854	17,408	-20%
Liabilities to banks	2,114	0	n.a.
Trade accounts payable	1,676	1,631	3%
Warrant Bond	3,081	3,059	1%
Leasing liabilities	9,495	10,232	-7%
Contingent considerations	2,457	0	n.a.
Other liabilities	8,576	7,224	19%
Equity ratio	34%	44%	

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	Dec. 31, 2022	Dec. 31, 2021
Measurement	**Carrying amount**	**Carrying amount**
Measured at amortized cost		
Financial assets		
Other noncurrent assets	401	0
Trade receivables	4,901	5,019
Restricted cash	249	250
Cash and cash equivalents	10,471	12,209
Financial liabilities		
Trade payables	1,676	1,631
Liabilities to banks	2,114	0
Warrant Bond	3,081	3,059
Leasing Liabilities	9,495	10,232
Contingent considerations	2,457	0
Other current liabilities	867	1,409
Carrying amount aggregated by measurement category	**Dec. 31, 2022**	**Dec. 31, 2022**
Financial assets measured at amortized cost	16,022	17,478
Financial liabilities measured at amortized cost	19,690	16,331
Net gain/loss per measurement category	**2022**	**2021**
Financial assets measured at amortized cost	(647)	(62)
Financial liabilities measured at amortized cost	(525)	(382)

There was no regrouping between the categories in the reporting year. With regard to the existing financial instruments, with the exception of liabilities to banks, the option bond, leasing liabilities and contingent considerations, the contractually agreed maturities are essentially within one year of the balance sheet date. Therefore, their book values on the balance sheet date correspond to the fair values. For option bond liabilities, the fair values are determined based on the stock market price (as 12/31/2022: EUR 3,110 thousand). For liabilities from contingent considerations, the fair values of the anticipated cash flows are assessed on the basis of the contractual agreements and company knowledge. With regard to the liabilities to banks, the fair values are calculated as the present values of the payments associated with the liabilities based on market interest rates (12/31/2022: EUR 1,937 thousand). The fair value of the financial liability for the purpose of providing information in the Notes was calculated 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 seven 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. In the 2022 fiscal year, Intershop took out a bank loan of EUR 2,487 thousand. Since the loan is repaid quarterly, EUR 373 thousand was repaid as scheduled in the 2022 fiscal year. For the option 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 or when exercising the warrants with simultaneous termination of the bond, whereby in case of the latter, Intershop has a corresponding liquidity inflow in the same amount. The bank balances on the balance sheet date totaled EUR 10,471 thousand. There are no risk concentrations.

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

in EUR thousand	Dec. 31, 2021	Cash-effective change	Non-cash effective change (reclassifications)	Non-cash effective change (interest effects)	Dec. 31, 2022
Liabilities to banks - noncurrent	0	1,617	0	0	**1,617**
Liabilities to banks - current	0	497	0	0	**497**
Total Liabilities to banks	**0**	**2,114**	**0**	**0**	**2,114**
Warrant bond	3,059	0	0	22	**3,081**
Total	**3,059**	**2,114**	**0**	**22**	**5,195**

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, 2021	Cash flow in 2022	Carrying amount at Dec. 31, 2022	Cash flow in 2023	Cash flow after 2023
Liabilities to banks	0	0	**2,114**	540	1,680
Trade accounts payable	1,631	1,631	**1,676**	1,676	0
Warrant bond	3,059	93	**3,081**	93	3,294
Leasing liabilities	10,232	1,631	**9,495**	1,628	8,686
Contingent considerations	0	0	**2,457**	300	2,900
Other current liabilities	1,409	1,409	**867**	867	0

Interest rate risk

An interest rate risk could arise from a change in market interest rates for medium- or long-term liabilities. Since the Company has agreed to a bank loan and option bond with a fixed interest rate over the term, there is no interest risk and no risk concentration for Intershop.

Currency risk

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

in EUR thousand	Assets		Liabilities	
	2022	**2021**	**2022**	**2021**
in USD	27	293	0	0
in AUD	0	0	0	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.

in EUR thousand	**Earnings after tax/ equity** USD		**Earnings after tax/ equity** AUD	
	2022	**2021**	**2022**	**2021**
Change due to 10% appreciation of the euro	0	0	0	0
Change due to 10% depreciation of the euro	0	0	0	0

Climate risks

Intershop has reviewed whether there are climate-related risks or opportunities and if they will have an impact on the current financial statements. This would be conceivable particularly relating to the market opportunities of our products and services or even relating to the impairment test for the CGU. We have considered whether climate events, regulations or climate-induced changes to the behavior of our customers or our customers' customers are likely to have an impact. Our analysis could not currently identify any significant impact as we believe our products and services are still in demand regardless of climate developments.

Related party disclosures

Intershop maintained business relationships with the consolidated subsidiaries. The shareholders Shareholder Value Beteiligungen AG, Shareholder Value Management AG, Value Focus Beteiligungs GmbH, and Reiner Sachs (indirectly via Sachs Assets GmbH) collectively hold after their voluntary confirmation 35.66% of the voting rights according to the voting rights. In this respect, we refer to the Management

Report, section "Disclosures pursuant to Sec. 289a(1) HGB and Sec. 315a(1) HGB together with the explanatory report pursuant to Sec. 176(1) sentence 1 of the Stock Corporations Act." The Chairman of the Supervisory Board of Intershop Frank Fischer is the Chairman of the Management Board of Shareholder Value Management AG, member of the Management Board of Shareholder Value Beteiligungen AG and managing partner of Value Focus Beteiligungs GmbH. In July 2020, Intershop issued a warrant bond in the nominal amount of EUR 3,108,000 under the exclusion of the subscription rights of the existing shareholders (see section (8) "Warrant bond"). Shareholder Value Beteiligungen AG subscribed to 1,500 partial debentures at a purchase price of EUR 1,500,000. The interest payments in the 2022 fiscal year from the warrant bond issued to Shareholder Value Beteiligungen AG amounted to EUR 45 thousand (2021: EUR 45 thousand). With respect to the remuneration for Supervisory Board and Management Board members, we refer to the Remuneration Report. The remuneration of the Management Board consists of fixed, performance-based and variable, performance-based components. The variable remuneration includes performance-based one-year remuneration and performance-based multi-year remuneration, which are granted based on achieving certain targets. If the employment relationship ends during a fiscal year, the member of the Management Board will be entitled to the variable, performance-based remuneration for targets that have already been achieved.

Disclosure requirements under German law

Members of the executive bodies

The Management Board comprised in 2022 the following members:

Name	Function	Term of office
Markus Klahn	CEO	since 04/09/2018 (CEO since 05/06/2021)

The Supervisory Board comprised the following members in 2022:

Name	Function	Term of Office
Frank Fischer	Chairman of the Supervisory Board	since 12/01/2022
Christian Oecking	Chairman of the Supervisory Board	06/02/2016 – 11/30/2022
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
Oliver Bendig	Member of the Supervisory Board	since 05/16/2022

Total remuneration paid to the Management Board for its activities in the 2022 fiscal year amounted to EUR 365 thousand (2021: EUR 664 thousand), of which EUR 265 thousand (2021: EUR 345 thousand) relate to fixed remuneration, EUR 100 thousand (2021: EUR 101 thousand) to variable components and EUR 0 thousand (2021: EUR 218 thousand) to other remuneration. In the 2022 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 185 thousand (2021: EUR 194 thousand), of which EUR 185 thousand (2021: EUR 160 thousand) accounted for fixed remuneration and EUR 0 thousand (2021: EUR 34 thousand) for the performance-based variable portion. Payments made to the Management Board and Supervisory Board consist exclusively of benefits due in the short term. Details regarding the remuneration of the Management Board and the Supervisory Board are presented in the Remuneration Report. This is published on the website of the Company at https://www.intershop.com/de/verguetungssystem.

Directors' holdings and Securities transactions subject to reporting requirements

As of December 31, 2022, the following members of the Company's executive bodies held Intershop ordinary bearer shares:

Name	Function	Shares
Markus Klahn	CEO of the Management Board	11,366
Ulrich Prädel	Vice Chairman of the Supervisory Board	7,535
Univ.-Prof. Dr. Louis Velthuis	Member of the Supervisory Board	18,500
Oliver Bendig	Member of the Supervisory Board	11,000

During the 2022 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)
Univ.- Prof. Dr. Louis Velthuis	06/24/2022	Purchase	3,000	10,800
Oliver Bendig	06/02/2022	Purchase	6,978	31,908
Oliver Bendig	06/03/2022	Purchase	2,500	11,500
Oliver Bendig	06/06/2022	Purchase	1,522	6,825

Employees

During the fiscal year 2022, Intershop Group had an average of 296 full-time employees, of whom 295 were salaried employees and one member of the executive bodies (2021: 292 full-time employees, of whom 291 were salaried employees and 1 member of the executive bodies). The employees are distributed over the following areas on an annual average:

	2022	2021
Technical Departments (Service Functions and Research Development)	227	226
Sales and marketing	38	36
General administration	30	29
	295	**291**

Personnel expenses and cost of materials

Personnel expenses totaled EUR 22,195 thousand (2021: EUR 22,371 thousand); of which EUR 19,127 thousand relate to wages and salaries (2021: EUR 19,481 thousand) and EUR 3,068 thousand to social security contributions (2021: EUR 2,890 thousand). Material expenses amounted to EUR 7,612 thousand (2021: EUR 5,551 thousand), EUR 7,339 thousand of which were expenses for purchased services (2021: EUR 5,382 thousand).

Auditor´s fees

The fees incurred for the services rendered by the auditor for the 2022 fiscal year were comprised of EUR 175 thousand for audit services (2021: EUR 171 thousand) In 2021, audit services include support services for a DPR audit.

Events subsequent to the balance sheet date

The Supervisory Board appointed Petra Stappenbeck as a further member of the Management Board effective as of January 1, 2023. Thus, since the start of the 2023 fiscal year, the Management Board consists of Markus Klahn as Chairman of the Management Board and Petra Stappenbeck as the Chief Financial Officer.

In January 2023, Axxion S.A. partially exercised the option over 388,127 shares from the warrant issued by Intershop in July 2020 as part of an option bond on behalf of a fund client and therefore obtained a total of 388,127 newly issued no-par value bearer shares of INTERSHOP Communications AG at a price of EUR 2.19 per share. The share capital of INTERSHOP Communications AG increased accordingly from EUR 14,194,164 to EUR 14,582,291 effective as of January 27, 2023 and the conditional capital decreased from EUR 1,437,000 to EUR 1,048,873. Exercising the option provided Intershop with gross issuing proceeds of EUR 850,000 which were used for the repayment of simultaneously terminated bonds in the same amount.

No other material events that must be reported occurred 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 9, 2022, and made this declaration permanently available to its stockholders at https://www.intershop.com/en/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 6, 2023

The Management Board of INTERSHOP Communications Aktiengesellschaft

Markus Klahn Petra Stappenbeck

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 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, 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 2022.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. 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 7,533 thousand (representing 18% of total assets and 54% of equity) of which EUR€ 3,060 thousand originate from the acquisition of Sparque B.V. 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 5,229 thousand(representing 13% of total assets and 38% 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 36,803 thousand is reported in the consolidated statement of comprehensive income in the consolidated financial statements of INTERSHOP Communications Aktiengesellschaft. The company recognizes revenue from the sale and temporary granting of licenses, the provision and running of systems for online-commerce as standardized service (CaaS), the provision of installation services and advice, maintenance and operation of online shops on behalf of customers in return for a sales- or transaction-based fee.

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

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

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

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

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

③ The Company’s disclosures on revenue recognition are contained in sections “(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
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial

statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

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

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file INTERSHOP_AG_KA_LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

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

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

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

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

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

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

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

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 10 May 2022. We were engaged by the supervisory board on 1 December 2022. We have been the group auditor of the INTERSHOP Communications Aktiengesellschaft, Jena, without interruption since the financial year 2007.

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

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

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

German Public Auditor Responsible For The Engagement

The German Public Auditor responsible for the engagement is Carl Erik Daum.

Leipzig, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Carl Erik Daum)	(sgd. ppa. Marcus Engelmann)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Statements

Balance Sheet INTERSHOP Communications Aktiengesellschaft

in EUR	December 31, 2022	December 31, 2021
ASSETS		
Fixed Assets		
Intangible assets		
Internally developed software	5,229,202	5,880,577
Purchased software licenses	1,622,514	20,705
Property and equipment		
Other facilities, furniture, and equipment	493,073	587,057
Financial Assets		
Investments in affiliated companies	8,228,641	5,128,453
	15,573,430	**11,616,792**
Current Assets		
Inventories		
Work in process	497,964	515,544
Payments on account	16,650	23,213
	514,614	538,757
Receivables and other assets		
Accounts receivable	2,419,299	3,682,039
Receivables from affiliated companies	1,480,432	1,719,410
Other assets	172,487	98,613
	4,072,218	5,500,062
Cash-in-hand, bank balances	7,453,159	8,923,848
	12,039,991	**14,962,667**
Prepaid expenses	**623,367**	**688,059**
TOTAL ASSETS	**28,236,788**	**27,267,518**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock	14,194,164	14,194,164
Conditional capital: EUR 1,437,000 (prior year: EUR 1,437,000)		
Capital reserves	1,494,454	1,494,454
Revenue reserve		
Other revenue reserves	564,018	564,018
Accumulated deficit/profit	(4,094,644)	0
	12,157,992	**16,252,636**
Accrued Liabilities		
Other accrued liabilities	2,146,061	2,531,951
	2,146,061	**2,531,951**
Liabilities		
Loans		
of which loans convertible EUR 3,108,000 (prior year: EUR 3,108,000)	3,108,000	3,108,000
Bank loans	2,113,950	0
Customer advances	863,615	573,442
Trade payables	176,012	489,934
Payables to affiliated companies	372,222	457,914
Other liabilities	3,026,955	348,177
thereof from taxes: EUR 407,118 (prior year: EUR 264,558)		
thereof from social security benefits: EUR 13,768 (prior year EUR 24,886)		
	9,660,754	**4,977,467**
Deferred income	**4,271,981**	**3,505,464**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**28,236,788**	**27,267,518**

Statement of Operations of INTERSHOP Communications Aktiengesellschaft

in EUR	January 1 to December 31, 2022	2021
Revenues	27,213,341	28,794,497
Decrease in inventories of work in progress	(17,579)	(448,270)
Other own work capitalized	530,478	1,409,516
Other operating income	621,712	370,273
Cost of Materials		
Cost of purchased merchandise	(248,668)	(145,807)
Cost of purchased services	(4,368,276)	(3,664,710)
Personnel Costs		
Salaries	(14,042,517)	(14,388,502)
Social security contribution	(2,517,264)	(2,470,701)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(1,796,955)	(1,744,780)
Other operating expenses	(9,276,011)	(7,178,751)
Other interest and similar income	104,002	121,166
thereof from affiliated companies: EUR 101,854 Euro (prior year: EUR 121,015)		
Interest and similar expenses	(266,949)	(114,452)
Taxes on income	(29,958)	(37,034)
Net income after tax/Net loss/Net income for the year	**(4,094,644)**	**502,445**
Allocation to the retained earnings	0	(502,445)
Accumulated deficit/profit	**(4,094,644)**	**0**

Notes to the Financial Statements

INTERSHOP Communications Aktiengesellschaft

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

The annual financial statements of INTERSHOP Communications Aktiengesellschaft for fiscal year 2022 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.

The financial statements have been prepared in Euros. Unless stated otherwise, the amounts are given as thousands of euros (EUR thousand). Figures are rounded to the nearest thousand and totals may not sum due to rounding.

Accounting Policies

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

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

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

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

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

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

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

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

Cash is measured at its nominal value.

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

Common stock is stated at par value.

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

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

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

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

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

Notes to the items in the annual financial statements

Balance Sheet

Fixed assets changed as follows:

	Intangible Assets		**Tangible Assets**	**Financial Assets**	**Total**
in EUR thousand	Internally developed Software	Purchased Software licenses	Other equipment, operating and office equipment	Shares in affiliated companies	
Costs of purchase					
Balance at January 1, 2022	13,048	1,767	2,247	41,503	58,565
Additions	669	1,851	121	3,100	5,741
Disposals	0	0	(63)	0	(63)
Balance at December 31, 2022	13,717	3,618	2,305	44,603	64,243
Depreciation, write-downs, and impairment losses					
Balance at January 1, 2022	7,167	1,764	1,660	36,375	46,948
Additions	1,321	249	213	0	1,783
Disposals	0	0	(61)	0	(61)
Balance at December 31, 2022	8,488	1,995	1,812	36,375	48,670
Net carrying amount at December 31, 2021	5,881	21	587	5,128	11,617
Net carrying amount at December 31, 2022	**5,229**	**1,623**	**493**	**8,228**	**15,573**

The addition to internally generated software results from the first-time capitalization of software development costs. Overall, development costs of EUR 7,521 thousand were incurred in the 2022 fiscal year. The capitalization of the software development costs led to a restricted amount of EUR 5,229 thousand less deferred tax liabilities in the amount of EUR 1,637 thousand as set forth in Sec. 268 (8) HGB. Access to the software licenses acquired for a fee results from the acquisition of usage rights. The financial assets include EUR 4,818 thousand attributable to Intershop Communications Inc. and EUR 3,100 thousand to the shares in the Dutch company Sparque B.V., newly acquired in the 2022 fiscal year; the shares in Intershop Communications Inc. were written down to the lower fair value in previous years. There are no indications of a need to further adjust the values according to current corporate planning.

Receivables from affiliated companies in the amount of EUR 750 thousand (prior year: EUR 750 thousand) resulted from Group financing; EUR 0 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 39 thousand (prior year: EUR 54 thousand) as of the balance sheet date. The nominal interest that was reduced due to the option right of the option bond issued in the 2020 fiscal year (overbearing interest) results in an equity share (Sec. 272 (2) No. 2 HGB). This was carried as a discount over the term (prepaid expenses) and added to the capital reserve as an additional payment to the partners in the relevant amount. The discount is reversed as expenses using the straight-line method over the term of the option bond (5 years).

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

The other provisions mainly relate to outstanding invoices (EUR 729 thousand, prior year: EUR 764 thousand), variable remuneration components (EUR 421 thousand, prior year: EUR 754 thousand), as well as vacation accruals (EUR 411 thousand, prior year: EUR 373 thousand). The other provisions relate to the costs of the financial statements and the Annual Stockholders' Meeting, remuneration for the Supervisory Board, as well as imminent losses, and warranties.

Liabilities comprise the following:

in EUR thousand	Remaining term of up to one year Dec. 31, 2022	Remaining term of more than one year Dec. 31, 2022	Total Dec. 31, 2022	Remaining term of up to one year Dec. 31, 2021	Remaining term of more than one year Dec. 31, 2021	Total Dec. 31, 2021
Bonds	0	3,108	3,108	0	3,108	3,108
Bank loans	497	1,617	2,114	0	0	0
Advance payments received	864	0	864	573	0	573
Accounts payable	176	0	176	490	0	490
Liabilities to affiliated companies	372	0	372	458	0	458
Other liabilities	859	2,168	3,027	348	0	348
	2,768	**6,893**	**9,661**	**1,869**	**3,108**	**4,977**

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

The liability from the warrant bond is reported in the amount to be paid according to Sec. 253 (1) HGB. In the 2020 fiscal year, namely on July 24, 2020, the Management Board of INTERSHOP Communications AG, with the consent of the Supervisory Board, decided to issue a warrant bond in the nominal amount of EUR 3,108,000 under the exclusion of the subscription rights of the existing shareholders. The warrant bond contains a combination of a bond and warrants to obtain no-par value shares of the Company. The warrant bond has a term of five years (July 24, 2020 to July 23, 2025) with an interest rate of 3.00% p.a. and an ordinary notice of termination of two years by the bondholders, subject to the waiver of the corresponding warrants. Intershop can ordinarily terminate the partial warrant bonds early, in whole or in part, giving three months' notice if a change or amendment to tax laws and regulations of the Federal Republic of Germany or a change or amendment to these laws and regulations on the next interest payment date means that Intershop has to pay additional amounts. In the event of a termination, the repayment amount (= 100%) together with the accrued interest is due.

The holders of the warrants are entitled to subscribe to a total of 1,419,178 no-par value bearer shares from conditional capital of INTERSHOP Communications AG with a share of the capital stock on each share of EUR 1.00 per share. The option right can be exercised on any banking day from July 24, 2020 until the 10th business day before the date the partial warrant bonds become due. The option price per share is EUR 2.19. The warrant bond was fully allocated to the investors Shareholder Value Beteiligungen AG and AXXION S.A. on behalf of two fund clients.

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

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

Statement of Operations

The following table shows a breakdown of revenues by region:

in EUR thousand	**2022**	**2021**
Germany	10,048	10,109
Rest of Europe	14,531	15,421
Rest of the world excluding Europe	2,634	3,264
	27,213	**28,794**

Revenues from software and cloud sales and from service sales are EUR 17,660 thousand (prior year: EUR 16,291 thousand) and EUR 9,553 thousand (prior year: EUR 12,503 thousand) respectively.

Other operating income includes income from currency translation of EUR 149 thousand (prior year: EUR 85 thousand). Of the other operating income, EUR 261 thousand is related to prior periods. These are mainly the result of the reversal of provisions and income from the billing of ancillary costs for leased office space.

Other operating expenses include depreciation and amortization of receivables from affiliated companies of EUR 66 thousand (prior year: EUR 65 thousand), as well as expenses from currency translation of EUR 149 thousand (prior year: EUR 34 thousand).

Other Disclosures

Authorized capital

As at December 31, 2022, the Company had authorized capital in the amount of EUR 1,437,636 (December 31, 2021: EUR 1,437,636) for the issuance of 1,437,636 new non-par bearer shares (December 31, 2021: 1,437,636 shares). According to the INTERSHOP Communications AG's Articles of Association, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the capital stock by issuing new common shares as follows:

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

Conditional capital

As of the balance sheet date, the Company had conditional capital in the amount of EUR 1,437,000 (December 31, 2021: EUR 1,437,000). As of December 31, 2022, the Company's capital stock was increased conditionally by up to EUR 1,437,000 by issuing up to 1,437,000 shares.

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

Voting rights notifications

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

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

Other financial obligations of EUR 12,492 thousand (prior year: EUR 13,347 thousand) exist from rental agreements and from leasing agreements for vehicles and office equipment. The term of the agreement or the earliest possible termination dates were used as a basis for the calculation. The financial obligations under lease agreements essentially relate to the leases for the company's business premises at the company headquarters. Financial obligations from lease agreements relate mainly to the lease agreement for the business premises of the Company at the head office with a remaining term of eight 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 2023	due 2023 to 2027	due after 2027	**Total Dec. 31,2022**	Total Dec. 31,2021
Rental agreements*	1,465	5,524	4,257	**11,246**	11,898
Leases	419	827	0	**1,246**	1,449
Total	**1,884**	**6,351**	**4,257**	**12,492**	**13,347**

*including ancillary rental expenses

Employees

The Company had an average of 251 employees during the 2022 fiscal year, including 25 students (calculated on a full-time basis, prior year: 248 employees including 27 students). The employees are distributed over the following areas over the following areas:

	2022	**2021**
Technical Departments (Service Functions and Research Development)	194	193
Sales and marketing	30	28
General administration	27	27
	251	**248**

In accordance with Section 267 (5) of the German Commercial Code (HGB), the Company had an average of 273 employees (excluding full-time equivalents; 2021: 271 employees).

Executive bodies of the Company

The Supervisory Board comprised the following members in fiscal year 2022:

Frank Fischer
(since 12/01/2022)
Chairman of the Supervisory Board since 12/01/2022
Chairman and Chief Investment Officer of Shareholder Value Management AG
Member of Management Board of Shareholder Value Beteiligungen AG

Christian Oecking
(until 11/30/2022)
Chairman of the Supervisory Board from 06/02/2016 to 11/30/2022
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)

Oliver Bendig
(since 05/16/2022)
Member since 05/16/2022
Managing Director of the STP Group
Further mandate:
Ecovium GmbH (Advisory Board)

In 2022 the Management Board included the following persons:

Markus Klahn
Chairman of the Management Board and Sole Director since 05/06/2021
Management Board member responsible for operational business from 04/09/2018 to 05/06/2021

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

Total remuneration paid to the Management Board for its activities in the 2022 fiscal year amounted to EUR 365 thousand (2021: EUR 664 thousand), of which EUR 265 thousand (2021: EUR 345 thousand) relate to fixed remuneration, EUR 100 thousand (2021: EUR 101 thousand) to variable components and EUR 0 thousand (2021: EUR 218 thousand) to other remuneration. In the 2022 fiscal year, Supervisory Board members were entitled to remuneration totaling EUR 185 thousand (2021: EUR 194 thousand), of which EUR 185 thousand (2021: EUR 160 thousand) accounted for fixed remuneration and EUR 0 thousand (2021: EUR 34 thousand) for the performance-based variable portion. Payments made to the Management Board and Supervisory Board consist exclusively of benefits due in the short term. Details regarding the remuneration of the Management Board and the Supervisory Board are presented in the Remuneration Report. This is published on the website of the Company at https://www.intershop.com/de/verguetungssystem.

Intershop Group

As a listed company, INTERSHOP Communications AG prepares consolidated financial statements in accordance with IFRS and according to the provisions of Section 315a of the HGB (German Commercial Code) for the largest and, at the same time, the smallest group of companies for which consolidated financial statements must be prepared. The consolidated financial statements will be submitted to the Bundesanzeiger (German Federal Gazette). As of December 31, 2022, in addition to the ultimate parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd., Intershop Communications SARL, Sparque B.V., The Bakery GmbH and Intershop Communications Ventures GmbH.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2022:

	Interest in %	**Equity*** in EUR thousand	**Annual result**** in EUR thousand
Intershop Communications, Inc., San Francisco, USA	100	(10)	293
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	1,656	116
Intershop Communications SARL, Paris, France	100	549	185
The Bakery GmbH, Jena, Germany	100	(4,185)	(51)
Intershop Communications Ventures GmbH, Jena, Germany	100	(1,435)	(18)
Sparque B.V., Utrecht, Niederlande	75	8	(32)

* Equity as of December 31, 2022 is translated at the exchange rate as of the reporting date
** Net income/loss for fiscal year 2022 is translated at the average annual rate

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

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 9, 2022 and made this declaration publicly available on the Company's website at https://www.intershop.com/en/corporate-governance.

Events subsequent to the balance sheet date

The Supervisory Board appointed Petra Stappenbeck as a further member of the Management Board effective as of January 1, 2023. Thus, since the start of the 2023 fiscal year, the Management Board consists of Markus Klahn as Chairman of the Management Board and Petra Stappenbeck as the Chief Financial Officer.

In January 2023, Axxion S.A. partially exercised the option over 388,127 shares from the warrant issued by Intershop in July 2020 as part of an option bond on behalf of a fund client and therefore obtained a total of 388,127 newly issued no-par value bearer shares of INTERSHOP Communications AG at a price of EUR 2.19 per share. The share capital of INTERSHOP Communications AG increased accordingly from EUR 14,194,164 to EUR 14,582,291 effective as of January 27, 2023 and the conditional capital decreased from EUR 1,437,000 to EUR 1,048,873. Exercising the option provided Intershop with gross issuing proceeds of EUR 850,000 which were used for the repayment of simultaneously terminated bonds in the same amount.

No other material events that must be reported occurred after the balance sheet date.

Appropriation of net income/loss

The Management Board of Intershop Communications AG proposes to carry forward the balance sheet loss of EUR 4,094,644 to new account.

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 6, 2023

The Management Board of INTERSHOP Communications Aktiengesellschaft

M. Klahn Stappenbeck

Markus Klahn Petra Stappenbeck

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 Aktiengesell-schaft, Jena, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022 and notes to the financial state-ments, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of INTERSHOP Communications Aktiengesellschaft, which is com-bined with the group management report, for the financial year from 1 January to 31 December 2022.

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 re-quire-ments 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 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Re-quired Accounting Principles and
- the accompanying management report as a whole provides an appropriate view of the Compa-ny's position. In all material respects, this management report is consistent with the annual finan-cial statements, complies with German legal requirements and appropriately presents the oppor-tuni-ties and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in ac-cord-ance 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 State-ment Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Ger-many] (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 accord-ance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

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

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

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

Hereinafter we present the key audit matters:

❶ Recognition and measurement of internally generated intangible fixed assets

① Internally generated intangible fixed assets amounting in total to EUR 5,229 thousand (repre-senting 18% of total assets and 43% 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 as-set 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 intan-gible 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, ac-counting 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 un-derlying 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 27,213 thousand is reported in the income statement in the annual financial statements of INTERSHOP Communications Aktiengesellschaft. The company recog-nizes revenue from the sale and temporary granting of licenses, the provision and running of sys-tems 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 reve-nue 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 mat-ter 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 fi-nan-cial statements, we have assessed the accounting policies applied by INTERSHOP Communi-ca-tions 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 identifi-ca-tion of contracts and individual services and the recognition of revenue, assessed their ap-propri-ateness and tested their effectiveness with respect to avoiding and/or identifying errors. Moreo-ver, 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 addi-tion, 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 as-sump-tions relating to revenue recognition made by the executive directors were adequately docu-mented and justified.

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

Other Information

The executive directors are responsible for the other information.

The other information comprises

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

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

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

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

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial State-ments 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 an-nual financial statements give a true and fair view of the assets, liabilities, financial position and fi-nancial performance of the Company in compliance with German Legally Required Accounting Prin-ciples. In addition, the executive directors are responsible for such internal control as they, in accord-ance 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 ap-plicable, 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 re-spects, consistent with the annual financial statements, complies with German legal requirements, and appro-priately presents the opportunities and risks of future development. In addition, the execu-tive 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 applica-ble German legal requirements, and to be able to provide sufficient appropriate evidence for the as-sertions in the man-agement 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 man-agement report as a whole provides an appropriate view of the Company's position and, in all mate-rial 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 re-sponsive 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, inten-tional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial state-ments and of arrangements and measures (systems) relevant to the audit of the management re-port 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 rea-sonableness 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 ac-counting and, based on the audit evidence obtained, whether a material uncertainty exists relat-ed 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 at-ten-tion 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 re-port. 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, in-cluding 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 compli-ance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its con-formity 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 par-ticular, 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 as-sumptions. 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, actions taken to eliminate threats or safeguards applied.

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 aAnd Regulatory Requirements

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

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable as-surance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file INTERSHOP_AG_EA_LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the re-quirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the infor-mation contained in the annual financial statements and the management report into the ESEF for-mat and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report con-tained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Be-yond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information con-tained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Re-sponsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

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

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

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

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 10 May 2022. We were engaged by the supervisory board on 1 December 2022. We have been the auditor of the INTERSHOP Communica-tions Aktiengesellschaft, Jena, without interruption since the financial year 2007.

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

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

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

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Carl Erik Daum.

Leipzig, March 6, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Carl Erik Daum)	(sgd. ppa. Marcus Engelmann)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Report of the Supervisory Board

Report of the Supervisory Board

Dear stockholders,

The growth trend in our cloud business continued in the 2022 fiscal year as well and we have significantly increased all our cloud figures. We were not able to continue with the profitable growth path in the Group as the service business experienced a decline. However, with our cloud strategy we consider ourselves ideally positioned and expect strong growth in the 2023 fiscal year.

In the 2022 fiscal year, the Supervisory Board duly performed its assigned tasks as per the applicable laws, the Articles of Association, as well as the Rules of Procedure. We continuously monitored and advised the Management Board in the management of the Company. The Supervisory Board was involved in all important corporate decisions. The Management Board informed the Supervisory Board regularly, promptly, and comprehensively, verbally as well as in writing, regarding ongoing and strategic business developments, important business transactions, the risk position and risk management, the internal control system, as well as the economic situation of the company.

Supervisory Board meetings and Audit Committee

In the 2022 fiscal year, the Supervisory Board met in eleven meetings. Eight of these meetings took place in person and three meetings as video conferences. The presence of all Supervisory Board members was at 100 percent. The Management Board participated in all Supervisory Board meetings. However, the Supervisory Board also met regularly without the Management Board. In addition, the Supervisory Board conducted a strategy workshop with the participation of the Management Board. In the meetings, the Supervisory Board dealt with the company's current situation, particularly with the sales and earnings development and the financial situation of the company as well as other issues relevant for Intershop.

In the meeting on January 26, 2022, the Management Board presented the preliminary results and corresponding figures for the 2021 fiscal year and presented the projected development for the first quarter of 2022.

In the balance sheet meeting on March 16, 2022, the resolution was adopted on approving the annual and consolidated financial statements as well as on the remuneration report for the 2021 fiscal year. In addition, the Supervisory Board decided on the acquisition of the majority shares in the Dutch software provider Sparque B.V. and the usage rights of the AI-supported technology of Sparque B.V. In addition, the agenda for the Annual Stockholders' Meeting for 2022 was approved.

The main topics of the meeting of May 9, 2022 included the preparation for the virtual Annual Stockholders' Meeting and the development of the service sector. Moreover, the responsible division managers reported on the status of the ongoing projects and required measures in project management. The

Annual Stockholders' Meeting of May 10, 2022 elected Mr. Oliver Bendig as the fourth member of the Supervisory Board. In the constituent meeting of the Supervisory Board straight after the Annual Stockholders' Meeting on May 10, 2022, the re-elected Supervisory Board appointed Christian Oecking as its Chairman and Ulrich Prädel as the Deputy Chairman of the Supervisory Board. The Supervisory Board also formed an Audit Committee composed of all members of the Supervisory Board with Dr. Louis Velthuis as its Chairman.

The focus of the meeting on July 20, 2022 was the service and product lifecycle segments as well as the Intershop partner network. In addition, the Management Board also put forward a value creation plan and presented the half-year figures and the forecast for the third quarter of 2022. The meeting on September 28, 2022 once again dealt with the value creation plan, where individual members of the Management Team presented their division targets. Moreover, the Management Board reported on the sales and earnings forecast for the third quarter with corresponding opportunities and risks.

The meetings on April 22, June 20 and October 24, 2022 focused on the economic development as well as the sales and earnings forecast for the coming quarters. The Supervisory Board reported in detail on the corporate figures, sales pipeline as well as opportunities and risks.

The main topics of the meetings on November 21 and December 8/9, 2022 were the 2023 budget with the medium-term planning. Other topics, in addition to the sales and earnings forecast for the 2022 fiscal year, included the current situation with measures in the service segment as well as the marketing plan for the coming fiscal year. In its November meeting, the Supervisory Board adopted the 2023 budget and the medium-term planning as well as the 2022 Declaration of Compliance at the December meeting.

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

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

The Supervisory Board did not form any other committees besides the Audit Committee. The Audit Committee consists of all four members of the Supervisory Board. Dr. Louis Velthuis chairs the Audit Committee. Six meetings of the Audit Committee took place in person in which all members of the Audit Committee were present. The Audit Committee primarily dealt with the auditing of the financial statement and its main points, the monitoring of the effectiveness of the internal control system well as the risk management system.

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 2022 fiscal year.

The Supervisory Board was given adequate support by the Company in training and further education. The entire Supervisory Board participated in a two-day training course on the topics of Corporate Governance, Risk Management, Compliance, Invoicing and Financial Statement Auditing and followed presentations on the new statutory regulations, such as the Supply Chain Act. Furthermore, managers of individual company divisions provided information on important developments in their divisions. New Supervisory Board members were additionally supported by the company when taking their office.

The 2022 Declaration of Compliance with the German Corporate Governance Code was submitted by the Management Board and the Supervisory Board on December 9, 2022. The remuneration of the respective Supervisory Board members, individualized and broken down by component, is disclosed in the 2022 Remuneration Report. More information on corporate governance can be found in the Corporate Governance Declaration.

Changes in the Supervisory Board and the Management Board

There were changes in the Supervisory Board in the 2022 fiscal year. With the resolution of the Annual Stockholders' Meeting in May 2022, the Supervisory Board was expanded from three to four members in order to enhance the know-how basis of the committee, particularly in the software segment. Oliver Bendig, Managing Director of STP Corporate Group, a leading provider of legal tech software, was elected by the Annual Stockholders' Meeting as the new member of the Supervisory Board effective as of May 16, 2022 and complements the Supervisory Board with his more than 20 years of experience in business-to-business SaaS software. The Chairman of the Supervisory Board, Christian Oecking, resigned from his post for personal reasons after six and half years effective as of November 30, 2022. The Supervisory Board would like to thank Christian Oecking sincerely for his long-standing and significant commitment. Frank Fischer, Chairman of the Management Board of Shareholder Value Management AG and long-standing representative of the principle shareholder INTERSHOP Communications AG, has been a member of the Supervisory Board by way of court appointment at the request of the Management Board and with the approval of the Supervisory Board since December 1, 2022. He was elected by the committee as the Chairman of the Supervisory Board.

There were no changes in personnel in the composition of the Management Board in the 2022 fiscal year. However, at the end of the 2022 fiscal year, the Supervisory Board decided to expand the Management Board effective as of January 1, 2023. In January 2023, Petra Stappenbeck was added to the Intershop Management Board as the Chief Financial Officer in addition to the chairman of the Management Board Markus Klahn. The Supervisory Board is pleased to see Petra Stappenbeck, with her comprehensive financial expertise and extensive experience in the area of finance and controlling, at the side of Markus Klahn in order to actively shape the next growth stages for Intershop at Management Board level.

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

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the auditor for the 2022 fiscal year elected at the Annual Stockholder's Meeting held on May 10, 2022 and engaged by the Supervisory Board, thoroughly reviewed the annual financial statements, the consolidated financial statements, the combined management report of INTERSHOP Communications AG and issued unqualified audit opinions in each case.

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

The 2022 Remuneration Report was examined by the auditor for completeness of information required in accordance with Section 162(1) and (2) of the German Stock Corporation Act (AktG). The formal audit did not result in any objections.

Following its own thorough examination, in particular after inspecting the auditor's reports, as well as discussing the key points of the audit in detail with the auditor and the material findings of the audit, the Supervisory Board did not raise any objections with respect to the financial statements, the dependent company report or Remuneration Report. The Supervisory Board and the Audit Committee concur with the result of the audit, the audit of the dependent company report and the Remuneration Report. The Supervisory Board does not raise any objections against the declaration given by the Management Board at the end of the dependent company report and approved the separate financial statements and consolidated financial statements prepared by the Management Board as well as the Remuneration Report at its meeting on March 16, 2023. The annual financial statements of INTERSHOP Communications AG were thus adopted. Since the Company did not generate retained earnings during the 2022 fiscal year, there was no need to examine a resolution on the appropriation of profits.

The Supervisory Board would like to thank the employees of the Intershop Group and the Management Board for their dedicated work in the 2022 fiscal year. We would like to thank our shareholders for the trust they have placed in Intershop.

Jena, March 2023

On behalf of the Supervisory Board

Frank Fischer
Chairman of the Supervisory Board

Corporate Governance Declaration

Corporate Governance Declaration 2022

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 2022; 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 9, 2022:

Since the Declaration of Conformity of December 14, 2021, INTERSHOP Communications AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019 ("DCGK 2019") and in the version dated April 28, 2022 ("DCGK 2022") which came into effect upon publication in the Federal Gazette on June 27, 2022, with the following exceptions and will continue to comply with them in the future with these exceptions.

a) The new recommendations A.1 and A.3 DCGK 2022 were not yet fully implemented in 2022. The Management Board is planning to develop a concept with regard to the sustainability targets in the areas of social and environmental factors so that these can be taken into account in the future in the corporate strategy and planning. It is also planned to expand the internal control system to include the sustainability-related areas.
b) The company does not describe the essential features of the entire internal control system (Code Recommendation A.5 DCGK 2022) in its Management Report, since it considers the description with regard to the accounting process pursuant to Section 289 (4) HGB (German Commercial Code) to be adequate.
c) The Supervisory Board does not form any committees, with the exception of the audit committee required by law in accordance with Section 107 (4) AktG (Code Recommendation D.2 and D.4 DCGK 2022, D.2 and D.5 DCGK 2019). Currently, the Supervisory Board consists of four members and is deliberately kept small in order to ensure the work of the Supervisory Board can be performed efficiently and with all members.
d) The variable remuneration component for the Management Board does not include any share-based remuneration, since the granting of new shares and an obligation to purchase shares on the market while complying with insider-trading requirements can only be implemented with great difficulty (Code Recommendation G.10 DCGK 2022 and DCGK 2019).

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

Remuneration Report

The applicable remuneration system for the Management Board as well as the remuneration resolution for the Supervisory Board, both of which were approved and adopted by the Annual Stockholders' Meeting of INTERSHOP Communications AG on May 6, 2021, as well as the remuneration report for the financial year 2021 and the auditor's report were made publicly available on the company website at https://www.intershop.com/de/verguetungssystem in accordance with Section 162 AktG (German Stock Corporation Act).

Corporate Governance Practices

For Intershop the statutory regulations, the recommendations of the German Corporate Governance Code as well as internal corporate directives form part of the corporate governance. Intershop plans to prepare a Code of Conduct for employees as well as a Code of Conduct for partners and suppliers in the first quarter of 2023. These will provide an overview of legal issues relevant for our company and set standards for legally compliant and ethical conduct.

Composition and working method of the Management Board, Supervisory Board and their committees.

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.

Management Board

The Management Board is responsible for managing the Company with the goal of creating sustainable value. The Management Board 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 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, risk management and compliance. Where business developments deviate from earlier forecasts and targets, these deviations are discussed and the reasons given in detail.

In the financial year 2022, the Management Board consisted of one member, who at the same time acted as the CEO and, as of the start of the financial year 2023, of two members, the CEO and the CFO. 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.

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

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

Supervisory Board

The Supervisory Board advises the Management Board on the management of the Company and monitors the Management Board's activities. It appoints and dismisses the members of the Management Board, resolves the compensation system for the Management Board members, and sets their total compensation. The Chairman of the Supervisory Board represents the Supervisory Board externally and in dealings with the Management Board. He chairs the Supervisory Board meetings.

The Articles of Association stipulate that the Supervisory Board must comprise four 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. Important issues are also discussed between the Management Board and the Supervisory Board outside the meetings via teleconferences or at strategy meetings convened at short notice. In addition, the Chairman of the Supervisory Board keeps himself regularly up-to-date on the business developments and upcoming projects.

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.

Self-assessment of the work of the Supervisory Board

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

Committees

The Supervisory Board of INTERSHOP Communications AG has formed an Audit Committee that includes all four members of the Supervisory Board i.e. Mr. Frank Fischer, Mr. Ulrich Praedel, Dr. Louis Velthuis and Mr. Oliver Bendig. Dr. Louis Velthuis chairs the Audit Committee. He is particularly knowledgeable and experienced in the application of accounting principles and internal control and risk management systems and is familiar with the process of auditing financial statements. Furthermore, as an additional member of the Audit Committee, the Chair of the Supervisory Board, Frank Fischer, (Member of the Supervisory Board and the Chair since December 1, 2022) and previously his predecessor, Christian Oecking, (Member of the Supervisory Board and the Chair until November 30, 2022) has expert knowledge in the fields of accounting and auditing of financial statements.

The Audit Committee discusses the assessment of the audit risks, the audit strategy and audit planning as well as the audit results with the Auditor. The Chair of the Audit Committee regularly communicates with the Auditor regarding the progress of the audit and informs the Audit Committee and the Supervisory Board on the results of these discussions.

There are no other Supervisory Board committees.

Information on setting the women's quota

The target figures for the proportion of women on the Management Board and the Supervisory Board were set by the Supervisory Board as per Section 111 (5) AktG by resolution of July 1, 2021 for the period until June 30, 2025 in accordance with the actual share of 0% and achieved for the reporting year 2022. Due to the size of the committees of four members on the Supervisory Board and one member of the Management Board in 2022, or two board members as of 2023, the Supervisory Board is of the opinion that a binding specification of a higher target figure is structurally not appropriate at this time, as this would restrict the selection of suitable candidates and thereby limiting the ability of the committee to act. The Supervisory Board would like to be free to adopt individual decisions in the respective situation in the interest of the company. However, the Supervisory Board will continue to make every effort to give preference to women with equal qualification, in order to increase the proportion of women both on the Supervisory Board as well as the Management Board. With the appointment of a woman as a member of the Management Board as of January 1, 2023 a quota of women of 50% has been achieved.

The target figures for women on the two management levels below the Management Board, as set out by the Management Board in accordance with Section 76(4) AktG, limited to 28.57% until June 30, 2025 by the resolution of July 1, 2021, was reassessed in accordance with the actual share of women on the management level as of June 2021. At 28% the quota that was achieved by the end of 2022 was slightly below the target quota set by INTERSHOP Communications AG, since in case of new executive appointments the positions could not be filled by women despite the intensive efforts on the part of the company. Since a separate consideration and target setting for each of the two management levels below the Management Board would not be structurally appropriate, the Management Board decided to set only one target figure for this management level as a whole.

Diversity Concept for Management Board and Supervisory Board

Management 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.

The Management Board members implement the diversity concept adopted by the Supervisory Board.

Supervisory Board

In the financial year 2022, the Supervisory Board adopted targets and a competence profile for its composition. This also represents the diversity concept in accordance with Section 289f (2) No. 6 German Commercial Code (HGB).

The targets for the Supervisory Board are based on statutory and corporate aspects and are as follows:

- **Comprehensive qualification**
  - The qualifications of the members of the Supervisory Board should be based on the corporate challenges and at the same time meet the statutory requirements;
  - Supervisory Board members should have many years of international management experience;
  - Supervisory Board members should have gained experience in various sectors and different professional fields.
- **Diversity**
  - The statutory gender quota in the Supervisory Board is not applicable to Intershop;
  - Nevertheless, it is the stated aim of the company to achieve an appropriate level of participation of women in the Supervisory Board;
  - Diversity and inclusion are important basic elements in the corporate value of Intershop.
- **Independence**
  - Based on its own assessment, the Supervisory Board must include an appropriate number of independent members;
  - The interests of the owner are to be appropriately taken into consideration in this regard;
  - Significant conflicts of interest are to be avoided;
  - The Supervisory Board members are to have adequate time to exercise their duties;
  - The Supervisory Board must is to include at least three independent members.

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 composition of the Supervisory Board complies with the set targets as well as the competence profile and therewith the diversity concept. Based on the assessment of the members of the Supervisory Board, currently four members of the Supervisory Board are independent from the company and the Management Board and three of the four members of the Supervisory Board are independent from the controlling shareholder. The qualification matrix shows the implementation of the competence profile.

	Accounting	Auditing expertise	IT/Digital-ization	Strategy	Sales	Substain-ability	M&A/Inter-nationali-zation	Governance, risk man-agement, compliance
Supervisory Board member								
Frank Fischer (since 12/01/2022) (Chairman of the Supervisory Board)	X	X	X	X	X	X	X	X
Christian Oecking (until 11/30/2022) (Chairman of the Supervisory Board)	X	X	X	X	X	X	X	X
Ulrich Prädel (Vice Chairman of the Supervisory Board)			X	X	X	X	X	
Univ.-Prof. Dr. Louis Velthius (Member of the Supervisory Board)	X	X		X		X	X	X
Oliver Bendig (since 05/16/2022) (Member of the Supervisory Board)			X	X	X	X	X	X

Jena, January 19, 2023

INTERSHOP Communications AG

The Management Board

Markus Klahn

Petra Stappenbeck

For the Supervisory Board

Frank Fischer
Chairman of the Supervisory Board

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Stock Market Data

ISIN	DE000A254211
WKN	A25421
Stock market symbol	ISHA
Admission segment	Prime standard/Regulated market
Sector	Software
Membership of Deutsche Börse indices	CDAX, Prime All Share, Technology All Share

Key figures

		2022	2021
Closing price*	in EUR	2.58	4.03
Number of shares outstanding (end of period)	in million shares	14.19	14.19
Market capitalization	in EUR million	36.62	57.20
Earnings per share	in EUR	(0.25)	0.06
Cashflow per share	in EUR	0.08	0.32
Carrying amount per share	in EUR	0.98	1.23
Average trading volume per day**	Number	7,620	16,289
Free float	in %	48	47

* Basis: Xetra
** Basis: all stock exchanges

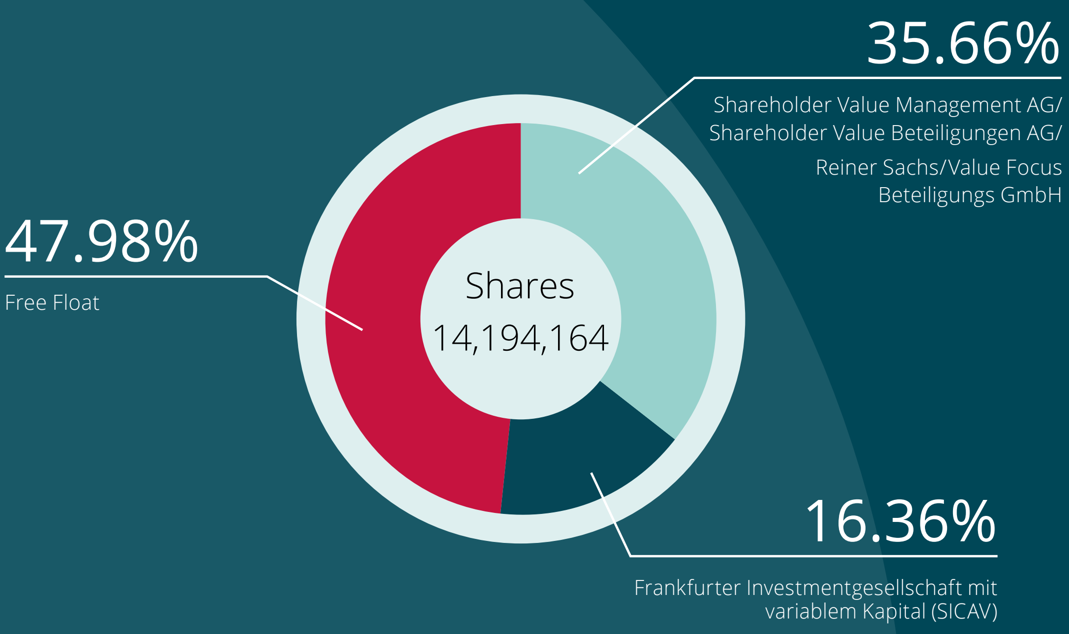
Intershop-Shares

Share price

in EUR,
XETRA closing time

Shareholder structure

December 31, 2022



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Financial Calendar

Date	Event
February 15, 2023	Release of (preliminary) Q4 and FY financials 2022
April 26, 2023	Release of Q1 financials 2023
May 9, 2023	Ordinary Annual Stockholders´ Meeting 2023
July 26, 2023	Release of Q2 and 6-month financials 2023
October 25, 2023	Release of Q3 and 9-month financials 2023

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

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