INTERSHOP™

ANNUAL REPORT

2011

INTERSHOP™

ANNUAL REPORT

2011

1

2

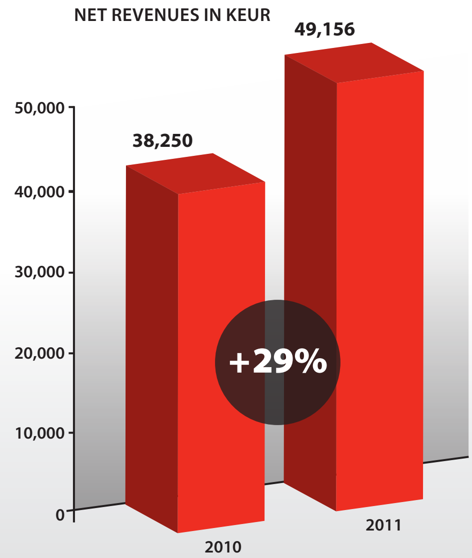
3

4

5

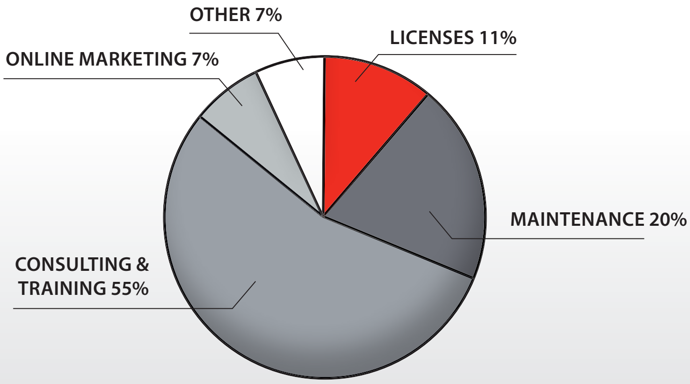
TABLE OF CONTENTS

KEY FIGURES FOR THE GROUP



REVENUE

Revenue increased by 29% to EUR 49.2 million due to the business expansion with strategic customers (Platinum Accounts) and the acquisition of many new customers and projects.

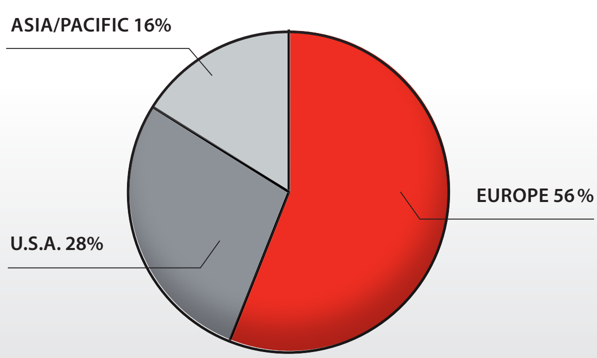


SHARE OF REVENUE

The Company's highest revenue generating area was the consulting business with 55%, followed by the maintenance business with 20%. License share accounted for 11%.

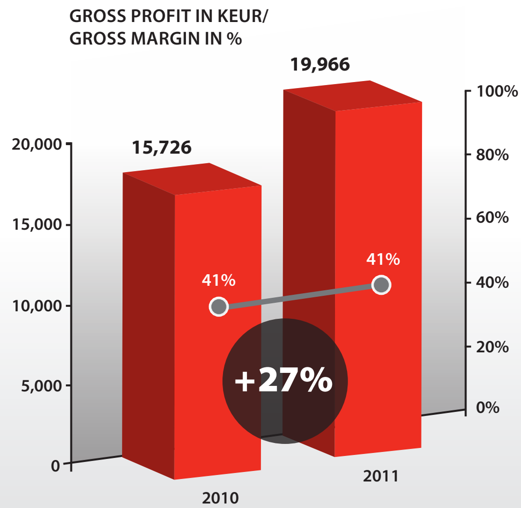
DISTRIBUTION OF REVENUE BY REGION

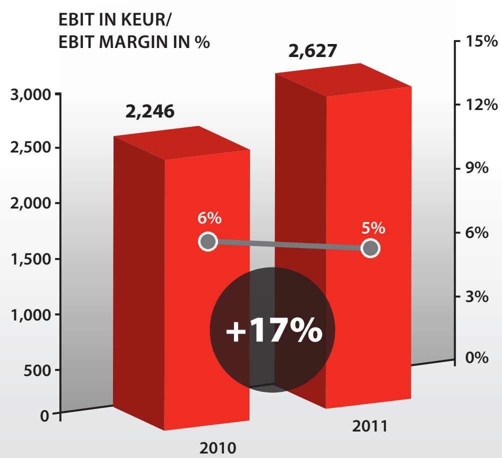
Intershop generated 44% of its revenue outside of Europe. The USA accounted for 28% and the Asia Pacific region for 16%.



GROSS PROFIT

Gross profit increased by 27% to EUR 20 million. The gross margin remained unchanged at 41%.



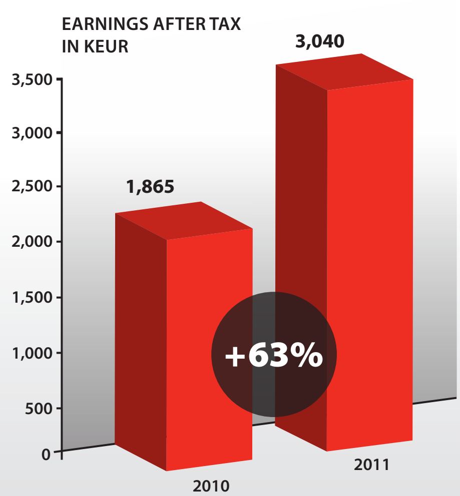


EBIT

The result from operating activities increased by 17% to EUR 2.6 million with an EBIT margin of 5%.

GROUP PROFIT FOR THE YEAR

There was an improvement in the Group's profit for the year from EUR 1.9 million to EUR 3.0 million.



MANAGEMENT BOARD

Dear Intershop stockholders,

At this time last year, we informed you of new record figures for revenue and operating profit and forecast high investments and stagnating results for 2011. However, the development of our business was again more dynamic than we had anticipated. Intershop benefits from the uninterrupted growth in the e-Commerce industry, which is driven by the continuously increasing share of online revenue in the entire retail business. It pleases us to report not only double-digit growth in net revenues for the fourth consecutive year, but also a record result once again. In particular, a net revenue of EUR 13.6 million and an operating result (EBIT) of EUR 1.1 million in the fourth quarter of 2011 strongly contributed to the good overall performance for the year. In total, Intershop increased its net revenue in 2011 by 29% to EUR 49.2 million, thereby generating an EBIT of EUR 2.6 million. This is even more remarkable given that after having increased the number of employees by 18% in 2010, we added another 31%, coming to a total of 470 employees as of the end of 2011. Related to that were the expenditures for research and development, which grew by 59% to EUR 6.4 million. However, as a whole we succeeded in keeping the share of operating costs stable with a good 35%.

What are the reasons for the positive development in the past year? Once again, the success can especially be attributed to our unique team of highly qualified and unbelievably dedicated employees. We therefore give the highest priority to the thorough expansion of our team, without losing sight of the profitability of the Company. Another reason for the positive development is the success we have had expanding the cooperation with our Platinum Accounts, like the Otto Group, GSI Commerce and Telstra, as well as the many newly acquired projects in Germany and other countries. In this regard, the measures carried out for our growth initiative bore fruit. Improved market monitoring brought in a considerably higher number of lead contacts and the new branches and partners in Europe have already generated new business. In the result, revenue from licenses exceeded expectations with an increase to EUR 5.5 million. With this, we achieved our core goals of the growth initiative for 2011, however, we want to continue to increase the share in the current year.

An important milestone was the acquisition of an additional strategic partner for our alliance for e-Commerce. The focus of our cooperation with our partners was the development of our new e-Commerce platform, Intershop 7, which was introduced at CeBIT in March 2012. The new platform has more innovations than any previous release upgrade in the development history of Intershop's standard product. Therefore, we have high expectations for the sales potential of our new system.

We are well prepared for 2012, in which, based on current projections, Intershop will show profitable growth again.

We thank you for your trust.

Sincerely,

Heinrich Göttler   Dr. Ludger Vogt   Ludwig Lutter

This annual report contains forward-looking statements regarding future events or the future financial and operational performance of Intershop. Actual events or results may differ materially from the results presented in these forward-looking statements or from the results expected according to these statements. Risks and uncertainties that could lead to such differences include Intershop's limited operating history, the limited predictability of revenues and expenses, and potential fluctuations in revenues and operating results, significant dependence on large individual customer orders, customer trends, the level of competition, seasonal fluctuations, risks relating to electronic security, possible state regulation, and the general economic situation.

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF INTERSHOP COMMUNICATIONS AKTIENGESELLSCHAFT


1

1

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF INTERSHOP COMMUNICATIONS AKTIENGESELLSCHAFT

BUSINESS ACTIVITIES AND CONDITIONS

SUMMARY OF THE RESULTS FROM BUSINESS ACTIVITIES DURING FISCAL YEAR 2011

INTERSHOP Communications Aktiengesellschaft continued its profitable growth course in fiscal year 2011. The Company shows a significant positive development of earnings on the Group level[1], as well as on the AG level[2]. With revenue growth of 29% to EUR 49.2 million, the Intershop Group exceeded its autumn forecast of 20% to 25% revenue increase by 4 percentage points. The Company also performed significantly better with regard to the operating result. Intershop's operating result (EBIT) of EUR 2.6 million constitutes an improvement of EUR 381 thousand or 17% compared to the prior year. As in prior years, the greatest revenue driver was the consulting business. However, license revenues also grew at an above average rate of 31% to EUR 5.5 million.

EXPANSION OF ALLIANCE FOR ONLINE BUSINESS

The strategy for building international alliances announced in 2010 was consistently pursued in the past fiscal year. In addition to the strategic collaboration with the leading American provider of e-Commerce and interactive marketing for major brands and retailers, a global technology group also joined as a partner in 2011. In the pooling of expertise, Intershop expects significantly shorter development cycles for its software platform and greatly increased innovation. In the alliance of leading international e-Commerce players, Intershop's management sees a good chance to introduce the Company's technology platform to the market faster and to implement product innovations in less time, especially outside of Europe. By „code sharing" within the partnerships, joint product development becomes a competitive advantage for all partners alike.

FOCUS ON NEW SHOP SOFTWARE INTERSHOP 7

Together with the partners of the newly formed alliance, the main focus in fiscal year 2011 was the development of the new shop software, which was introduced at CeBIT in March 2012. With over 1,500 new features, developed on the basis of a market investigation and in close collaboration with 150 online retailers worldwide, the e-Commerce software „Intershop 7" offers a powerful tool for extensive multi-channel distribution. Compared to its precursor, Enfinity Suite 6.4, the important changes in Intershop 7 have to do especially with the improved internationalization, multi-channel connections, campaign and promotion management, as well as the buying behavior analysis of customers in online shops. This will allow shop managers to easily configure websites, campaigns or test versions, instead of programming them or having them programmed. This way, they have complete control of their business at all times and can respond quickly and flexibly. The worldwide sales launch of the new software, which will be offered as a license and a Software-as-a-Service (SaaS) solution, will be in the first quarter of 2012.

GROUP STRUCTURE AND OPERATING ACTIVITIES

INTERSHOP Communications Aktiengesellschaft, which is domiciled in Jena, is the parent company of the Intershop Group. As of the reporting date, December 31, 2011, it directly holds 100% of the shares in Intershop Communications, Inc., San Francisco, USA; the online marketing subsidiary SoQuero GmbH, Frankfurt, Germany; the e-Commerce (SaaS) service provider The Bakery GmbH, Berlin, Germany; and Intershop Communications Australia Pty Ltd., Melbourne, Australia, as well as other non-operational former sales companies. In Germany, INTERSHOP Communications Aktiengesellschaft has branch offices in Stuttgart, Nuremberg, Hamburg and Ilmenau. The subsidiaries SoQuero GmbH and The Bakery GmbH are domiciled in Frankfurt am Main and Berlin, respectively. In 2011, branches were opened in London, Milan, Amsterdam, Stockholm and Paris as part of an extensive sales campaign.

Intershop is a globally oriented provider of integrated e-Commerce solutions. The focus of its service range is the Intershop e-Commerce software, which was brought to the market in 1996 as the first standard

[1] "Intershop," the "Company"
[2] The "AG" or "single entity"

software for e-Commerce worldwide. Intershop's main business areas are divided into Licenses as well as Services, Maintenance, and Other. Services is broken down into the segments of Consulting and Training, Maintenance, Online Marketing, and Other (full service and The Bakery business).

Intershop's business model includes the orchestration of the entire e-Commerce process chain from the design of the online shop to implementation of the software platform and delivery of goods, i.e., fulfillment. The focus of Intershop's offering is the shop manager, who is responsible for the e-Commerce activities of the customer. Intershop's e-Commerce solutions should enable the shop manager to obtain the best possible results at all stages of the e-Commerce process chain. In order to achieve this aim, the Company is continuously improving the software and systematically expanding and supplementing its range of services through in-house developments or acquisitions. In March 2012, the Company introduced the new version of Intershop 7 that it developed together with its partners and which will be launched in the first quarter of 2012.

Intershop is one of the largest providers of e-Commerce solutions worldwide. More than 300 customers sell their products via many electronic sales channels simultaneously by means of Intershop's multi-site technology. Among the Company's customers are some of the largest online retailers worldwide, including the Otto Group, telecommunications companies like Deutsche Telekom and Australia's Telstra, as well as the automobile companies BMW and Daimler. Measured in terms of transactions per day, the Company has an extraordinarily powerful and scalable platform for online business. Intershop operates in Europe, the United States, and in the Asia Pacific region (mainly Australia). In 2011, revenue with customers outside of Europe came to 44%, which was at the same level as the prior year. The Enfinity platform is used in more than 30 countries and is available in more than 20 different languages.

OVERALL ECONOMY AND INDUSTRY

Growth in the global economy slowed down in the past year. According to the latest estimates of the International Monetary Fund (IMF), the global economy grew by only 3.8% in 2011. In the prior year, the increase in economic performance worldwide was still 5.2%; however this is based on the lower level of 2009 that was influenced by the financial crisis. As in prior years, the growth drivers in 2011 were the emerging and developing countries, whose output grew by 6.2%. China recorded an increase of 9.2% and India's economy grew by 7.4%. In contrast, Europe's economy showed growth of only 1.6%. The American economy was also not able to fulfill the optimistic expectations at the beginning of the year and only grew by a good 1.8%, whereas the fourth quarter was considerably stronger. A significant growth differential could be observed within Europe. According to the IMF, the economy in Germany realized growth of 3.0%, while other European countries like Spain (+0.7%) or Italy (+0.4%) showed only weak growth rates. The economies of Portugal and Greece contracted. Measured by gross domestic product, both countries are suffering under a considerable debt burden. Overall, the solution for the European debt crisis will determine the future economic trend not only in the eurozone, but worldwide as well.

In 2011, there did not seem to be any indication of an end to the growth in the e-Commerce sector – quite the contrary. The Internet is becoming increasingly important as a sales channel across the world. According to market research information of Internet World Stats, around 2.1 billion people had access to the World Wide Web in 2011. This represents around 29% of the world population. Since the year 2000, the number of Internet users has increased more than sixfold and continues to grow. Around 80% of all Internet users are in Europe, North America and Asia. In Asia, there were almost 100 million (+11.8%) more users within one year. Within Europe, Germany leads the field with over 65 million users. With the increasing number of users and continuous development of purchasing possibilities on the Internet, the revenue volume from online business is also growing. In Germany, the Handelsverband Deutschland (HDE) [German Retail Federation] anticipates online revenue of EUR 26.1 billion for all of 2011, representing an increase of 10% compared to the prior year. However, based on international comparisons, the online market in Germany still has considerable potential. According to a study by the consultancy firm, Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, from December 2011, German consumers make online purchases three times a month. In contrast, the average number of online transactions per month in China is 8.4, and in the United States it is 5.2. In addition, the increasing sales of smartphones and tablet computers ensure dynamic growth in mobile internet usage. According to forecasts of the industry association BITKOM, sales with mobile data services in Germany alone grew by 12% to around EUR 7.0 billion.

The German software market also showed positive development in 2011. Based on BITKOM estimates, revenue in the segment in 2010 increased from EUR 15.4 billion to EUR 16.2 billion and this year it is expected to grow by another 5.2% to around EUR 17 billion. According to forecasts made by the industry association in June, in 2011 as a whole, the global IT market increased by 4.3% to EUR 963.4 billion. Important guarantors of growth are also the major emerging markets China, Russia, India and Brazil, which continue to invest massively in modern technology.

RESULT FROM OPERATIONS, FINANCIAL POSITION AND NET ASSETS

DEVELOPMENT OF REVENUE

In fiscal year 2011, Intershop generated net revenue of EUR 49.2 million. This represents an increase of 29% in comparison to the prior-year period. With this, the Company exceeded its forecast, which was just increased in autumn 2011, by an „increase in revenue of 20% to 25%." The reason for the strong increase in revenue is the positive development in its business with major strategic customers (Platinum Accounts), as well as the acquisition of many new customers and projects in the area of e-Commerce and online marketing. In the fourth quarter of 2011 alone, the Company realized a net of around EUR 13.6 million, thereby achieving its best quarter results of the last ten years.
With the strong revenue development in 2011, Intershop has continued its steady growth trend since 2008 with double-digit annual growth rates. All business areas contributed to the ongoing positive development in the reporting period. The consulting business is still dominant, which, with a net revenue of EUR 26.8 million, accounted for around 55% of total net revenue. With this, the area realized an increase of 35% in comparison to the prior year. The license business also improved considerably in comparison to the same period in fiscal 2010. In the past year, Intershop realized EUR 5.5 million in this area, representing a gain of 31%. The segment „Other" (full service and The Bakery business) also showed strong growth with EUR 3.4 million, which represents an increase in revenue of 70% compared to the prior year. This positive impact was mainly because of new customer acquisitions, like the home shopping station Channel 21, which uses the innovative transaction platform of The Bakery, Intershop's subsidiary. Also in the online marketing area, Intershop's subsidiary SoQuero generated a significantly higher net revenue compared to the prior year. The agency, which is domiciled in Frankfurt am Main, generated revenue of EUR 3.5 million, representing an increase of 32%. Maintenance revenue also increased to EUR 9.9 million (+5.0%).
The overview below shows the change in net revenues:

in EUR thousand	2011	2010	Change
Licenses	**5,500**	**4,184**	**31%**
Consulting/Training	26,807	19,915	35%
Maintenance	9,899	9,471	5%
Online Marketing	3,504	2,649	32%
Other Revenues	3,446	2,031	70%
Services, Maintenance and Other	**43,656**	**34,066**	**28%**
Total net revenues	**49,156**	**38,250**	**29%**

Compared to the prior year, revenue for the single entity under German commercial law increased by 27% to EUR 40.4 million in fiscal year 2011. License revenue for the single entity increased by 36% from EUR 3.7 million to EUR 5.0 million. Revenue from Services, Maintenance and Other came to EUR 35.4 million, representing an increase of 26% for the comparable time period. The primary reason was the revenues generated with the Platinum Accounts.

WIDE RANGE OF INTERNATIONAL CUSTOMERS

In fiscal year 2011, Intershop consolidated its cooperation with important existing customers and gained many additional new customers. Agreements were extended with important Platinum Accounts and the cooperation was further intensified. In addition to GSI Commerce the largest Platinum Accounts included a global technology group, the Australian telecommunications group Telstra and the Otto Group. In September 2011, a contract was concluded with the global technology group for an initial period of ten years. The agreement, which also includes licensing and consulting services, regulates the cooperation of the partners in the development of Intershop products. In March 2011, the Otto Group, which has relied on Intershop solutions for more than ten years, renewed its service contract with Intershop for an additional three years. After Amazon, the Otto Group is the second largest Internet retailer and number one in the area of fashion and lifestyle worldwide. Other top-selling major customers in the past year were Deutsche Telekom, Merck KGaA and Daimler. The existing general agreement with Merck, the pharmaceutical and chemical group, was extended for an additional three years in July 2011.

The most important new customers in the reporting period included the shopping station Channel 21 which, in addition to Intershop's e-Commerce software, also uses the innovative transaction platform of its subsidiary The Bakery and the online marketing services of SoQuero. The television station aims to capture a leading position in the German home shopping market by interconnecting various distribution channels. One new international customer is the Red Wing Shoe Company, a US retailer of high-end footwear and clothing. Intershop implements a complete e-Commerce solution for the well-established American company that supports the extensive distribution network of Red Wing Shoes and multi-channel sales. Additional important new projects in fiscal year 2011 included the extension of the contract with the Würth Group, market leader for assembly and fastening materials, the new international B2B shop of hydraulic specialist Bosch Rexroth, the accessories shop of the Mercedes-Benz brand, as well as the webshop of Mir Knigi, the biggest Russian online bookstore. Examples of the innovative power of Intershop are a project for integrating social networks in the webshop of the mail order business Baur, the expansion of the mobile commerce platform of the do-it-yourself chain, Hagebau, as well as the newly developed SmartHome platform of the RWE energy group, with which customers can control the energy efficiency of their electrical appliances and heating. In 2011, Intershop won a total of 80 new customers and projects.

In 2011, Intershop began a growth initiative with the goal of attaining double-digit growth in revenue, as well as above average growth in license sales. The core of this initiative is significantly improved market monitoring through investments in lead generation. In this initiative, the number of leads was made measurable by means of a new tool and a lead management process was introduced. Through the performance-oriented, balanced use of search engines, direct mail and e-mail campaigns, a new inside sales organization, and events for lead generation, the number of qualified leads in Europe could be greatly increased. The result of the initiative was several new customers in 2011. Another core element of this initiative was setting up distribution capacities for an additional direct distribution in several European countries, therefore offices were opened in London, Milan, Amsterdam, Paris and Stockholm. New partners were acquired in all countries, such as the Javelin Group in England, SMC Consulting and Reply in Italy, Symfony in Benelux, as well as Valtec and Altima in France. In the result, the license revenue in Europe (excluding Germany) has more than doubled and has had above average growth worldwide. The goals in 2011 were achieved. The growth initiative will also be continued in 2012 and the sales and marketing organization will be strengthened further.

The new business in the area of licenses is important since it will result in future consulting and maintenance services. With the new Intershop 7 software introduced at CeBIT 2012, the Company will also con-

tinue to focus on the increase of license revenue in the current year.
As in the prior year, Intershop also showed the highest rates of increase in the US market in 2011. With an increase of 46% to EUR 13.8 million, the American market was the second most important region after Europe. Business with European customers also grew considerably from EUR 21.3 million to EUR 27.5 million. In contrast, the share of revenue in the Asia Pacific region increased only slightly by EUR 0.3 million to EUR 7.8 million. Overall, compared to the prior-year period, the share of revenue generated outside Europe remained stable at 44%.

EARNINGS DEVELOPMENT

The table below gives an overview over the most important key figures:

	2011	2010	Change
EBIT (in EUR thousand)	2,627	2,246	17%
EBIT margin	5%	6%	-9%
EBITDA (in EUR thousand)	4,514	5,075	-11%
EBITDA margin	9%	13%	-31%
Group annual profit (in EUR thousand)	3,040	1,865	63%

In fiscal year 2011, Intershop achieved an operating result (EBIT) of EUR 2.6 million, which is EUR 0.4 million more than in the prior-year period. With this result, the Group exceeded its forecast of an operating result at the prior-year level. This means that the Company has been profitable for four consecutive years and has continuously increased its profit over this period. Despite significantly increased expenditures due to investments for resources and innovations, the EBIT margin of 5% was at the same level as the prior year. EBITDA came to EUR 4.5 million, which corresponds to an EBIT margin of 9%. Depreciation and amortization decreased from EUR 2.8 million in the prior year to EUR 1.9 million.
The net profit after tax was EUR 3.0 million compared to EUR 1.9 million in 2010. Earnings per share (diluted and undiluted) of EUR 0.10 were 67% above the level of the prior year. The reasons for the positive development of earnings were intact revenue growth, as well as a stable operating cost ratio of around 35%. Gross profit increased by 27% to EUR 20.0 million. The gross margin of 41% was the same as the prior year. Net operating income and expenses increased from EUR 13.5 million to EUR 17.3 million. The expenditures for research and development contained therein came to EUR 6.4 million in 2011, after EUR 4.0 million in the prior year. The growth is primarily a result of the higher personnel costs due to the increased number of employees. Sales and marketing expenses amounted to EUR 6.7 million, up 56% on the previous year. This is largely attributable to the considerable impact of the higher expenses for distribution partners and intensified marketing activities as a result of the international sales offensive in 2011. The general administrative costs increased by 13%, which was primarily a result of higher personnel costs.
The financial result in fiscal year 2011 increased from EUR 0.01 million to EUR 0.09 million. Earnings from income tax amounted to EUR 0.3 million. In the prior year, the tax expense came to EUR 0.4 million.

The net profit of the AG as reported in accordance with the German commercial law amounted to EUR 0.6 million in 2011 (prior year: EUR 1.1 million). Other operating income increased from EUR 2.3 million to EUR 3.1 million. The government grants contained therein amounted to EUR 0.5 million (prior year: EUR 0.2 million). Expenditures for related services rose to EUR 10.0 million (prior year: EUR 5.6 million) as a result of increased use of third-party services. Personnel costs for hiring new employees, especially in the research and development area, increased to EUR 20.9 million compared to EUR 16.0 million in the prior year. Other operating costs increased from EUR 10.0 million to EUR 12.5 million. Other interest income of EUR 0.6 million resulted primarily from affiliated companies. The result from ordinary business activities amounted to EUR 0.4 million after EUR 1.7 million in 2010. Earnings from income tax in 2011 came to EUR 0.2 million after a tax expense of EUR 0.5 million in the prior year. In total, the balance sheet loss in accordance with German commercial law was reduced to EUR 7.9 million (prior year: EUR 8.5 million).

FINANCIAL POSITION

In fiscal year 2011, Intershop generated cash flow of EUR 3.1 million from ongoing business activities. In the prior year, the amount was EUR 7.4 million. The reduced cash inflow was primarily a result of the change to the balance sheet item. The cash outflow from investment activities rose to EUR 3.1 million (prior year: EUR 1.6 million), which can mainly be attributed to increased payments for investments in intangible assets. The cash flow from financing activities was EUR 0.7 million. In the prior year, this amount was EUR 4.1 million as a result of various capital increases. In total, the net inflow of cash and cash equivalents in fiscal year 2011 came to EUR 0.5 million. This resulted in cash and cash equivalents of EUR 16.9 million at the end of the reporting period.
With the single entity, cash and cash equivalents increased by EUR 4.6 million to EUR 14.7 million. The cash inflow resulted primarily from the loan repayment of a subsidiary.

NET ASSETS

Compared to the prior year, the balance sheet total of the Company increased by 14% to EUR 41.2 million. On the assets side, intangible assets increased from EUR 8.5 million to EUR 9.7 million, which is primarily attributable to the capitalization of software development costs. Property, plant and equipment increased from EUR 0.7 million to EUR 1.1 million. In total, non-current assets amounted to EUR 11.8 million, up 15% compared to the prior year. With current assets, particularly relevant was the closing date related increase of trade receivables by 46% to EUR 11.8 million, which however is offset by high payments received shortly after the balance sheet date. Cash and cash equivalents not subject to restrictions on disposal as of December 31, 2011 also increased slightly by 3% to EUR 16.9 million. In total, current assets increased from EUR 26.0 million to EUR 29.4 million.
Equity increased by 15% to EUR 28.2 million in the reporting period, which resulted from the Group's net profits, as well as the slightly increased subscribed capital because of smaller capital increases due to the exercise of employee options. The equity ratio improved by one percentage point to 69% as of year-end.
Non-current liabilities decreased by EUR 0.6 million to EUR 1.4 million, primarily due to lower deferred revenues. Current liabilities increased by 21% to EUR 11.5 million mainly due to an increase in trade payables. Like at year-end 2010, there were no financial liabilities as of December 31, 2011. In general, the net assets of the Company are solid with an above average equity base for a medium-sized company.

The total assets of the single entity in the annual financial statements prepared in accordance with the German commercial law increased by 11% to EUR 38.7 million as of December 31, 2011. Current assets grew by a total of 15% to EUR 26.9 million, primarily due to the increased cash on hand, bank balances (+46% to EUR 14.7 million) and trade receivables (+47% to EUR 8.1 million). The receivables from affiliated companies included in current assets decreased from EUR 5.7 million as of the closing date of the prior year to EUR 2.2 million due to partial loan repayment of a subsidiary. Equity increased from EUR 27.4 million to EUR 28.7 million. Provisions increased by 24% to EUR 5.0 million, as well as liabilities from EUR 2.2 million to EUR 4.4 million. The increase in liabilities can be mainly attributed to higher trade payables (EUR 1.1 million to EUR 2.5 million).

RESEARCH AND DEVELOPMENT

The expenses for research and development are mainly attributable to personnel costs in this area, including third-party services. Both items increased due to the significant expansion of the workforce in fiscal year 2011 and the integration of additional partners for software development. In total, expenses for research and development in 2011 came to EUR 6.4 million, exceeding the prior-year figure by 59%.
The focus of the research and development activity in fiscal year 2011 was the development of Intershop 7, the next generation of Intershop's e-Commerce platform, which will be distributed worldwide in the first half of 2012. The new version will include a total of over 1,500 new features. The guiding principle of the development strategy is „Enable the Shop Manager." The result is numerous improvements and innovative applications, especially in the areas of the multi-channel business, internationalization, as well as campaign management and analysis. This also includes the new design preview, which gives the shop manager a central management tool for all communication channels, like the web, portable communications devices, branches, call centers, e-mail or social commerce. A so-called multi-application framework guarantees standardized views, content and promotional campaigns across all platforms. With a rule-based Promotion Engine, marketing campaigns can be planned even better and managed according to budget. The Intershop developers have built in multivariate analytical methods, which make it possible for the shop manager to monitor the success of different layouts, navigation variations and discount promotions at any time and thereby optimize business processes. The new software is based on an extensive market analysis, as well as interviews with over 150 shop managers. Moreover, the experiences of our strategic partners also contributed to the project, and all of the values created in the development of the Intershop software, also in cooperation with partners, represent added value for Intershop that goes beyond the balance sheet assets.

PERSONNEL

As of the balance sheet date on December 31, 2011, Intershop had a total of 470 employees worldwide. Thereof, 384 account for skilled personnel in the technical areas, including especially R&D and consulting, 38 employees in sales and marketing, as well as 48 employees in administrative capacities. In the past 12 months alone, the workforce was increased by 111 employees. This was necessary in order to continue the growth trend of the last few years in the future as well. The competition for highly qualified IT specialists presents significant challenges for medium-sized companies like Intershop. That is why the Company especially relies on the cooperation with research institutions and the respective chairs of recognized universities for the recruitment of skilled personnel, in order to secure talented young people as early as possible. Intershop has been running an academic partner program for years, which by now includes 25 universities, including the University of Jena, the University of Applied Sciences Jena, the University of Leipzig and the Ilmenau University of Technology. The educational institutions receive a software license from Intershop for educational and research purposes, extensive technical support, training of employees and a dedicated contact person for their specific needs. In turn, Intershop receives information on the educational progress and current projects on a regular basis, as well as good access for the recruitment of graduates. At Intershop, the proportion of employees who are university graduates is above average with 74%.
The table below gives a breakdown of the Group's employees by department:

Employees by department (full-time equivalents)	**12/31/2011**	12/31/2010
Technical departments (R&D and service functions)	384	289
Sales and marketing	38	34
General and administrative departments	48	36
	470	**359**

The regional distribution of the employees shows only slight changes compared to year-end 2010. On December 31, 2011, 94% of the workforce (442 employees) were employed in Europe, 5% (22 employees) accounted for the branch in San Francisco, USA and just under 1% (6 employees) for the Asia Pacific region, which are supported by a large number of employees from other regions, especially Germany.
Intershop Communications Aktiengesellschaft as a single entity had 384 employees as of the balance sheet date (December 31, 2010: 289 employees).

MANAGEMENT BOARD AND SUPERVISORY BOARD

In fiscal year 2011, there were two personnel changes in the managing bodies of the Company, one in the Management Board and another in the Supervisory Board. Ludwig Lutter was appointed member of the Management Board effective April 1, 2011. As Chief Financial Officer at Intershop, Ludwig Lutter is in charge of the areas of Finance, Mergers and Acquisitions, and IR, as well as the Operations, Legal and Human Resources departments. He will succeed Peter Mark Droste, whose contract expired on March 31, 2011. At the Company's Ordinary Annual Stockholders' Meeting on June 29, 2011, Tobias Hartmann, Chief Executive Officer, Global Operations of GSI Commerce, Inc., was elected as new member of the Supervisory Board effective July 1, 2011. The member in office up to that time, Michael Conn, left the Board as of June 30, 2011.

REMUNERATION REPORT

Remuneration of the Management Board

The compensation of the Management Board comprises fixed and variable components. The fixed components comprise the fixed salary and additional benefits, such as the non-cash benefit resulting from the use of a company car, and are paid monthly. The variable, annually recurring remuneration is based on various annual and multi-annual quantitative and qualitative objectives, whose assessment depends on the degree achieved of the objective. The basis for assessment of the quantitative objectives that have greater weight are the Group's EBIT, revenue and share price. The qualitative objectives are based on strategic targets.
Total remuneration paid to the Management Board for fiscal year 2011 amounted to EUR 880 thousand (2010: EUR 934 thousand), of which EUR 624 thousand (2010: EUR 528 thousand) accounted for fixed remuneration and EUR 256 thousand (2010: EUR 406 thousand) for the variable components. The fixed remuneration components include EUR 582 thousand for fixed salary and EUR 42 thousand for additional benefits (2010: EUR 490 thousand for fixed salary, EUR 38 thousand for additional benefits).
The remuneration of the Management Board members is as follows:

	Fixed Remuneration		**Variable Remuneration**		**Total Remuneration**	
in EUR thousand	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Heinrich Göttler	212	189	100	90	312	279
Dr. Ludger Vogt	201	164	100	90	301	254
Ludwig Lutter	159	-	56	-	216	-
Peter Mark Droste	52	175	0	226	52	401
	624	**528**	**256**	**406**	**880**	**934**

New stock options were not granted to the members of the Management Board in the reporting year. The members of the Management Board also do not own any stock options from prior years.

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

Remuneration of the Supervisory Board

Upon resolution of the Annual Stockholders' Meeting of June 29, 2011, the remuneration of the Supervisory Board changed effective January 1, 2011, due to the amendment of section 13 of the Articles of Association. The remuneration continues to include fixed and variable components. The fixed remuneration is comprised of an annual fixed remuneration of EUR 12,500, as well as an attendance allowance of EUR 2,500 per meeting or EUR 500 if a telephone conference is held in place of a meeting. In addition, the members of the Supervisory Board receive a performance-related remuneration, as long as the result of the operating activities (EBIT) reported in the approved consolidated financial statements of the Company for the fiscal year concerned was positive and the established quantitative goals were reached: EUR 5,000 are granted, respectively if a) the EBIT of the prior year is achieved, b) the EBIT increased by more than 10% compared to the prior year, c) the EBIT increased by more than 20% compared to the prior year, and d) there was an increase in revenue of more than 20% compared to the prior year. The chairman of the Supervisory Board receives twice the amount of the fixed and variable remuneration. Supervisory Board members who belong to the Supervisory Board for only part of the fiscal year receive remuneration proportionate to the duration of their position. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.
In fiscal year 2011, the total remuneration for the Supervisory Board members came to EUR 161 thousand (2010: EUR 78 thousand), of which EUR 101 thousand (2010: EUR 63 thousand) accounted for fixed remuneration and EUR 60 thousand (2010: EUR 15 thousand) for the performance-related portion. The remuneration of the Supervisory Board members is as follows:

	Fixed Remuneration		**Variable Remuneration**		**Total Remuneration**	
in EUR thousand	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Dr. Herbert May	53	5	30	1	83	6
James W. MacIntyre	24	9	15	3	39*	12*
Tobias Hartmann	11	-	8	-	19*	-
Michael R. Conn	13	1	8	0	21*	1*
Members who left the Supervisory Board in 2010	-	48		11	-	59
	101	**63**	**60**	**15**	**161**	**78**

* The Supervisory Board member relinquished the remuneration entitled to him in accordance with the Articles of Association.

The Supervisory Board members, James W. MacIntyre, Tobias Hartmann, as well as Michael R. Conn relinquished their total remuneration of EUR 78 thousand for fiscal year 2011 (of which EUR 48 thousand account for fixed remuneration and EUR 30 thousand for variable remuneration). As a result of these relinquishments, the actual total remuneration to be paid for the Supervisory Board for fiscal year 2011 comes to EUR 83 thousand (2010: EUR 65 thousand). Supervisory Board members James W. MacIntyre and Michael R. Conn relinquished their remuneration of a total of EUR 13 thousand for fiscal year 2010.

RISK REPORT

RISK MANAGEMENT SYSTEM

Intershop operates in a dynamic market characterized by continuous changes and a wide range of associated business environment risks. 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. A risk manual describing the risk management system was created, which is reviewed and, if necessary, 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. The Company's appointed risk manager informs the Management Board about the Company's risk situation on a regular basis (at least per quarter). 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. They promptly report any newly identified risks, or changes to existing risks, to the Management Board. In turn, the Management Board also obtains information about the Company's risk position as and when necessary. Flat hierarchies, short communication channels, and a culture of open communication ensure that important risk information reaches the Management Board without delay. In addition, central information systems help to provide the Management Board with direct, timely, and regular information on risks associated with the Company's development. 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. The Management Board informs the Supervisory Board at least once a quarter, but usually more often, about important developments at the Company.

The operational risk management process encompasses risk identification, risk assessment, risk aggregation, and risk mitigation.

To identify risks, the environment and the defined risk fields and risks within it are continuously monitored by risk owners (usually the Intershop divisional managers), to which clearly defined business areas and all possible risks arising from those areas are assigned at an operational level. Additionally, a risk inventory is conducted on a yearly basis (with updates every quarter) during which already identified risks will be reviewed, new risks captured and risk owners assigned. In financial control, a deviation analysis is performed so as to identify deviations from targets. This uses financial accounting and control software by SAP and customer relationship management (CRM) software by Siebel Systems and by Salesforce. If possible/meaningful, all risks are assessed for probability of occurrence and, to the extent possible, for amount of damage. Intershop's total risk exposure is determined by aggregating the risks. Intershop applies risk mitigation measures that, depending on the point in time involved, reduce the probability of occurrence or lessen the impact. It also distinguishes between preventive and reactive measures.

As part of its risk inventories in all departments of the Company, Intershop has identified all risks that could influence the Company's development.

BUSINESS ENVIRONMENT AND INDUSTRY RISKS

Intershop is the European market leader in the highly dynamic market of e-Commerce solutions. That market is undergoing constant change due to factors such as technological progress, changes in the companies' IT landscape or new strategies and behavior patterns of the players in e-Commerce. In principle, there is a risk that Intershop offers products and services that do not reflect the needs of customers or market expectations. If the Company is not successful in monitoring the target markets adequately, sizing up the competition and pursuing solution-oriented strategies, this could lead to a negative sales trend because customers will go with competitors and it will be more difficult to gain new customers. Intershop counters this risk through continuous market monitoring and analysis of customer requirements together with customers, partners and market analysts. Therefore, the new Intershop software Intershop 7 was developed together with the alliance partners, as well as on the basis of market investigations in cooperation with 150 online retailers worldwide.

STRATEGIC BUSINESS RISKS

Intershop's key strategic goal is to develop the Company from a pure-play technology supplier into a full-service provider covering the entire e-commerce process chain. The consulting services that Intershop mainly provides as part of projects are a major line of business for the Company where customer loyalty is a top priority. To be able to ensure customer loyalty, it is important to provide the quality the customer demands, while at the same time keeping an eye on the costs. Failure to do so impacts on customer confidence. Future contracts may be lost or the profit margin on projects permanently reduced. To counter such events, resource planning is carried out for all projects. Regular reports document the current status of projects. Intershop also manages this risk by maintaining a strong customer focus and continuously monitoring customer satisfaction. It is therefore able to control the risks arising from projects.

With regard to the Intershop software, there is the risk of product defects, which is typical for software. Due to development flaws, it could be that a product is defective and, especially in terms of product safety, does not meet the requirements of the customer or market. Product defects could lead to potential or actual impairment of operations for customers and, with serious defects, acceptance of Intershop's products could be considerably diminished. Additional costs for Intershop were incurred in order to remove defects and/or for possible legal disputes/compensation for damages with customers. In addition, a decline in revenue is possible. The risk, however, is considered to be small because an extensive quality control process minimizes the occurrence of undetected product defects.

Brand visibility also plays a central role for Intershop, as otherwise potential customers are unaware of the Company as a possible solutions partner. This is mainly the case in countries outside Europe, although Intershop also won new orders in the U.S.A. and the Asia-Pacific region in 2011. Intershop confronts this risk by expanding the number of its staff in foreign markets as well as with a network of international sales partners that contribute with all kinds of sales and marketing measures to raising awareness of the brand Intershop.

PERFORMANCE RISKS

Intershop is unable to rule out the possibility of deviations from planned targets as a result of the inefficient organization of sales activities, failure to generate a sufficient number of new customers, or inappropriate marketing activities. This risk is countered through appropriate target models in sales, increased training measures, and weekly reporting on the status of current sales activities, on the basis of which the threat is considered small. Key measures include a forward-looking product policy, expansion of the product portfolio across several markets, and ongoing product development focused on technological performance. To achieve this, Intershop employs a highly qualified and motivated workforce.

Because the products are so complex, sales through partners is difficult. Especially on foreign markets, Intershop is forced to rely on sales partners because the costs of establishing and maintaining its own sales structures are too high. To avoid the risk of partners not correctly advising potential customers, Intershop puts its partners through a targeted training and selects them based on an extensive catalog of requirements.

HUMAN RESOURCES RISKS

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 the employee goes to a competitor, the specific knowledge of the employee will be used there. Furthermore, it is generally more difficult to replace these employees. A loss of key personnel could lessen Intershop's competitiveness and economic success. These risks are counteracted through a modern personnel management with individual measures for personnel development together with an open company culture and flat hierarchies. Intershop has also shown in the past that personnel changes can be reduced with the measures mentioned, a highly qualified workforce and an extensive network of external service providers, so that this risk can be considered to be small.

INFORMATION TECHNOLOGY RISKS

Business processes at Intershop are based on information technologies. This means that there is a typical, inherent risk of data loss. Moreover, Intershop is exposed to the risk of attacks on the software, which may reduce its range of functions or availability to the customer. There is also the risk of information leaks to competitors, which can create a competitive advantage for them. Existing information security measures, as well as data protection procedures are enhanced on an ongoing basis so as to limit the risks associated with IT-supported integration. Security policies and processes are updated regularly. Intershop considers the probability of the risks in this area to be small.

The availability of third-party software that must meet market and customer requirements poses a further risk. If the third-party software used is not available in good time or is defective, this may affect the operating result. This challenge is addressed by signing long-term supply agreements with third-party software providers and continuously reviewing their quality. Intershop also has alternative providers in place.

FINANCIAL RISKS

Because equity has been strengthened, Intershop is currently in a strong liquidity position and has the financial resources to bear risks. It is not exposed to any significant interest rate or credit risk at the present time, as it has no financial liabilities. Its activities abroad are exposed to currency risk in that revenues are generated in U.S. and Australian dollars. Measures were taken to hedge foreign currency risks.

In order to at least limit the risk of defaults, Intershop regularly performs credit checks on customers. In the case of larger contracts, this risk is also reduced by agreements on advance payments or progress payments based on the percentage of completion of the contract. Please also see section "Financial instrument disclosures" in the notes to the consolidated financial statements.

OTHER RISKS

With Intershop 7, the Company is also introducing a new license model, which allows customers to lease the software based on the number of transactions. This transaction-based leasing model is targeted at key figures and the way of thinking of shop managers. However, for Intershop this means that compared to the sales model, the earnings from licenses will be spread over several years, which could result in a slump in license revenue in the year it is launched if many Intershop 7 customers choose this model. In turn, in the following years, Intershop would benefit from the deferred license revenue, as well as from an even stronger, long-term customer retention.

Intershop offers revenue-based or transaction-based billing models, especially in the area of full service and The Bakery business. This poses a risk to Intershop's profitability if the customer has low or decreasing revenue or transactions over a longer time. In general, there is also the risk that revenue shares are deferred. Intershop attempts to minimize the risk with contractual agreements on guaranteed minimum revenue, as well as transaction volumes established beforehand.

The subsidiary, The Bakery GmbH, is in the development phase. The costs incurred will be covered by a loan granted by Intershop. If The Bakery GmbH does not manage to achieve its planned figures for revenue and profit, it runs the risk of insolvency. This would result in a loss of planned revenues for Intershop. Intershop is counteracting this risk with increased sales activities, which are supported by marketing and organizational restructuring measures.

The Company is a defendant in various legal proceedings arising from the normal course of business. The Management Board assumes that there will be no major financial obligations for the Company resulting from legal disputes other than the ones listed in the notes to the consolidated financial statements. Those risks are covered by insurance respectively reserves were set aside as a precaution. Please also see section "Legal Disputes/Contingent Liabilities" in the notes to the consolidated financial Statements.

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 in the future. This especially applies to the countries, in which software process patents exist. In order to minimize risk in general, Intershop especially checks the compliance of the licensing terms of third parties on a regular basis already in the development process.

Intershop generates around half of its revenues from major customers. Therefore, there is a risk that the loss of one or more major customers may have an adverse effect on the Company's results of operations. Intershop considers this risk to be very small, however, as there are considerable time and financial barriers facing customers who consider switching. Additionally, the risk is minimized because of the conclusion of long-term contracts and a broad customer base. Projects are systematically analyzed on a regular basis in order to be able to react early to any deviation from the plan. A project plan and a cost estimate are prepared for the respective project before the project starts. Estimates and project progress are being reviewed on a regular basis during the term of the project. Project Controlling calculates possible discrepancies in costs, revenues and margin, project term respectively certain milestones and, in case of deviation, proposes possible counter measures.

Changes to search engines' ranking algorithms may make it impossible to offer search engine optimization services. This may reduce online marketing revenues and have a correspondingly adverse effect on the results of operations. The Company considers this risk to be very small, however.

Despite the worldwide economic recovery, the economic forecast for 2012 is fraught with uncertainties that have to be taken into consideration when making decisions for future business developments.

OPPORTUNITIES

Intershop operates in a very dynamic market environment. New opportunities are constantly arising in the e-Commerce sector. Identifying and using these opportunities without taking unnecessary risks is an important driver for the sustainable growth of the Company. That is why opportunity and risk management are closely linked at Intershop. Opportunity management is part of the strategic planning process at Intershop – the internal and external potential that can have a positive impact on the further development and increase in value of the Company is evaluated on a regular basis. The main opportunities to highlight are the following: Many companies need efficient sales and marketing channels to be able to withstand the economic cost and sales pressure. Intershop offers alternative solutions for companies with its innovative e-Commerce products and services. Customer satisfaction, which is of particular importance to Intershop, provides a further opportunity. Regular surveys and long-term customer loyalty to Intershop confirm customers' high level of satisfaction. This could result in follow-up projects.

Intershop's customer structure, with major customers accounting for a large proportion of total revenues, provides the opportunity to continue generating revenues from these major customers, as they will be less inclined to switch provider due to the financial and time barriers to switching.

Due to Intershop's stable financial situation and established market position, it has the opportunity to be selective in the acquisition of companies in order to grow strategically along the e-Commerce process chain.

OVERALL RISK POSITION

The overall risk position refers to the sum total of all the individual risks to which Intershop is exposed. No risks have been identified that, either in isolation or in combination with others, may threaten Intershop's continued existence.

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 three business areas, whose various departments report to the Management Board member responsible in each case. The departments are divided into a number of cost and profit centers, each with its own department head. The department heads are accountable either for profits and costs or just for costs.

The business ordering and approval processes, including authorizations and threshold values, are set out in the authorization directive („Global Authorization Policy") introduced by the Management Board, which is reviewed and, when necessary, updated on a regular basis. The authorization directive includes three fields of regulation: the procurement of goods and services, offers to and agreements with customers, as well as personnel matters. Defined processes must be adhered to before actions are carried out. If, for example, goods are ordered or services are requested, or if existing contracts are amended or canceled, various 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 and company car guidelines. These are also reviewed and adjusted accordingly on a regular basis. Management Board meetings, which take place at least once a week, discuss and monitor topics such as third-party commissions, among other things.

Accounting systems are used to report accounting transactions in the financial statements of the respective subsidiary. With the exception of one subsidiary, the parent company's central Finance department enters the data into the SAP system. Consolidation and the preparation of Intershop's consolidated financial statements are performed centrally and manually by the parent company. The propriety of the data taken over during the preparatory consolidation of the single-entity financial statements is checked, with the principle of the separation of functions being applied. All consolidation adjustments are recorded and documented in a separate file. As of fiscal year 2012, consolidation and preparation of the consolidated financial statements will be done with central consolidation software. The Group's accounting policies take into account the requirements of the IFRSs, the Handelsgesetzbuch (HGB – German Commercial Code], and the German principles of proper accounting. When preparing the consolidated financial statements, internal controls are carried out 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 at Group level.

DISCLOSURES IN ACCORDANCE WITH SECTION 289(4) HGB AND SECTION 315(4) HGB PLUS EXPLANATORY REPORT

At the balance sheet date, the Company's subscribed capital amounted to EUR 30,170,984, composed of 30,170,984 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. In accordance with the authorization resolution, the option holders who acquire new shares from Authorized Capital II, have to pledge, however, when these shares are issued, not to sell the shares for a period of six months after exercise of the option.

As of the balance sheet date, GSI Commerce Solutions, Inc. of King of Prussia, PA, U.S.A. holds 26.15% of the Company's share capital. GSI Commerce, Inc. of King of Prussia, PA, U.S.A. through GSI Commerce Solutions, Inc., indirectly holds a 26.15% interest in Intershop. eBay Inc., San Jose, California, U.S.A. indirectly holds 26.15% of the voting rights in Intershop through GSI Commerce Inc. and GSI Commerce Solutions, which are under its control. Intershop 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. Please see section Equity in the notes to the consolidated financial statements regarding relevant notifications on voting rights.

There are no shares with special rights conveying powers of control, especially rights of appointment to the Supervisory Board. As part of the employee stock option plans, 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 members of the Management Board is governed by sections 84 and 85 of the AktG and Article 6 of the Articles of Association of the Company. According to the Articles of Association, the Management Board consists of one or more persons. The number of members of the Management Board is determined by the Supervisory Board. Amendments to the Articles of Association are made in accordance with section 179 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. In addition, through a resolution of the Annual Stockholders' Meeting of December 14, 2010 and June 29, 2011, the Management Board is authorized to acquire up to 2,479,379 of its own shares before December 31, 2012.

The Company is not party to any material agreements that take effect in the event of a change of control following a takeover bid. In addition, the Company has not entered into any agreements with the members of the Management Board or with employees for compensation in the event of a takeover bid.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A OF THE HGB

On March 13, 2012, Intershop's Management Board issued a Corporate Governance Declaration in accordance with section 289a of the HGB and published it on the Company's website at http://www.intershop.com/corporate-governance-declaration.html

DEPENDENT COMPANY REPORT

For the fiscal year 2011, the Management Board of INTERSHOP Communications AG has prepared a report on the relationships with affiliated companies in accordance with section 312 of the AktG. This report also

describes the relationships with GSI Commerce Solutions, Inc. At the current time, the Management Board proceeds on the assumption that no dependent relationship with GSI Commerce Solutions, Inc. exists. However, the Management Board is conscious of the fact that this assessment depends on imponderabilities and uncertainties, especially possible majorities during future Stockholders' Meetings, which cannot be forecasted with certainty. Therefore, the dependent company report was voluntarily prepared as a precaution. It contains the following final declaration:
"Intershop Communications AG received appropriate return service for the legal transac-tions, listed in this report on relationships to associated companies, according to the cir-cumstances that were known at the time at which the legal transaction was carried out, or the measures were met, and has not been informed that the listed measures have not been met. Other reportable measures were not met or refrained in the reporting period."

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

With the resolution of January 26, 2012, the district court of Jena appointed Bob van Dijk new member of the Supervisory Board of the Company until the next Annual Stockholders' Meeting. The previous Supervisory Board member, James MacIntyre, resigned from his office as of January 31, 2012. Bob van Dijk is Vice President of eBay Europe.
On March 28, 2012, Intershop announced that Australia´s leading telecommunications provider Telstra has extended its existing service order with Intershop. The agreement extends a managed service order leveraging from the previous managed service agreement executed in the year 2009. The agreement includes consulting, testing and support services around the installed e-commerce system based on the Intershop software Enfinity. The contract has a term of three years and a total revenue potential for Intershop of around EUR 11 million.
On March 28, 2012, the Company's subscribed capital was increased by EUR 12,500 to EUR 30,183,484 due to the issue of shares from Conditional Capital I.

REPORT ON EXPECTED DEVELOPMENTS

ECONOMIC CONDITIONS

Most economic research institutes predict that the global economy will continue to slow down in 2012. Given the European sovereign debt crisis, most of the global forecasts for all of 2012 were recently revised downward. The IMF reduced its forecast for the global economy by 0.7% to 3.3%, with the World Bank expecting an increase of only 2.5%. Furthermore, both institutions are warning of high economic risks. The IMF expects a slight increase of 1.2% in the gross domestic product of developed countries. Slightly better growth of 1.8% is expected for the American economy compared to the other developed countries. Affected by the slowing economy in developed countries, the forecast for the developing and emerging countries is also weaker than in prior years. A growth of 5.4% is expected for the year as a whole.
The IMF expects a minimal growth of 0.3% for Germany this year, whereas the Kiel Institute for the World Economy is somewhat more optimistic with a growth of 0.5%. Stronger economic growth in Germany of 1.5% to 1.7% is not expected before 2013.

Continued positive growth rates are forecast for the e-Commerce business. The rapidly growing number of Internet users and broadband connections worldwide supports this expectation. The market research agency IDATE estimates that close to 750 million connections worldwide will have broadband speeds by the end of 2012. In addition, the number of mobile users and the revenue share of the mobile e-Commerce business will grow thanks to the sale of Internet-capable smartphones and Tablet PCs.
In January 2012, the European Commission set an objective stating that the share of online business in relation to the overall business should be doubled in the EU Member States by 2015. Currently, accord-

ing to Eurostat, the statistical office of the European Union, this share is still at 3.4%. In order to achieve this, various obstacles, which have prevented faster growth up to now, should be removed. The European Commission wants to facilitate access to Internet products and services across borders and eliminate the problems with payment and delivery. In addition, the settlement of disputes and removal of illegal content should be made easier, investments in wireless connections and permanent infrastructures supported and the development of cloud computing services improved.
In Germany, the commercial association, HDE, expects an increase in revenue from e-Commerce of around 13% to EUR 29.5 billion in 2012. According to the industry association, BITKOM, revenue should increase by 5.2% to EUR 17.0 billion in the German software industry. The European market research institute, EITO, predicts that the European software market will grow by 4.6% to EUR 70 billion.

COMPANY OUTLOOK

The year 2012 will be marked by a decisive milestone for Intershop. In the first quarter of 2012, the next-generation e-Commerce platform Intershop 7 will be launched. Intershop expects the B2C site of a large global IT group to go live as early as March, as well as a series of additional go lives over the course of the second quarter that are based on the previous version of Intershop 7. The new platform has more innovations than any other release update in the development history of Intershop's standard product, the Enfinity Suite. Therefore, management's expectations are understandably high with regard to the international sales potential of the new shop system. This is the first time that the alliance created by Intershop for e-Commerce will come into play. Another factor that will determine the future development of the Company this year is the successful integration of many new employees. In the past year alone, the Intershop team grew by 111 to 470 employees as of year-end 2011.
Intershop will continue the profitable growth trend that started in 2008. The acquisition of many new customers, as well as the strengthening of the cooperation with our Platinum Accounts, some with long-term general agreements, speak for this positive outlook. In Europe, there is intense competition for the best e-Commerce solution on the market. In line with this, Intershop plans to further strengthen its technological market leadership with the new platform. The number one strategic goal is to gain more market share in a global license market that, according to the US market research company, Forrester, is estimated at a volume of EUR 500 million. According to this, Intershop had a market share of 1% to 2% in 2011. The goal is to increase its market share to 10% by the year 2016 and to compete with companies like IBM or Oracle.

STATEMENT ON BUSINESS DEVELOPMENTS FOR 2012 AND 2013

Despite the difficult economic climate and ongoing euro crisis, the Management Board expects an increase in net revenue of between 10% and 20% in fiscal year 2012. This constitutes a revenue margin of EUR 54.1 million to EUR 59.0 million. Compared to 2011, Intershop also expects an increase in the operating result (EBIT) of between 10% and 20%. This corresponds to an earnings corridor of EUR 2.9 million to EUR 3.2 million. This expectation already takes into account that the Management Board expects a non-recurring negative result in the first quarter of 2012 due the high non-recurring costs that are planned in connection with the upcoming market launch of Intershop 7. The same rates of increase for net revenue and EBIT as in 2012 are forecast for fiscal 2013.

Jena, March 28, 2012

The Management Board

Heinrich Göttler   Dr. Ludger Vogt   Ludwig Lutter

CONSOLIDATED FINANCIAL STATEMENTS

2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in EUR thousand	Note No.	December 31, 2011	December 31, 2010
ASSETS			
Noncurrent assets			
Intangible assets	(1)	9,741	8,517
Property, plant and equipment	(2)	1,098	705
Other noncurrent assets	(4)	24	28
Deferred tax assets	(21)	895	895
Restricted cash	(5)	0	72
		11,758	**10,217**
Current assets			
Trade receivables	(3)	11,794	8,099
Other receivables and other assets	(4)	676	1,112
Restricted cash	(5)	67	383
Cash and cash equivalents	(5)	16,884	16,390
		29,421	**25,984**
TOTAL ASSETS		**41,179**	**36,201**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Subscribed capital	(6)	30,171	29,582
Capital reserve	(6.1)	7,753	7,630
Other reserves	(6.2)	(9,705)	(12,602)
		28,219	**24,610**
Noncurrent liabilities			
Other noncurrent provisions	(11)	78	303
Deferred revenue	(10)	1,344	1,751
		1,422	**2,054**
Current liabilities			
Other current provisions	(11)	1,029	807
Trade accounts payable	(7)	5,580	3,255
Income tax liabilities	(8)	579	472
Other current liabilities	(9)	2,763	2,775
Deferred revenue	(10)	1,587	2,228
		11,538	**9,537**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**41,179**	**36,201**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note No.	January 1 to December 31, 2011	2010
Gross Revenues	(12)		
Licenses		5,500	4,184
Services, maintenance and other		49,878	40,042
		55,378	**44,226**
Media costs	(13)	(6,222)	(5,976)
Net Revenues	(12)		
Licenses		5,500	4,184
Services, maintenance and other		43,656	34,066
		49,156	**38,250**
Cost of revenues	(14)		
Licenses		(1,118)	(2,194)
Services, maintenance and other		(28,072)	(20,330)
		(29,190)	**(22,524)**
Gross profit		**19,966**	**15,726**
Operating expenses, operating income			
Research and development	(15)	(6,389)	(4,015)
Sales and marketing	(16)	(6,663)	(4,275)
General and administrative	(17)	(5,252)	(4,653)
Other operating income	(18)	1,676	821
Other operating expenses	(19)	(711)	(1,358)
		(17,339)	**(13,480)**
Result from operating activities		**2,627**	**2,246**
Interest income	(20)	92	33
Interest expense		(2)	(23)
Financial result		**90**	**10**
Earnings before tax		**2,717**	**2,256**
Income taxes	(21)	**323**	**(391)**
Earnings after tax		**3,040**	**1,865**
Other comprehensive income			
Exchange differences on translating foreign operations		(143)	174
Total comprehensive income		**2,897**	**2,039**
Earnings after tax attributable to:			
Shareholders of INTERSHOP Communications AG		**3,040**	**1,865**
Total comprehensive income attributable to:			
Shareholders of INTERSHOP Communications AG		**2,897**	**2,039**
Earnings per share (EUR, basic)	(22)	0.10	0.06
Earnings per share (EUR, diluted)	(22)	0.10	0.06
Weighted average shares outstanding (basic)		30,015	30,015
Weighted average shares outstanding (diluted)		30,048	30,054

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	Note No.	January 1 to December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		2,717	2,256
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		(90)	(10)
Depreciation and amortization		1,886	2,829
Other noncash expenses and income		24	50
Allowances for doubtful accounts		159	(1)
Changes in operating assets and liabilities			
Accounts receivable		(3,854)	2,471
Other assets		441	(1,109)
Liabilities and provisions		2.417	(198)
Deferred revenue		(1,049)	1,443
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE INCOME TAX AND INTEREST		**2,651**	**7,731**
Interest received		92	33
Interest paid		(2)	(24)
Income taxes received		320	0
Income taxes paid		0	(390)
Net cash (used in) operating activities		**3,061**	**7,350**
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash		389	403
Payments for investments in intangible assets		(2,634)	(1,516)
Purchases of property and equipment, net of capital leases		(870)	(460)
Net cash used in investing activities		**(3,115)**	**(1,573)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received for unregistered stock		732	4.506
Expenses of cash received for unregistered stock		(41)	(381)
Net cash provided by/used in financing activities		**691**	**4,125**
Effect of change in exchange rates on cash		(143)	174
Net change in cash and cash equivalents		**494**	**10,076**
Cash and cash equivalents, beginning of period	(5)	16.390	6.314
Cash and cash equivalents, end of period		**16,884**	**16,390**

CONSOLIDATED STATEMENT OF SHAREHOLDERS´ EQUITY

in EUR thousand	**Common Shares** (Number shares)	**Subscribed capital**	**Capital reserve**
Balance, January 1, 2011	**29,582,305**	**29,582**	**7,630**
Total comprehensive income			
Stock option expense			22
Issue of new shares	588.679	589	101
Balance, December 31, 2011	**30,170,984**	**30,171**	**7,753**
Balance, January 1, 2010	**26,309,094**	**26,309**	**6,728**
Total comprehensive income			
Acquired Minority interest			
Stock option expense			51
Issue of new shares	3,273,211	3,273	851
Balance, December 31, 2010	**29,582,305**	**29,582**	**7,630**

OTHER RESERVES					
Conversion reserve	**Cumulative profit/loss**	**Cumulative currency differences**	**Equity attributable to shareholders of Intershop Communications AG**	**Minority interest**	**Total shareholders´ equity**
(93)	**(14,930)**	**2,421**	**24,610**	**0**	**24,610**
	3,040	(143)	2,897		2,897
			22		22
			690		690
(93)	**(11,890)**	**2,278**	**28,219**	**0**	**28,219**
(93)	**(16,468)**	**2,247**	**18,723**	**(327)**	**18,396**
	1,865	174	2,039		2,039
	(327)		(327)	327	0
			51		51
			4,124		4,124
(93)	**(14,930)**	**2,421**	**24,610**	**0**	**24,610**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS


3

3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL DISCLOSURES

The Company

INTERSHOP Communications AG ("Intershop", the "Company", the "Intershop Group" or the "Group") is an Aktiengesellschaft (German stock corporation) under German law. The Company's registered office is at Intershop Tower, Leutragraben 1 in 07740 Jena, Germany. The Company is listed on the German stock exchange in Frankfurt and is included in the Prime Standard.
INTERSHOP Communications AG is entered in the commercial register of the Jena Local Court under number HRB 209419.

Intershop develops and sells software solutions for the management of e-commerce transactions. The Company also offers all related services, provides a comprehensive range of online marketing services, and covers all aspects of online sales including fulfillment with its full-service business area.

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2011, the Company had cash and cash equivalents (including restricted cash and cash equivalents) of EUR 17.0 million (December 31, 2010: EUR 16.8 million). The equity ratio as of the balance sheet date was 69% (previous year: 68%). The Company does not have any financial liabilities (in this connection, interest-bearing financial obligations to the capital market or credit institutes are considered financial liabilities). Please see also the Group Management Report.

Accounting principles (compliance statement)

In fiscal year 2011, Intershop Communications AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and in accordance with the provisions required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code).
The consolidated financial statements of Intershop Communications AG for 2011 (January 1, 2011 to December 31, 2011) were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date and with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

For the fiscal year 2011, the following Accounting Standards and Interpretations were required to be applied for the first time:

- Amendments to **IAS 24** „Related Party Disclosures"
- Amendment to **IAS 32** „Financial Instruments: Presentation"
- Amendment to **IFRS 1** „First-Time Adoption of International Financial Reporting Standards"
- Amendments to **IFRIC 14** „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- **IFRIC 19** „Extinguishing Financial Liabilities with Equity Instruments"

The amendments to IAS 24 relate to the complete revision of the definition of related parties, as well as the introduction of simplification provisions for entities that are under government control. There will not be any significant effect to the disclosure requirements for the Company in fiscal year 2011, especially because it does not have such a controlling relationship.
IAS 32 was amended such that subscriptions rights, options and warrants for a fixed number of own shares against a fixed amount in any currency must be reported as equity instruments, provided these are granted proportionately to all existing shareholders of the same class. The first-time application of the amended IAS 32 did not have an effect on Intershop's consolidated financial statements.
The amendment to IFRS 1 allows first-time adopters of IFRS to make use of an exemption for comparative

disclosures that end before December 31, 2009 according to IFRS 7 „Financial Instruments: Disclosures". Since Intershop is not a first-time adopter of IFRS according to IFRS 1, the amendment of IFRS 1 does not have any effect on Intershop's consolidated financial statements.
The amendments to IFRIC 14 relate to contribution plans that require minimum funding and for which the Company makes prepayments to meet these obligations. Compared to the existing provisions, the economic benefit of the prepayments, which lead to a reduction of prepayments in the future due to the minimum funding requirements, will now be capitalized as an asset. The amendments do not have any effect on Intershop's consolidated financial statements since there are no such contribution plans.
IFRIC 19 regulates the accounting treatment of a financial liability of the debtor if newly negotiated contractual terms allow him to extinguish the financial liability in full or in part by issuing equity instruments and the creditor represents an independent third party. The first-time application of IFRIC 19 did not have any effect on the consolidated financial statements of the Company.

Furthermore, the following improvements to IFRS in 2010 were to be applied as of fiscal year 2011:

IFRS	Amendment
IAS 1	Presentation of Financial Statements
IAS 34	Disclosures on Important Events and Transactions
IFRS 1	First-Time Adoption of International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 7	Information about the Nature and Extent of Risks arising from Financial Instruments
IFRIC 13	Customer Loyalty Programs: Determination of Fair Value

The improvements listed had no material effect on the consolidated financial statements in the reporting year.

Financial reporting for fiscal year 2011 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.

IFRS	Amendment	Effective for fiscal year beginning
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	07/01/2011
IFRS 7	Financial instruments: disclosures	07/01/2011
IFRS 9	Financial instruments: classification and rating	01/01/2013
IFRS 10	Consolidated financial statements	01/01/2013
IFRS 11	Joint Arrangements	01/01/2013
IFRS 12	Disclosure of Interests in Other Entities	01/01/2013
IFRS 13	Fair Falue Measurement	01/01/2013
IAS 1	Presentations of Items of Other Comprehensive Income	01/01/2012
IAS 12	Income taxes: deferred taxes	07/01/2012
IAS 19	Employee benefits	01/01/2013
IAS 27	Separate financial statements	01/01/2013
IAS 28	Investments in Associates and Joint Ventures	01/01/2013

IFRS 9 deals with the classification, recognition, and measurement of financial assets and liabilities, and replaces sections of IAS 39. IFRS 10 focuses on the introduction of a uniform consolidation model for entities that is based on the controlling of the subsidiary by the parent company. The concrete implications of IFRS 9 and 10, as well as of the other Standards mentioned for the net assets, financial position, and results of operations, as well as for the presentation of the Group have yet to be established.

Financial reporting for fiscal year 2011 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 historical cost. The stock option plans are measured at fair value.

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 with the exception of the subsidiary Intershop Communications Australia Pty Ltd in Australia, which has a different fiscal year (July 1 to June 30). The income statement has been prepared using the cost of sales method.

On March 28, 2012, the Management Board of INTERSHOP Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board. The consolidated financial statements will be submitted to the electronic Bundesanzeiger (German Federal Gazette) and published there. Additionally, they will also be available on the Company's website.

Estimates and assumptions

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.

In particular, estimates are required to recognize and measure provisions for legal costs and litigation risks, and guarantee provisions and provisions for income taxes, and for determining the value of the options under the stock option plans as well as to assess the need for and measurement of impairment losses and valuation allowances. An estimate for the degree of completion of contracts for fixed-price projects is required when determining revenues for consulting services.

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.

Certain assumptions were made in determining the value of the options under the stock option plans; these are explained in the section entitled "Stock option plans".

Goodwill is tested for impairment using the test described in the section entitled „Impairment of assets."

Please refer to the "Revenues" section in the chapter entitled "Accounting Policies" for information on estimating revenues.

Basis of consolidation

As of December 31, 2011, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, The Bakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications AB, Aktiebolaget Grundstenen 137724, as well as Intershop Communications Ventures GmbH. The subsidiary, Aktiebolaget Grundstenen 137724, which was acquired in 2011, was a new addition to the consolidated companies in fiscal year 2011 and was consolidated in accordance with IAS 27. No significant assets or liabilities were assumed.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2011:

	Interest in %	**Currency**	**Equity***	**Net loss****
Intershop Communications, Inc., San Francisco, U.S.A.	100	Euro	(914,728)	(318,531)
Intershop Communications Ventures GmbH, Jena, Germany	100	Euro	(2,195,858)	475,200
Intershop Communications AB, Stockholm, Sweden	100	Euro	21,147	608
Intershop Communications Korea Co. Ltd., Seoul, Korea	100	Euro	0	0
Intershop Communications Taiwan Co. Ltd., Taipei, Taiwan	100	Euro	0	0
SoQuero GmbH, Frankfurt/Main, Germany	100	Euro	213,151	312,327***
The Bakery GmbH, Berlin, Germany	100	Euro	(1,049,381)	609,036
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	Euro	13,039	2,602
Aktienbolaget Grundstenen 137724, Malmö, Sweden	100	Euro	5,603	0

* Equity as of December 31, 2011 is translated at the exchange rate as of the reporting date
** (Preliminary) net profit/loss for fiscal year 2011 is translated at the average annual rate
*** Net profit/loss before profit transfer to parent company INTERSHOP Communications AG

Effective June 29, 2004, the subsidiaries Intershop Communications Korea Co. Ltd. and Intershop Communications Taiwan Co. Ltd. were sold together with two other former subsidiaries (Intershop Communications Hong Kong Co., Limited and Intershop Communications Singapore Pte. Limited) by way of a management buyout; at this point, the control was transferred to the buyer and the subsidiaries were deconsolidated. The shares of these two companies were still allocated to the parent company as of the balance sheet date.
The dissolution of Intershop (UK) Ltd. (i.L.), London, Great Britain, was concluded as of December 20, 2011; therefore Intershop no longer holds any shares in this company. The deconsolidation already took place effective September 30, 2005.

The subsidiary SoQuero GmbH has fulfilled the necessary requirements pursuant to section 264 (3) of the HGB and is exempt from the obligation to prepare, audit and publish its annual financial statements for fiscal year 2011.

Consolidation methods

The consolidated financial statements of Intershop Communications AG include the consolidated results of the Company and all its German and foreign subsidiaries over whose financial and operating policies Intershop Communications AG exercises direct or indirect control. 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 the subsidiary is liquidated or on the date control passes to a third party.

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 -253 thousands (2010: EUR 8 thousands).

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

	Currency	Closing rate		Average rate for the year	
Country	**1 Eur =**	**Dec. 31, 2011**	**Dec. 31, 2010**	**2011**	**2010**
United States	USD	1.29	1.33	1.39	1.33
Australia	AUD	1.27	1.30	1.35	1.45

ACCOUNTING POLICIES

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

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. Goodwill is allocated to cash-generating units. 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.

Intangible assets

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

Software development costs

Development costs for newly developed (software) products are capitalized at cost in accordance with IAS 38 if a clear allocation of expenses is possible, and if both the technical feasibility and the marketability of the newly developed products is ensured. Capitalization of software development costs generally begins when the technological feasibility of the product is established; the Company defines this as the development of a prototype as well as the development of a beta version of the software. Since 2008, updates of Intershop's standard software Enfinity have been issued regularly as releases. The capitalization requirements under IAS 38 have therefore been met since 2008 and the software development costs are capitalized. In the fiscal years prior to 2008, the costs were recognized directly as an expense in the income statement. 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 the product beginning from the time when the software release concerned is made available to customers.

Research costs may not be capitalized in accordance with IAS 38 and are therefore recognized directly as an expense in the income statement.

Property, plant, and equipment

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

Computer equipment	3 years
Office furniture/ Presentation equipment	4–5 years

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

Impairment of assets

For property, plant, and equipment and intangible assets with finite and indefinite useful 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. Impairment losses are recognized immediately in profit or loss. There were impairment losses of EUR 559 thousand on internally developed software in 2011 and EUR 527 thousand in 2010. For details, please see section "Intangible Assets" in chapter "Notes to the Individual Balance Sheet Items". 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 2010 and 2011.

The goodwill impairment test is to be performed on cash generating units. The goodwill impairment test is to be performed on the cash generating unit to which goodwill is allocated. Goodwill comprises the intellectual property incorporated in the software obtained from previous acquisitions (net carrying amount at December 31, 2011: EUR 4,473 thousand) and goodwill resulting from the acquisition of SoQuero GmbH relating to expected future positive cash flows based on long-term customer relationships (net carrying amount at December 31, 2011: EUR 754 thousand). Goodwill from the acquisition of SoQuero GmbH was generated by the cash generating unit of the subsidiary SoQuero GmbH. For the goodwill representing the intellectual property incorporated in the software, the relevant cash-generating unit is the Intershop Group excluding the online marketing, full-service business areas and The Bakery GmbH. As a first step, the carrying amounts of the cash generating units are compared with their value in use. The total of the carrying amounts is also compared with the fair value of the Company. For this purpose, the fair value is derived from the Company's market capitalization. The impairment write-down required is determined in a second step, but only if the value in use or fair value is less than the carrying amount. To determine the value in use of the cash generating units, the net cash flows were calculated for 2012 to 2015 and a perpetual annuity (without growth rate) was calculated for the period beginning 2016. The calculations are based on the corporate planning for the period from 2012 to 2015 approved by Intershop's management; this planning builds on a market forecast and reflects parameters including customer retention, market share, and sector growth. When determining the value in use, present values were calculated on the basis of a discount rate of 9.8% (weighted average cost of capital – WACC). No impairment losses on goodwill were reported in 2010 and 2011. Impairment losses on goodwill are not reversed.

Leases

IAS 17 requires leases to be classified into financing leases and operating leases. Leases are classified as financing leases if the terms and conditions of the lease transfer substantially all risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Under a finance lease, the leased assets are capitalized at fair value on initial recognition and depreciated over their useful lives. Lease payments under an operating lease are expensed over the term of the lease using the straight-line method. Intershop only has operating leasing arrangements.

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. Purchases or sales are usually accounted for at the trade date.

Financial instruments are recognized at fair value on acquisition. Financial instruments are recognized at fair value on acquisition and are subsequently measured on the basis of the following categories: a) financial assets and liabilities at fair value through profit or loss, classified as "held for trading" and "designated", b) held-to-maturity financial assets, c) loans and receivables, d) available-for-sale financial assets, and e) liabilities measured at amortized cost.

Financial assets are classified as **"at fair value through profit or loss"** if they have been acquired with the intention of being sold in the short term or are held for trading. Derivatives are classified as "held for trading" if they are not designated as being included in a hedging relationship. If their fair value is negative, this leads to a financial liability. In this category, financial assets are subsequently measured at fair value. Any gain or loss resulting from subsequent measurement is reported in the income statement under other operating income or expenses. **Held-to-maturity financial assets** are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity. Following initial recognition, they are measured at amortized cost. Gains and losses are reported in profit or loss for the period if the asset in question is derecognized or impaired. **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost using the effective interest method. **Available-for-sale financial assets** are non-derivative financial assets that are either attributable to this category or have not been allocated to any of the other categories presented. They are subsequently measured at fair value, with any unrealized gains or losses being recognized directly in equity.

Following initial recognition, financial liabilities are generally measured at amortized cost using the effective interest method, with the exception of financial liabilities at fair value through profit or loss.

Currently, Intershop's financial assets are trade receivables and investments with no operating activities that are generally held for sale and are recognized at amortized cost. As of the balance sheet date, Intershop did not hold any financial instruments that are classified as "held to maturity" or that are measured at fair value on initial recognition in accordance with IAS 39.

Trade receivables, other receivables and other assets

Trade receivables are reported at fair value, which usually corresponds to cost, at the date of recognition. They are subsequently measured at amortized cost net of any valuation allowances. Receivables from the sale of software licenses are recognized only when a contract has been signed with the customer, any right of return granted to the customer has expired, the software has been made available according to the contract, and it is more probable than not that the receivable will be collected.
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. In determining these percentages, Intershop analyzes its historical collection experience and current economic trends. If the historical data the Company uses to calculate the allowances recognized for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional allowances for doubtful accounts may be needed and the future results of operations could be materially affected.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, checks, and unrestricted deposits with banks that have an original maturity of up to 90 days and are recognized at nominal value.

Restricted cash

Restricted cash is reported separately (see section entitled "Liquid Funds").

Stock option plans

Stock option plans allow employees to acquire shares in the Company. In accordance with IFRS 2, they are accounted for at the fair value of the options issued; they are recognized in employee-related expenses, with a corresponding increase in equity. See section entitled "Equity" for further details.
Intershop has launched the following stock option plans:

1999 STOCK OPTION PLAN

With effect from June 21, 1999, the Company adopted a stock option plan (the 1999 Plan) for the issuance of shares to Management Board members, executives, and various employees. The options under the 1999 Plan vest ratably over a four-year period, beginning six months from the grant date; however, in compliance with the applicable provisions of the German Aktiengesetz (AktG) [„Aktiengesetz": German Stock Corporation Act] (valid version of 1999), the options are not exercisable prior to expiry of a two-year period from the date on which they are granted, even if a portion is already vested. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves. The exercise price of the options is equal to 120% of the market price of the shares at the grant date, where the market price is determined to be the average closing price as quoted on the Prime Standard for the 10 trading days prior to the grant date. Options were last granted under the 1999 Plan in October 2007. A maximum of 12,500 options may still be exercised by a former Management Board member of the Company under the 1999 stock option plan. Please see the section on „Conditional capital" under „Equity."

2001 STOCK OPTION PLAN

As of January 1, 2001, the Company adopted a stock option plan (the 2001 Plan) for the issuance of shares to all employees. The options under the 2001 Plan vest ratably over a fifty-month period beginning from the grant date; however, no options will be exercisable, even though a portion is vested, prior to the six months after the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised up to six months after the employee leaves the Company, but expire after this period. The exercise price of the options is the fair value at the grant date, defined as equivalent to the XETRA closing price on the Frankfurt Stock Exchange for voting shares of stock of the Company. Options were last granted under the 2001 Plan in spring 2008. A maximum of 118,000 options may still be exercised under this stock option plan. Please refer to the section on „Equity".

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 accounted 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.

Income and expense recognition

Intershop derives revenues from the following primary sources: software license revenues and services revenues, which mainly include maintenance, consulting and education, online marketing, and Full Service and The Bakery business.

Intershop assesses whether fees are fixed or determinable at the time of sale and recognizes revenue if all other revenue recognition requirements are met. For software license arrangements that do not require significant modification or customization of the underlying software, the Company recognizes the services performed as revenue when: (1) it enters into a legally binding arrangement with a customer for the license of software; (2) it delivers the products and, (3) the amount of income can be reliably determined. Substantially, all of the Company's license revenues are recognized in this manner.

Some of the Company's software arrangements additionally include implementation services sold separately under consulting engagement contracts. Revenues from these arrangements are generally accounted for separately from the license revenue. The more significant factors considered in determining whether the revenue should be accounted for separately include the nature of services (i.e., consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments, and impact of milestones or acceptance criteria on the collectibility of the software license fee.

Where several services are covered by a single agreement (so-called multi-component contracts), the Company allocates total income to the individual elements of the transaction on the basis of their respective fair values. These fair values are determined using vendor-specific objective evidence ("VSOE"). Vendor-specific objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately. If the Company cannot objectively determine the fair value of any undelivered element included in bundled software and service arrangements, it defers revenue until all elements are delivered, services have been performed, or until fair value can objectively be determined. When VSOE of a license or other delivered element has not been established, the Company uses the residual method to record license revenue if VSOE of all undelivered elements is determinable. Under the residual method, VSOE of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Intershop's license arrangements generally do not include acceptance provisions. However, if acceptance provisions exist within previously executed terms and conditions that are referenced in the current agreement, the Company then applies judgment in assessing the significance of the provision. If the Company determines that the likelihood of non-acceptance of these arrangements is remote, it then recognizes revenue once all of the criteria described above have been met. If such a determination cannot be made, revenue is recognized upon the earlier of receipt of written customer acceptance or expiration of the acceptance period.

Revenue for consulting services is generally recognized as the services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenue is deferred until the uncertainty is sufficiently resolved.

The determination of the amount of revenues to be recognized is partly based upon the use of estimates. The Company estimates, for example, 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. This is used for fixed-price projects in the consulting area. If Intershop does not have a sufficient basis to measure progress towards completion, revenue is recognized when the Company receives final acceptance from the customer. When total cost estimates exceed the contractually agreed upon revenues, Intershop sets aside valuation allowances or reserves for the estimated losses, using cost estimates that are based upon an average burdened daily rate and all expenses applicable to the organization delivering the services.

The complexity of the estimation process and issues related to the assumptions, risks, and uncertainties inherent in the application of the percentage-of-completion method of accounting affect the amounts of revenues and related expenses reported in the Company's consolidated financial statements. A number of internal and external factors can affect Intershop's estimates, including costs for employees, utilization and efficiency variances, and specification and testing requirement changes.

Since fiscal year 2011, the consulting services include the services to be billed for the product development services rendered by Intershop within the context of the strategic alliance. Revenue is recognized on a time and material basis when services are rendered.

Revenues from maintenance are recognized ratably over the period in which the services are provided.

Revenue-based billing models are used in the full-service business area. Revenues are recognized on the basis of agreed percentages of the sales generated by the relevant online shop.

Revenue from The Bakery business is determined based on the agreed price per transaction stipulated in the specific customer contracts. In this context, a transaction is a business process defined together with the customer that is carried out on The Bakery's transaction platform.

In the case of revenues from online marketing, gross revenues are netted against media costs to report net revenues. Both gross and net revenues are presented in the statement of comprehensive income.

Cost of revenues

The cost of revenues comprises the costs incurred in generating revenues. They include in particular all costs incurred in the consulting, maintenance, training, full-service, the Bakery and online marketing areas. The cost of revenues relating to licenses also includes amortization of capitalized software development costs. In the online marketing area, however, the costs passed directly on to customers (media costs) are deducted directly from revenues.

Cost of debt

Interest expenses are recognized in the period in which they arise. Interest relating to the production of qualifying assets is generally capitalized.

Government grants

In accordance with IAS 20, government grants are only recognized when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants 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. If all the conditions have been complied with, the Company reports non-repayable income subsidies as "other operating income".

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. Deferred tax assets are recognized only if it is probable that taxable profit will be available against which they can be utilized in the future.

Operating segments

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

Earnings per share

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

The diluted net loss per share is computed using the weighted average number of ordinary shares outstanding and, in the case of dilution, the ordinary shares outstanding and the potential number of ordinary shares from options and warrants to purchase such shares using the treasury stock method. In the case of convertible securities the "if-converted method" is used. The options exercised that result in shares subject to repurchase have been excluded in computing the number of weighted average shares outstanding for basic earnings per share purposes. All potential ordinary shares have been excluded from the computation of the diluted net loss per share for 2010 and 2011 because the effect would be antidilutive.

NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS

(1) INTANGIBLE ASSETS

in EUR thousand	Software	Internally developed software	Other intangible assets	Goodwill	Total
Costs of purchase					
Balance at January 1, 2010	**5,416**	**5,662**	**1,895**	**24,851**	**37,824**
Additions	127	1,388	0	0	1,515
Disposals	0	0	0	0	0
Currency translation differences	91	0	0	0	91
Balance at December 31, 2010	**5,634**	**7,050**	**1,895**	**24,851**	**39,430**
Additions	156	2,479	0	0	2,635
Disposals	(1,220)	0	0	0	(1,220)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2011	**4,570**	**9,529**	**1,895**	**24,851**	**40,845**
Amortization, write-downs, and impairment losses					
Balance at January 1, 2010	**5,323**	**1,567**	**1,806**	**19,624**	**28,320**
Additions	52	2,361	89	0	2,502
Scheduled additions	*52*	*1,834*	*89*	*0*	*1,975*
Non-scheduled additions	*0*	*527*	*0*	*0*	*527*
Disposals	0	0	0	0	0
Currency translation differences	91	0	0	0	91
Balance at December 31, 2010	**5,466**	**3,928**	**1,895**	**19,624**	**30,913**
Additions	103	1,307	0	0	1,410
Scheduled additions	*103*	*748*	*0*	*0*	*851*
Non-scheduled additions	*0*	*559*	*0*	*0*	*559*
Disposals	(1,219)	0	0	0	(1,219)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2011	**4,350**	**5,235**	**1,895**	**19,624**	**31,104**
Net carrying amount at December 31, 2010	**168**	**3,122**	**0**	**5,227**	**8,517**
Net carrying amount at December 31, 2011	**220**	**4,294**	**0**	**5,227**	**9,741**

"Internally developed software" includes capitalized software development costs for continued development of Intershop's Enfinity software as well as capitalized development costs for the creation of online shops for full-service customers. Other intangible assets include assets identified and measured in connection with the allocation of the purchase price for the acquisition of SoQuero GmbH in 2006. The carrying amount of those assets is EUR 0 thousand.

The remaining amortization period for the item "software" is three years. Of the amortization, write-downs and impairment losses on intangible assets recognized in the Statement of Comprehensive Income, EUR 1,341 thousand (2010: EUR 2,368 thousand) are included in the cost of revenues, of which EUR 559 thousand are for non-scheduled write-downs, EUR 44 thousand (2010: EUR 94 thousand) in research and development expenses as well as EUR 25 thousand (2010: EUR 40 thousand) in general and administrative costs.

With the exception of goodwill, there are no intangible assets with indefinite useful lives.

There was a non-scheduled write-down of EUR 559 thousand on capitalized software development costs because attainable and classifiable revenue can no longer be assumed. In the segment reporting, the impairment loss was allocated proportionally to all segments.

(2) PROPERTY, PLANT, AND EQUIPMENT

in EUR thousand	Computer equipment	Office and operating equipment	Leasehold improvements	Total
Costs of purchase				
Balance at January 1, 2010	**7,650**	**1,602**	**273**	**9,525**
Additions	281	177	0	458
Disposals	(264)	(14)	0	(278)
Currency translation differences	26	4	0	30
Balance at December 31, 2010	**7,693**	**1,769**	**273**	**9,735**
Additions	537	326	10	873
Disposals	(639)	(23)	(2)	(664)
Currency translation differences	8	5	0	13
Balance at December 31, 2011	**7,599**	**2,077**	**281**	**9,957**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2010	**7,380**	**1,394**	**180**	**8,954**
Additions	202	101	24	327
Disposals	(264)	(14)	0	(278)
Currency translation differences	25	2	0	27
Balance at December 31, 2010	**7,343**	**1,483**	**204**	**9,030**
Additions	347	106	24	477
Disposals	(633)	(23)	(2)	(658)
Currency translation differences	9	1	0	10
Balance at December 31, 2011	**7,066**	**1,567**	**226**	**8,859**
Net carrying amount at Dec. 31, 2010	**350**	**286**	**69**	**705**
Net carrying amount at Dec. 31, 2011	**533**	**510**	**55**	**1,098**

Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 260 thousand (2010: EUR 135 thousand) are included in the cost of revenues, EUR 125 thousand (2010: EUR 82 thousand) in research and development expenses, EUR 29 thousand (2010: EUR 12 thousand) in marketing and sales expenses as well as EUR 63 thousand (2010: EUR 98 thousand) in general and administrative expenses.

(3) TRADE RECEIVABLES

Trade receivables as of the balance sheet date include receivables from the sale of software licenses and the performance of services amounting to EUR 11,793 thousand (2010: EUR 8,099 thousand) and due within one year (current assets).
On average, settlement of receivables from(the sale of licenses and the performance of services is due within 30 days of invoicing. From the date the receivables become due, the statutory rate of interest (8% above prime) is charged on outstanding amounts.
The following table shows the time bands for receivables past due but not individually impaired:

in EUR thousand	Dec. 31, 2011	Dec. 31, 2010
Up to 30 days past due	3,369	1,520
31 to 60 days past due	46	353
61 to 90 days past due	12	15
	3,427	**1,888**

Specific allowances are recognized after 90 days. Allowances amounting to EUR 952 thousand (2010: EUR 793 thousand) have been recognized. As regards the other trade receivables due or not yet due at the balance sheet date, it is not expected that the customers will fail to fulfill their payment obligations.
Impairments changed as follows:

in EUR thousand	2011	2010
Balance at beginning of year	**793**	**794**
Impairment of receivables	169	(8)
Amounts written off due to uncollectibility	0	78
Amounts received during the fiscal year on receivables written off	(10)	(71)
Reversals of impairments	0	0
Balance at end of year	**952**	**793**

(4) OTHER RECEIVABLES AND OTHER ASSETS

Other noncurrent assets in the amount of EUR 24 thousand (2010: EUR 28 thousand) comprise rental security deposits.
Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2011	Dec. 31, 2010
Other tax receivables	245	650
Prepayments	313	196
Gross amount due from customers for contract work	0	172
Receivables from employees and former employees	1	24
Other	117	70
	676	**1,112**

(5) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include current and noncurrent restricted cash as well as current cash and cash equivalents.

in EUR thousand	Dec. 31, 2011	Dec. 31, 2010
Restricted cash – noncurrent	0	72
Restricted cash – current	67	383
	67	**455**
Cash and cash equivalents	16,884	16,390

Cash and cash equivalents include balances at various credit institutions that are available at any time, as well as cash on hand and checks. Current cash and cash equivalents subject to restrictions are comprised mainly of cash from rent security deposits that will become available in 2012.

(6) EQUITY

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

Subscribed capital

As of December 31, 2011, subscribed capital amounted to EUR 30,170,984 and is divided into 30,174,984 no-par value bearer shares, all of which have been fully paid. There are no restrictions of voting rights. Subscribed capital amounted to EUR 29,582,305 as of December 31, 2010. The changes in subscribed capital totaling EUR 588,679 reflect capital increases from Authorized Capital II. Subscribed capital changed as follows:

in EUR thousand	2011	2010
Balance as of January 1,	**29,582,305**	**26,309,094**
Capital increases from conditional capital	0	33,333
Capital increases from authorized capital	588,679	3,239,878
Balance as of December 31,	**30,170,984**	**29,582,305**

As of the balance sheet date, 26.15% of the shares in INTERSHOP Communications AG were held by eBay Inc. through GSI Commerce Inc. and GSI Commerce Solutions Inc., which are under its control, as well as 5.01% by Cyrte Investments. These disclosures are based on the following notifications according to section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG) regarding amendments to voting rights published in the reporting period by the Company pursuant to section 26 (1) of the WpHG: eBay Inc.'s percentage of voting rights in the Company exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% on June 17, 2011, amounting to 26.25% (7,889,222 voting rights). Cyrte Investments' share of voting rights exceeded the threshold of 3% on July 11, 2011 and as of this date stood at 3.32% (996,170 voting rights), as well as the threshold of 5% on October 13, 2011, which amounted to 5.01% (1,510,170 voting rights). Accordingly, as of the balance sheet date, the free float of INTERSHOP Communications AG comes to a total of 68.84%.

Authorized capital

At the Annual Stockholder's Meeting on June 29, 2011, Authorized Capital I and II (Authorized Capital 2011) were newly created through resolutions for the amendment of the Articles of Association under the cancellation of the prior authorizations and Authorized Capital (Authorized Capital 2007), provided that they were not used. The new Authorized Capital and corresponding amendments to the Articles of Association were entered into the commercial register on July 21, 2011. As of the balance sheet date, the Company had a total of EUR 7,656,137 in new authorized capital. As of December 31, 2010, the now cancelled Authorized Capital 2007 came to EUR 5,032,919.

Under the Articles of Association of INTERSHOP Communications AG, the Management Board is entitled, with the approval of the Supervisory Board, to increase the capital stock by issuing new ordinary shares as follows:

- By up to a total of EUR 7,500,000 against cash contributions (Authorized Capital I 2011). The authorization of the Management Board applies until July 21, 2016. The Management Board is authorized, subject to approval by the Supervisory Board, to suspend the stockholders' subscription rights in certain cases. As of December 31, 2010, the now cancelled Authorized Capital I 2007 amounted to EUR 4,553,103. There were no capital increases from Authorized Capital 1 2007 or 2011 in fiscal year 2011.
- By up to a total of EUR 156,137 against cash contributions, excluding the stockholders' subscription rights (Authorized Capital II 2011). The authorization is valid until December 31, 2012. As of December 31, 2010, cancelled capital came to EUR 479,816, which was used as a result of the following three capital increases due to the exercise of employee options: capital increases of EUR 382,479 as of February 8, 2011, of EUR 87,200 as of May 4, 2011, and of EUR 10,137 as of July 8, 2011. Authorized Capital II 2011 in the amount of EUR 265,000 was newly created effective July 21, 2011. A capital increase of EUR 108,863 from Authorized Capital II took place as of September 30, 2011 by way of the exercise of employee options. With this, the amount of Authorized Capital II 2011 as of the balance sheet date was still EUR 156,137. This authorized capital in the amount of EUR 156,137 serves to fulfill the subscription rights from Stock Option Plan 2001, whereby however a maximum of 118,000 shares may be issued due to the expiration of subscription rights (see also the section on the „Stock Option Plan 2001").

Conditional capital

Conditional capital remained unchanged in fiscal year 2011. As of December 31, 2011, the Company's share capital was increased conditionally by up to EUR 59,584 by issuing up to 59,584 shares. In order to grant Management Board stock options, these EUR 59,584 are allocated for options in accordance with section 192 (2) No. 3 of the AktG (Conditional Capital I), whereby however a maximum of 12,500 shares may be issued due to subscription rights that expire or do not come into existence. Conditional Capital I is reserved for subscription rights exercisable under the Stock Option Plan 1999 (see also the section on „Stock Option Plan 1999").

Capital increases in fiscal year 2011

Employee stock options were exercised and exchanged for shares of the Company under the terms of the employee stock option plan. This lead to capital increases from Authorized Capital II, which are shown in the following overview:

Date of entry in commercial register	Amount (EUR)
February 8, 2011	382,479
May 4, 2011	87,200
July 8, 2011	10,137
September 30, 2011	108,863
Total	**588,679**

The issued shares include the same rights as the other issued shares. The new transferred shares from the capital increases of September 30, 2011 (capital increase from the new Authorized Capital II – see section on „Authorized Capital"), however, may not be sold by the option holders for a period of six months after exercise of the option. Intershop received cash and cash equivalents of EUR 732 thousand as a result of the capital increases. The transaction costs came to EUR 41 thousand. In the prior year, the capital increases from Authorized Capital II totaled EUR 754,981 (Stock Option Plan 2001) and from Conditional Capital I EUR 33,333 (Stock Option Plan 1999).

Stock option plans

Options issued under Intershop's stock option plans entitle employees to acquire shares of the Company The lock-up period is six months for the 2001 stock option plan, and two years for the 1999 stock option plan. Options expire if they are not exercised within five years from the grant date. If an employee leaves the Company, the options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised up to six months after the employee leaves the Company, but expire after this period (2001 stock options plan). In addition, all options are withdrawn from employees if they leave the Company within the first six months of the grant date.

In the last five years, the Company granted new options to employees and the Management Board in fiscal years 2006, 2007, and most recently in 2008 under its stock option program.

Option activity under the plans was as follows (in Euro thousand, except per-share data).

Year ended December 31,	2011	2011	2010	2010
	Number of shares outstanding (in thousand)	Weighted average exercise price (EUR)	Number of shares out-standing (in thousand)	Weighted average exercise price (EUR)
Outstanding at beginning of period	903	1.80	2,861	1.27
Granted	0	-	0	-
Exercised	(206)	1.69	(1,145)	1.02
Forfeited	(566)	1.85	(813)	1.04
Outstanding at end of period	**131**	**1.80**	**903**	**1.80**
Exercisable options at end of period	131	1.80	807	1.73

The weighted average share price for the exercised options amounted to EUR 2.19 (2010: EUR 1.92) on the exercise date.

The outstanding options as of the balance sheet date have the following weighted exercise prices and remaining contractual terms:

Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable on December 31, 2011	Weighted average exercise price
(in EUR)	(in thousand)	(in years)	(in EUR)	(in thousand)	(in EUR)
1.67 – 2.50	125	0.2	1.73	125	1.73
2.51 – 3.61	6	0.7	3.35	6	3.35
	131	**0.2**	**1.80**	**131**	**1.80**

In connection with stock option plans, the Company recognized expenses of EUR 22 thousand in fiscal year 2011 (2010: EUR 51 thousand). Liabilities from stock option plans in the amount of EUR 17 thousand (2010: EUR 516 thousand) were reported as of the balance sheet date.

(6.1) CAPITAL RESERVE

The capital reserve includes stock option expense, amounts in excess of the par value generated from the issuance of shares. Please see Statement of Change in Equity for details.

(6.2) OTHER RESERVES

Other reserves include a conversion reserve, reserves from cumulative gains/losses, and cumulative currency translation differences. 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.

(7) TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services and amounted to EUR 5,580 thousand (2010: EUR 3,255 thousand).

(8) INCOME TAX LIABILITIES

Income tax liabilities amounted to EUR 579 thousand (2010: EUR 472 thousand) and relate to income tax for the years 2009 to 2011. Please see section (21) Taxes on Income for information on deferred taxes.

(9) OTHER LIABILITIES

Other liabilities consist only of current liabilities and comprise:

in TEUR	**Dec. 31, 2011**	**Dec. 31, 2010**
Liabilities from advance payments received for fixed-price projects	163	0
Other liabilities relating to social security benefits	58	19
Liabilities to employees	1,211	848
Liabilities arising from stock option plans	17	516
Other VAT and wage tax liabilities	544	536
Liabilities to the Occupational Health and Safety Agency	134	65
Liabilities from outstanding vacation entitlement	493	452
Derivative financial instruments with negative fair values	0	229
Miscellaneous other liabilities	143	110
	2,763	**2,775**

Liabilities to employees mainly include liabilities from commissions and performance-related compensation. The item „Prepayments from Fixed-Price Projects" includes an order with a total order volume of EUR 1.2 million, for which prepayments of EUR 707 thousand were made. In 2011, revenue of EUR 544 thousand was realized, which was offset with the prepayment of EUR 544 thousand. These were measured based on the stage of completion of the project using the percentage of completion method. The costs of the project amounted to EUR 389 thousand. This fixed-price project resulted in a contribution to earnings of EUR 155 thousand for fiscal year 2011.

(10) DEFERRED REVENUE

Deferred revenue relates to prepayments by customers, primarily in the form of revenue from maintenance agreements. 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.

(11) OTHER PROVISIONS

Other noncurrent provisions amounted to EUR 78 thousand (2010: EUR 303 thousand). These include provisions for the year 2013 for losses from subletting relating to the leased space at the Company's headquarters. These provisions were recognized at their discounted amount as of December 31, 2011, as they will not lead to an outflow of resources in 2012.
The following table shows the development of other provisions.

Other noncurrent provisions:

in EUR thousand	
Balance at January 1, 2011	**303**
Additions	0
Utilization	0
Reversal	(125)
Reclassification to current provisions	(100)
Currency adjustments	0
Balance at December 31, 2011	**78**

Other current provisions:

in EUR thousand	Litigation risks	Other	Total
Balance at January 1, 2011	**38**	**769**	**807**
Additions	37	593	630
Utilization	(3)	(321)	(324)
Reversal	(35)	(149)	(184)
Reclassification from non-current provisions	0	100	100
Currency adjustments	0	0	0
Balance at December 31, 2011	**37**	**992**	**1,029**

Miscellaneous other provisions relate to provisions for the Stockholders' Meeting, guarantee provisions, litigation-related reserves and provisions for 2012 for losses from subletting relating to the leased space at the Company's headquarters. The Company considers that recourse to these provisions is probable.

NOTES TO THE INDIVIDUAL ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

(12) REVENUES

When referring to revenues, a distinction is made between gross revenues and net revenues. Gross revenues contain media costs that are passed on to the customer. Net revenues are gross revenues less media costs. These costs arise for online marketing revenues only. As a result, only online marketing revenues exhibit differences between gross revenues and net revenues.

License revenues amounted to EUR 5,500 thousand (2010: EUR 4,184 thousand).
Net revenues from services, maintenance, and other are composed of the following items:

in EUR thousand	2011	2010
Consulting / Training	26,807	19,915
Maintenance	9,899	9,471
Online Marketing	3,504	2,649
Other revenues	3,446	2,031
	43,656	**34,066**

Other revenue includes the revenue from the full-service and The Bakery businesses. Gross revenues of online marketing amounted to EUR 9,726 thousand (2010: EUR 8,625 thousand).

(13) MEDIA COSTS

Intershop plans and implements Internet advertising campaigns for its customers. It purchases advertising spots for its own account from various providers such as Google or Yahoo, in order to carry out these advertising campaigns. The costs for purchasing these advertising spots are usually passed on to the customers together with a fixed surcharge. Additionally, Intershop offers its customers a software solution that allows the listing of products in various online sales channels. Costs of the providers of the online sales channels are passed on to Intershop's customers.

(14) COST OF REVENUES

The production costs for licenses in the amount of EUR 1,118 thousand (2010: EUR 2,194 thousand) primarily include the amortization of software development costs. The cost of revenues relating to services, maintenance, and other are composed of the following items:

in EUR thousand	2011	2010
Consulting / Training	18,274	12,866
Maintenance	3,306	3,438
Online Marketing	2,297	1,777
Other	4,195	2,249
	28,072	**20,330**

(15) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise all expenses attributable to R&D activities, largely personnel expenses. The increase of research and development costs from EUR 4,015 thousand to EUR 6,389 thousand can mainly be attributed to the higher costs associated with the hiring of new employees, as well as higher third-party costs resulting from the involvement of additional partners in software development. Please see section "Research and Development" in the Group Management Report.

(16) SALES AND MARKETING EXPENSES

The costs for sales and marketing are mainly due to personnel costs for sales and marketing employees, sales commissions, expenditures for sales partners, and costs associated with advertising and exhibitions for various trade shows. The expenditures for sales and marketing increased to EUR 6,663 thousand (2010: EUR 4,275 thousand), especially as a result of higher costs for sales partners and intensified marketing activities.

(17) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly comprise personnel and non-personnel expenses as well as depreciation and amortization applicable to administrative functions. They include the cost of investor relations activities, expenses relating to the Stockholders' Meetings, all expenses for legal advise as well as other consulting fees. General and administrative expenses came to EUR 5,252 thousand (2010: EUR 4,653 thousand).

(18) OTHER OPERATING INCOME

Other operating income is composed of the following items:

in EUR thousand	2011	2010
Income from currency translation gains	268	252
Income from government grants	498	224
Miscellaneous	910	345
	1,676	**821**

Income from currency gains of EUR 242 thousand is attributable to financial instruments. Income from government grants was paid out in 2011. These government grants are related to research and development projects, which are supported by the Federal Ministry of Education and Research, as well as by the Thüringer Aufbaubank. Other income includes the liquidation proceeds of Intershop (UK) Ltd.

(19) OTHER OPERATING EXPENSES

Other operating expenses relate to the following items:

in EUR thousand	2011	2010
Currency translation losses	521	244
Losses on currency forwards	0	318
Miscellaneous	190	796
	711	**1,359**

Expenses from currency losses is attributable exclusively to financial instruments. The „Miscellaneous" item mainly includes impairment losses.

(20) INTEREST INCOME

Interest income in the amount of EUR 92 thousand (2010: EUR 33 thousand) primarily includes interest on bank balances.

(21) INCOME TAXES

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. A corporate income tax rate of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% (previous year: 5.5%), as

well as an effective trade tax rate of 14.70 % (previous year: 14.70%), were used to calculate the deferred taxes of the German companies as of December 31, 2011.
The Group's income taxes are broken down as follows:

in EUR thousand	2011	2010
Current taxes		
Abroad	(3)	738
Germany	(320)	99
Deferred taxes		
Abroad	0	0
Germany	0	(446)
	(323)	**391**

The Group tax rate of 30.525% applicable in fiscal year 2011 (on the basis of a rate of assessment for trade tax of 420%) was multiplied by IFRS earnings before taxes to calculate the expected tax expense. In the prior year, a Group tax rate of 29.65% was based on a rate of assessment for trade tax of 395%.

The tax rate reconciliation contains the following details:

in EUR thousand	2011	2010
IFRS pretax income	2,717	2,256
Corporate tax rate	30.53%	29.65%
Expected income tax expense	829	669
Effects of changes in tax rates and different rates of foreign taxation	(2)	85
Utilization of tax losses carried forward	(697)	(431)
Permanent effects, tax refunds	(410)	86
Effects of changes in basis of consolidation and others	(43)	(18)
Income taxes	**(323)**	**391**

The components of the deferred tax assets were as follows:

in EUR thousand	2011	2010
Net operating loss carryforwards	74,721	99,907
Other	92	176
Valuation allowance or nonrecognition in accordance with IAS 12.34	(72,492)	(98,109)
	2,321	**1.974**
Offset	(1,426)	(1,079)
Deferred tax assets after offset	**895**	**895**
Intangible assets	1,311	952
Consolidation effects	19	18
Other	96	109
	1,426	**1,079**
Offset	(1,426)	(1,079)
Deferred tax liabilities after offset	**0**	**0**
Net deferred tax assets	**895**	**895**

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 of December 31, 2011 and in accordance with IAS 12.24, deferred tax assets were only recognized in the amount of taxable profit probably available in the future. Deferred tax assets are predominantly noncurrent.

For the year ended December 31, 2011, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	**2011**	**2010**
US Federal	93.819	90,681
US State	96.202	91,177
German corporate income tax	152.039	212,614
German municipal trade tax	147.513	207,002
Other	0	4,967

U.S. federal and state net operating loss carryforwards expire in various fiscal periods through 2031. The rise in the U.S. loss carryforwards is attributable to currency translation, which overcompensated for the reduction due to utilization. German net operating loss carryforwards relate to corporate income tax and municipal trade tax and carry forward indefinitely. The reduction in German loss carryforwards is attributable to the partial forfeiture of loss carryforwards because of a harmful transfer of shares within the meaning of section 8c of the KStG (Körperschaftssteuergesetz, German Corporation Income Tax Act) and the use of tax loss carryforwards.

(22) EARNINGS PER SHARE

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

in EUR thousand	2011	2010
Basis for calculating basic earnings per share (earnings after tax attributable to Intershop shareholders)	**3,040**	**1,865**
Basis for calculating diluted earnings per share	**3,040**	**1,865**

The number of shares is calculated as follows:

	2011	2010
Weighted average number of ordinary shares used to calculate basic earnings per share	**30,015**	**30,015**
Dilutive effect of potential ordinary shares:		
Weighted average number of options outstanding	33	39
Weighted average number of ordinary shares used to calculate diluted earnings per share	**30,048**	**30,054**

	2011	2010
Calculation of earnings per share (basic)		
Basis for calculating basic earnings per share (in EUR thousand)	3,040	1,865
Weighted average number of shares (basic)	30,015	30,015
Earnings per share (basic) (in EUR)	**0.10**	**0.06**
Calculation of earnings per share (diluted)		
Basis for calculating diluted earnings per share (in EUR thousand)	3,040	1,865
Weighted average number of shares (diluted)	30,048	30,054
Earnings per share (diluted) (in EUR)	0.10	0.06
Adjustment of earnings per share (diluted) (in EUR)	**0.10**	**0.06**

In accordance with IAS 33.47, the stock options issued are included in the calculation of diluted earnings only if the average market price of Intershop ordinary shares during the fiscal year exceeds the exercise price of the stock options. 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. In accordance with IAS 33.64, the calculation of the number of shares was adjusted retrospectively for the prior year.

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 non-cash income and expenses, and of the changes in operating assets and liabilities compared with last year's balance sheet.

Cash inflow from ongoing business activities amounted to EUR 3,061 thousand in 2011, compared to a cash inflow of EUR 7,350 thousand in 2010. The reasons for the decreased inflow of cash in 2011 include the buildup of trade receivables, as well as the effects of deferred revenue. Non-cash impairment losses decreased from EUR 2,829 thousand to EUR 1,886 thousand. The cash outflow from investment activities increased to EUR 3,115 thousand (2010: EUR 1,573 thousand), especially due to higher payments for investments in intangible assets. The payments for investments in intangible assets came to EUR 2,634 thousand (2010: EUR 1,516 thousand). Cash flow from financing activities was EUR 691 thousand (2010: EUR 4,125 thousand). Please refer to the explanations in the section on „Equity." In total, there was a net cash inflow of EUR 494 thousand in fiscal year 2011 compared to a cash inflow of EUR 10,076 thousand in the prior year. As of December 31, 2011, Intershop had a total of cash and cash equivalents of EUR 16,884 thousand (December 31, 2010: EUR 16,390 thousand).

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

OTHER DISCLOSURES

Segment reporting

Segment reporting as of December 31, 2011

in EUR thousand	Europe	U.S.A.	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	4,659	656	185	0	**5,500**
Consulting and training	11,270	11,573	3,964	0	**26,807**
Maintenance	5,067	1,194	3,638	0	**9,899**
Online Marketing	3,504	0	0	0	**3,504**
Other	3,021	425	0	0	**3,446**
Total net revenues from external customers	**27,521**	**13,848**	**7,787**	**0**	**49,156**
Intersegment revenues	1,490	983	398	(2,871)	**0**
Total net revenues	**29,011**	**14,831**	**8,185**	**(2,871)**	**49,156**
Cost of revenues	16,346	8,232	4,612	0	**29,190**
Gross profit	**11,175**	**5,616**	**3,175**	**0**	**19,966**
Operating expenses, operating income	9,709	4,890	2,740	0	**17,339**
Result from operating activities	**1,466**	**726**	**435**	**0**	**2,627**
Financial result					**90**
Earnings before tax					**2,717**
Income taxes					**323**
Earnings after tax					**3,040**
Assets	23,061	11,612	6,506	0	**41,179**
Depreciation and amortization	744	374	210	0	**1,328**
Noncash expenses	414	209	117	0	**740**

Segment reporting as of December 31, 2010

in EUR thousand	Europe	U.S.A.	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	2,542	1,374	268	0	**4,184**
Consulting and training	9,929	6,392	3,612	0	**19,933**
Maintenance	4,693	1,213	3,565	0	**9,471**
Online Marketing	2,631	0	0	0	**2,631**
Other	1,503	503	25	0	**2,031**
Total net revenues from external customers	**21,298**	**9,482**	**7,470**	**0**	**38,250**
Intersegment revenues	646	790	0	(1,436)	**0**
Total net revenues	**21,944**	**10,272**	**7,470**	**(1,436)**	**38,250**
Cost of revenues	12,546	5,586	4,392	0	**22,524**
Gross profit	**8,752**	**3,896**	**3,078**	**0**	**15,726**
Operating expenses, operating income	7,508	3,343	2,629	0	**13,480**
Result from operating activities	**1,244**	**553**	**449**	**0**	**2,246**
Financial result					**10**
Earnings before tax					**2,256**
Income taxes					**(391)**
Earnings after tax					**1,865**
Assets	20,164	8,978	7,059	0	**36,201**
Depreciation and amortization	1,282	571	449	0	**2,302**
Noncash expenses	538	240	188	0	**966**

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, U.S.A., and Asia-Pacific segments. The reportable business segments generate revenue with the sale of software licenses (licenses) and different services relating to these services. In turn, they are broken down into consulting and training, maintenance, online marketing and other, with the latter comprised of the full-service and The Bakery business.

The operating segments are broken down as follows:
The segment "Europe" includes the sales activities of INTERSHOP Communications AG, SoQuero GmbH as well as The Bakery GmbH in Europe. The segment "U.S.A." includes the sales activities of Intershop Communications Inc. 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:

- Net revenues from external customers represent revenues from the segments with third parties outside the Group.
- Intersegment revenues include revenues from intersegment relationships. These revenues are recognized in the same way as those from external third parties.
- The cost of revenues comprises the costs attributed to each operating segment for generating its revenues.
- Gross profit, which is calculated as the difference between segment revenues and the cost of revenues, is the first assessment level for management decisions.
- Operating expenses and income comprise research and development expenses, sales and marketing costs, general and administrative expenses, and other operating expenses and income that are attributable to the relevant segments. Other operating expenses and income also include the effects of one-time expenses and income such as valuation allowances, 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.
- Depreciation and amortization relates to the depreciation and amortization of the segment assets allocated to the individual regions.
- Non-cash expenses include expenses relating to stock option plans, valuation allowances, non-scheduled write-downs as well as unrealized losses from hedging transactions (only in 2010). No significant non-cash income arose in the two fiscal years and this was therefore not reported separately.

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.

The Company is domiciled in Germany. Revenues from external customers that were generated in Germany amounted to EUR 21,808 thousand (2010: EUR 18,093 thousand). Revenues of EUR 27,348 thousand (2010: EUR 20,157 thousand) were recorded from external customers in other countries. EUR 13,848 thousand (2010: EUR 9,482 thousand) of these revenues was attributable to customers in the U.S. and EUR 7,721 thousand (2010: EUR 7,319) to customers in Australia. Total noncurrent assets excluding deferred taxes amounted to EUR 10,768 thousand (2010: EUR 9,270 thousand) in Germany and EUR 95 thousand (2010: EUR 52 thousand) in other countries. The Company does not have any assets relating to financial instruments associated with pensions or rights arising from insurance contracts.

Revenues of EUR 6,105 thousand respectively EUR 7,188 thousand were recorded with two customers (2010: EUR 6,352 thousand and EUR 5,703 thousand) in the segments Asia/Pacific respectively U.S.A.

Operating leases

Office space and furniture and fixtures are leased within the scope of "operating leases". The minimum long-term lease payments relate mainly to rental obligations for the Company's headquarters in Jena. The cumulated minimum lease payments to be paid from non-cancellable operating lease arrangements are as follows:

in EUR thousand	Due within 1 year	Due in 1 to 5 years	Due after more than 5 years	Total
Minimum lease payments from operating leases	3,082	7,878	0	**10,960**

The sum of future minimum payments arising from subleases amounted to EUR 609 thousand as of the balance sheet date. Rental expense of EUR 2,664 thousand (2010: EUR 2,218 thousand) was recognized in the income statement. Rental income amounted to EUR 680 thousand (2010: EUR 545 thousand), which was offset in full against rental expenses in both years.

Litigation / contingent liabilities

The Company is a defendant in various legal proceedings arising from the normal course of business. A negative ruling in any such legal dispute, or in several or all such disputes, could have a material adverse effect on the Company's results of operations. The Company recognizes all legal costs associated with loss contingency as an expense as they are incurred.

In 2002, another software company brought a claim for damages of around EUR 5 million for the alleged violation of a license agreement. An out-of-court settlement was initially agreed, but the software company declined to finally accept the terms of the settlement. In 2004, the Munich Regional Court dismissed its claim for payment. However, the court ordered Intershop to provide information on the delivery of software owned by the other software company. The Company has since provided this information. Intershop believes that the other software company has no further claims. In addition, the other software company has told the Company that it will not actively further pursue legal action.

In fiscal year 2006, a contract partner that had acquired the Company's standard software in 2004 and purchased services from the Company in 2005 sued the Company for reversal of contract and repayment of the purchase price as well as damages in the total amount of about EUR 730 thousand. The Company vigorously fought the claims for repayment and damages and believes that the contract party does not have a valid claim on the merits and also that the amount requested is without justification. Irrespective of this, the Company has insurance coverage for a part of the claims. The Company filed a counterclaim for unpaid services in the amount of about EUR 250 thousand in December 2008. After a hearing before the district court in April of 2010, the hearing of evidence took place on February 3, 2011. In the legal dispute with a contract partner of the Company, the Company and the contract partner have expressed their positions with regard to the minutes of the hearings. The regional court (following a change of department) set a date of April 26, 2012 for the continuation of the oral proceedings and the taking of evidence, if necessary. The Company maintains its position that the claims, as well as the reason and the amount involved do not exist. As a precautionary measure, the Company has established a provision in the lower six-figure range.

In January 2011, three annulment and rescission lawsuits were brought against the Company by shareholders regarding the resolution of item 3 (acquisition authorization), which was decided at the Extraordinary Annual Stockholders' Meeting of December 14, 2010. The lawsuits were combined. All parties declared the disputes to be settled. A final ruling on the costs is pending. In addition, an annulment and rescission lawsuit was brought against the company in February 2011 by a shareholder regarding the resolution of item 1 (Supervisory Board election) at the Extraordinary Annual Stockholders' Meeting of

December 14, 2010. This lawsuit was settled amicably. The settlement between the Company and shareholder was published in the Electronic German Federal Gazette on April 7, 2011 pursuant to sections 249a, 149 (2) of the AktG.

In addition to the litigation described in detail, the Company is a defendant in various other actions arising from the normal course of business. 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 indicator in this context is the equity ratio. The Group's overall strategy here is unchanged as against fiscal year 2011. The capital structure changed as follows and was within budget figures:

in EUR thousand	**Dec. 31, 2011**	**Dec. 31, 2010**	**as a % of previous year**
Equity	28,219	24,610	15%
Trade accounts payable	5,580	3,255	71%
Other liabilities	7,380	8,336	-11%
Equity ratio	69%	68%	1%

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, 2011		Dec. 31, 2010	
Measurement	**Categories**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Measured at amortized cost					
ASSETS					
Other noncurrent assets	Loans and receivables	24	24	28	28
Trade receivables	Loans and receivables	11,794	11,794	8,099	8,099
Restricted cash	Loans and receivables	67	67	455	455
Cash and cash equivalents	Loans and receivables	16,884	16,884	16,390	16,390
Other receivables and other assets		676		1,112	
of which gross amount due from customers for contract work		0	0	172	172
LIABILITIES					
Trade payables	Financial liabilities measured at amortized cost	5,580	5,580	3,255	3,255
Other current liabilities		2,763		2,775	
of which financial liabilities measured at amortized cost		81	81	78	78
of which derivative financial instruments held for trading		0	2	229	229

Carrying amount aggregated by measurement category	2011	2010
Loans and receivables	28,769	24,972
Financial liabilities measured at amortized cost	5,661	3,333
Financial liabilities held for trading	0	229

Net gain/loss per measurement category	On interest		On valuation allowances		Fair value changes	
	2011	2010	2011	2010	2011	2010
Loans and receivables	90	10	159	70	0	0
Financial liabilities measured at amortized cost	0	0	0	0	0	0
Financial liabilities held for trading	0	0	0	0	2	229

In fiscal year 2011, financial instruments to be recognized at fair value were classified using the following measurement levels in the fair value hierarchy.

in EUR thousand	Measurement level	2011	2010
Financial liabilities			
Derivatives with negative fair values (current)	2	2	229

The contractual maturities of most of the existing financial instruments are within one year of the balance sheet date. The carrying amounts do not therefore differ significantly from the fair values.

NON-PAYMENT RISKS

The Company is exposed to a potential default risk mainly from its trade 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. In addition, the Company does not demand collateral for its receivables. In the case of larger contracts, this risk is reduced by agreements on advance payments or partial payments based on the stage of completion of the contract.
Appropriate allowances are also recognized. The Company's cash and cash equivalents are largely invested with German and U.S. American 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

Intershop does not have any loans or other liabilities to banks. Intershop ensures it has access to liquidity through its bank balances. As of the balance sheet date, the bank balances amounted to EUR 16,884 thousand.
The following table shows the future undiscounted cash flows of financial liabilities that will affect the Company's future liquidity situation:

in EUR thousand	Carrying amount at Dec. 31, 2010	Cash flow in 2011	Carrying amount at Dec. 31, 2011	Cash flow in 2012	Cash flow after 2012
Other noncurrent liabilities	0	0	0	0	0
Trade accounts payable	3,255	3,255	5,580	5,580	0
Other current liabilities	2,775	2,323	2,763	2,270	0
of which derivatives with negative fair values	229	229	0	0	0

INTEREST RATE RISK

An interest rate risk could arise from a change in market interest rates for medium- or long-term liabilities. As Intershop does not have any loans, there is no interest rate risk.

CURRENCY RISK

Certain transactions in the Intershop Group are denominated in foreign currencies. This leads to risks from exchange rate fluctuations. To hedge against currency risks, Intershop concluded forward exchange transactions in 2010 for one year. These were related to hedging the exchange rate of the Australian dollar of cash flows from revenue. Following the expiration of these forward exchange transactions in the second half of 2011, Intershop no longer hedges revenue with fixed forward exchange transactions. Invoices in foreign currencies are usually hedged with currency options. The nominal volume of the hedging transactions is AUD 1.2 million (prior year: AUD 2.7 million). As of the balance sheet date, the fair value is EUR 2. Intershop is primarily exposed to exchange rate risk relating to the U.S. dollar and the Australian dollar. The carrying amount of the Group's monetary assets and liabilities denominated in these currencies was as follows at the balance sheet date:

	Liabilities		Assets	
in EUR thousand	**2011**	**2010**	**2011**	**2010**
in USD	1,409	2,635	3	6
in AUD	1,102	2,700	458	179

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

	Earnings after tax USD		Earnings after tax AUD	
in EUR thousand	**2011**	**2010**	**2011**	**2010**
Change due to 10% appreciation of the euro	(128)	(239)	(59)	(229)
Change due to 10% depreciation of the euro	156	292	72	280

Events subsequent to the balance sheet date

With the resolution of January 26, 2012, the district court of Jena appointed Bob van Dijk new member of the Supervisory Board of the Company until the next Annual Stockholders' Meeting. The previous Supervisory Board member, James MacIntyre, resigned from his office as of January 31, 2012. Bob van Dijk is Vice President of eBay Europe.

On March 28, 2012, Intershop announced that Australia´s leading telecommunications provider Telstra has extended its existing service order with Intershop. The agreement extends a managed service order leveraging from the previous managed service agreement executed in the year 2009. The agreement includes consulting, testing and support services around the installed e-commerce system based on the Intershop software Enfinity. The contract has a term of three years and a total revenue potential for Intershop of around EUR 11 million.

On March 28, 2012, the Company's subscribed capital was increased by EUR 12,500 to EUR 30,183,484 due to the issue of shares from Conditional Capital I.

Related party disclosures

In addition to the business relations with consolidated subsidiaries, there is one relationship with a company that has a stake in Intershop. As the largest shareholder of the Company, GSI Commerce Solutions Inc. owned 26.15% of the shares in Intershop as of the balance sheet date. We refer to the section on „Disclosures according to section 289 (4) and section 315 (4) of the HGB with explanatory report" in the management report. The Supervisory Board members, Michael R. Conn, Tobias Hartmann and James W. MacIntyre were employed at GSI Commerce Inc. in fiscal year 2011: Mr. Conn as Chief Financial Officer, Mr. Hartmann as Chief Executive Officer of Global Operations and Mr. MacIntyre as Head of E-Commerce Technology. As of the balance sheet date, the Intershop Group did not have any relationships with unconsolidated subsidiaries, joint ventures or associated companies.

The income generated with the participating company came to EUR 7,188 thousand (2010: EUR 5,703 thousand). Income included revenue from licenses, consulting and maintenance. The outstanding balance for receivables came to EUR 1,090 thousand as of December 31, 2011 (2010: EUR 1,274 thousand). Receivables include trade receivables, which were not yet due or which were settled shortly after the balance sheet date. In 2011 and 2010, no deliverables or services were obtained from the participating company. There were no liabilities as of the balance sheet dates.
With respect to the remuneration for Supervisory Board and Management Board members, please refer to the remuneration report in the management report.

Disclosure requirements under German law

MEMBERS OF THE EXECUTIVE BODIES

The Management Board comprised in 2011 the following members:

Name	Function	Term of office
Heinrich Göttler	Member of the Management Board	since 06/23/ 2008
Dr. Ludger Vogt	Member of the Management Board	since 12/01/ 2008
Ludwig Lutter	Member of the Management Board	since 04/01/ 2011
Peter Mark Droste	Member of the Management Board	04/01/2009 – 03/31/2011

The Supervisory Board comprised the following members in 2011:

Name	Function	Term of Office
Dr. Herbert May	Chairman of the Supervisory Board	since 10/19/2010 (Chairman since 11/17/2010)
James W. MacIntyre	Vice Chairman of the Supervisory Board	06/01/2010 – 01/31/2012 (Vice Chairman since 12/14/2010)
Tobias Hartmann	Member of the Supervisory Board	Since 07/01/2011
Michael R. Conn	Member of the Supervisory Board	12/14/2010 – 06/30/2011

Total remuneration paid to the Management Board for fiscal year 2011 amounted to EUR 880 thousand (2010: EUR 934 thousand), of which EUR 624 thousand (2010: EUR 528 thousand) accounted for fixed remuneration and EUR 256 thousand (2010: EUR 406 thousand) for the variable components. In fiscal year

2011, the total remuneration for the Supervisory Board members came to EUR 161 thousand (2010: EUR 78 thousand), of which EUR 101 thousand (2010: EUR 63 thousand) accounted for fixed remuneration and EUR 60 thousand (2010: EUR 15 thousand) for the performance-related portion. Due to the relinquishment of Supervisory Board members, the actual total remuneration to be paid for the Supervisory Board comes to EUR 83 thousand (2010: EUR 65 thousand). The payments of the Management Board and Supervisory Board consist exclusively of benefits due in the short term.

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

DIRECTORS' HOLDINGS AND SECURITIES TRANSACTIONS SUBJECT TO REPORTING REQUIREMENTS

As of December 31, 2011, Management Board member Dr. Ludger Vogt held 70,000 Intershop bearer shares.

In fiscal year 2011, one of the Company's board members made the following reportable securities transaction of Intershop bearer shares:

Name	Date	Type of transaction	Amount	Total value (EUR)
Management Board:				
Dr. Ludger Vogt	04/12/2011	Lending*	57,700	0

* Dr. Vogt lent the Company the shares to hedge the employee stock option plan free of charge.
The Company returned the shares to Dr. Vogt as of the balance sheet date.

EMPLOYEES

During the fiscal year 2011, Intershop Group had an average of 441 full-time employees, of whom 438 were salaried employees and 3 members of the executive bodies (2010: 333 full-time employees, of whom 330 were salaried employees and 3 members of the executive bodies).

Employee-related expenses amounted to EUR 26,188 thousand (2010: EUR 19,937 thousand). Pension insurance contributions paid by the Company for statutory pension insurance schemes totaled EUR 1,620 thousand (2011: EUR 1,241 thousand).

AUDITORS' FEES

In fiscal year 2011, the Company incurred expenses of EUR 139 thousand (2010: EUR 91 thousand) for audit services in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB, of EUR 6 thousand (2010: EUR 10 thousand) for other assurance services, and of EUR 8 thousand (2010: EUR 18 thousand) for other services. Expenses for tax consulting services amounted to EUR 17 thousand (2010: EUR 23 thousand).

DECLARATION OF CONFORMITY

The Company has issued a declaration of conformity as required by section 161 of the Aktiengesetz by the annual deadline on February 15, 2012, and made this declaration permanently available to its stockholders. More information can be found in the Corporate Governance Report.

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 28, 2012

The Management Board

Heinrich Göttler   Dr. Ludger Vogt   Ludwig Lutter

We have audited the consolidated financial statements prepared by INTERSHOP Communications Aktiengesellschaft, Jena, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report of INTERSHOP Communications Aktiengesellschaft, Jena, which is combined with the management report of the Company, for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany - IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Erfurt, March 28, 2012

**PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**

(sgd. Rolf-Peter Stockmeyer)	(sgd. ppa. Heinrich Peters)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL STATEMENTS & NOTES INTERSHOP COMMUNICATIONS AG


4

4

FINANCIAL STATEMENTS
& NOTES
INTERSHOP COMMUNICATIONS AG

BALANCE SHEET INTERSHOP COMMUNICATIONS AG

in EUR	December 31, 2011	December 31, 2010
ASSETS		
Fixed Assets		
Intangible assets		
Software licenses	208,098	153,362
Property and equipment		
Other facilities, furniture, and equipment	929,810	588,231
Financial Assets		
Investments in affiliated companies	10,496,834	10,491,261
	11,634,742	**11,232,854**
Current Assets		
Inventories		
Work in process	443,793	171,738
Payments on account	15,000	0
	458,793	171,738
Receivables and other assets		
Accounts receivable	8,065,124	5,495,309
Receivables from affiliated companies	2,242,870	5.682.079
Receivables from companies in which participations are held	1,090,251	1,273,855
Other assets	298,912	704,055
	11,697,157	13,155,298
Cash-in-hand, bank balances	14,749,472	10,110,580
	26,905,422	**23,437,616**
Prepaid expenses	**192,029**	**108,450**
TOTAL ASSETS	**38,732,193**	**34,778,920**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock	30,170,984	29,582,305
Conditional capital: EUR 59,584 (previous year: EUR 59,584)		
Capital surplus	6.431.531	6,288,368
Accumulated Deficit	(7,913,658)	(8,510,793)
	28,688,857	**27,359,880**
Accrued Liabilities		
Provisions for taxes	568,777	471,946
Other accrued liabilities	4,474,445	3,606,570
	5,043,222	**4,078,516**
Liabilities		
Advance payments received	707,273	0
Accounts payable	2,491,777	1,096,068
Liabilities to affiliated companies	544,090	126,081
Other liabilities	612,813	1,026,241
thereof from taxes: EUR 237,645 (previous year: EUR 388,516)		
thereof from social security benefits: EUR 35,255 (previous year EUR 16,895)		
	4,355,953	**2,248,390**
Deferred Charges	**644,161**	**1,092,134**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**38,732,193**	**34,778,920**

STATEMENT OF OPERATIONS OF INTERSHOP COMMUNICATIONS AG

	January 1 to December 31,	
in EUR	**2011**	**2010**
Revenues	40,448,126	31,848,021
Increase in inventories of work in progress	272,055	(39,141)
Other operating income	3,092,763	2,292,465
Cost of Materials		
Cost of purchased merchandise	(429,203)	(272,124)
Cost of purchased services	(9,983,071)	(5,563,116)
Personnel Costs		
Salaries	(18,019,739)	(13,847,523)
Social security contribution	(2,847,945)	(2,137,655)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(497,779)	(327,703)
of current assets to the extent it exceeds depreciation and amortization that is normal for the Company	0	(999,506)
Other operating expenses	(12,516,930)	(10,013,401)
Profit from profit transfer agreements	312,836	269,491
Other interest and similar income	556,729	509,433
thereof from affiliated companies EUR 472,105 (previous year: EUR 476,462)		
Write-downs of long-term financial assets and securities classified as current assets	0	(5,274)
Interest and similar expenses	(14,124)	(45,908)
of which from expenses for accrued interest: EUR 12,190 (prior year: EUR 22,391)		
Result from ordinary activities	**373,718**	**1,668,059**
Extraordinary expense	0	(10,360)
Taxes on income	223,417	(539,466)
Net income for the year	**597,135**	**1,118,233**
Accumulated deficit carried forward	(8,510,793)	(9,629,026)
Accumulated Deficit	**(7,913,658)**	**(8,510,793)**

The annual financial statements were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act) in accordance with the principles applicable to large corporations.
The fiscal year corresponds with the calendar year.
The income statement is prepared using the "nature of expense" method. The item designation „Expenditures for goods purchased" was adjusted to the contents of this item in the reporting year.

ACCOUNTING POLICIES

The accounting policies used remained unchanged from the prior year.

Intangible fixed assets and property, plant and equipment are carried at cost, less scheduled, straight-line depreciation and any required non-scheduled write-downs. The scheduled depreciation is made over the average useful life of the fixed assets.

Intershop did not make use of the option to capitalize the development costs.

Financial assets are carried at cost, less necessary valuation allowances.

Inventories 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.

Cash is measured at its nominal value or at the mean spot rate.

Receivables and other assets are carried at their principal amounts, less any necessary valuation allowances (specific and global valuation allowances).

Prepaid expenses and deferred charges are measured using the portion of expenses or income before the balance sheet date that represent expenses or income for a particular period after the balance sheet date.

Common stock are stated at par value.

Accrued liabilities cover all recognizable risks and are measured in the amount dictated by prudent business practice. They are measured at the settlement value deemed necessary by prudent business practice. Provisions with a maturity of more than 1 year were discounted using the average market interest rate of the past seven years determined by the Deutsche Bundesbank for the respective time periods. Future price and cost increases are taken into consideration when accounting for provisions.

Liabilities are stated at their settlement value.

Current receivables and liabilities in a foreign currency were translated at the mean spot rate at the balance sheet date.

Differences between trade balance and tax balance as well as accumulated deficits carried forward result in deferred tax assets. 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	Software licenses	Other equipment, operating and office equipment	Shares in affiliated companies	
Costs of purchase				
Balance at January 1, 2011	**3,099**	**2,922**	**46,145**	**52,166**
Additions	157	743	6	**906**
Disposals	0	(392)	0	**(392)**
Balance at December 31, 2011	**3,256**	**3,273**	**46,151**	**52,680**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2011	**2,946**	**2,334**	**35,654**	**40,934**
Additions	102	396	0	**498**
Disposals	0	(387)	0	**(387)**
Balance at December 31, 2011	**3,048**	**2,343**	**35,654**	**41,045**
Net carrying amount at December 31, 2010	**153**	**588**	**10,491**	**11,232**
Net carrying amount at December 31, 2011	**208**	**930**	**10,497**	**11,635**

Out of the financial assets, EUR 8,863 thousand are allocated to Intershop Communications Inc. and EUR 1,628 thousand to SoQuero GmbH. There were non-scheduled impairment losses at the lower fair value on the shares in Intershop Communications Inc. in the prior years. Due to the positive operating results that followed and were present in the reporting year, as well as after the current corporate planning, there are currently no indications for further write-downs with Intershop Communications Inc. or SoQuero GmbH.

Receivables from affiliated companies in the amount of EUR 1,527 thousand (previous year: EUR 5,320 thousand) relate to Group financing, EUR 313 thousand to profit transfer from the subsidiary SoQuero GmbH (previous year: EUR 269 thousand) and current goods and services.

Receivables from companies in which participations exist are trade receivables, as in the prior year.

All receivables and other assets have a remaining maturity of up to one year, as in the prior year.

Cash and cash equivalents totaling EUR 67 thousand (prior year: EUR 456 thousand) reported on the balance sheet under cash-in-hand and bank balances have been assigned as security (restricted cash) for obligations arising from rental relationships.

The share capital in the amount of EUR 30,170,984 consists of 30,170,984 no-par value bearer shares.

The capital reserve developed as follows in fiscal year 2011 (in EUR thousand):

Balance at December 31, 2010	**6,288**
Premium from the exercise of stock options	153
Balance at December 31, 2011	**6,432**

The accumulated deficit contains a loss carryforward from previous years in the amount of EUR 8,511 thousand.

Other provisions primarily consist of outstanding invoices (EUR 1,602 thousand; previous year: EUR 702 thousand) and commissions (EUR 947 thousand; previous year: EUR 601 thousand). The remaining provisions consist litigations, legal costs, expenses relating to the preparation of the financial statements and the Annual Stockholders' Meeting, vacation entitlements, pending losses from ongoing rental obligations and executory contracts (EUR 500 thousand; previous year: EUR 490 thousand) and license fees.

As in the previous fiscal year, all liabilities are due within one year.

Other liabilities consist of liabilities to employees from cash received in connection with stock option plans in the amount of EUR 17 thousand (previous year: EUR 516 thousand). Apart from that, largely current payroll expenses are shown.

Receivables from affiliated companies relate to deliveries of goods and services, as in the prior year.

Statement of Operations

The following table shows a breakdown of revenues by region:

in EUR thousand	2011	2010
Germany	17,131	15,163
Rest of Europe	5,723	3,329
Rest of the world excluding Europe	17,594	13,356
	40,448	**31,848**

Revenues of EUR 5,018 thousand (prior year: EUR 3,679 thousand) relate to license revenues and EUR 35,430 thousand (prior year: EUR 28,169 thousand) to revenues from services (Consulting, Maintenance and Other).

Revenue from foreign currency translation is included in "other operating income" and amounted to EUR 241 thousand (prior year: EUR 250 thousand).

EUR 482 thousand from other operating income affects the previous periods.

Expenditures for goods purchased mainly include software license fees to third parties.

Other operating expenses include impairment losses on receivables from affiliated companies of EUR 868 thousand.

Impairment losses on receivables from affiliated companies that exceed the normal levels of impairment losses were charged in the amount of EUR 1,000 thousand in the prior year.

Other operating expenses include expenses of EUR 486 thousand (prior year: EUR 237 thousand) from currency translation.

Profit from profit transfer agreements is attributable to the profit transfer agreement with SoQuero GmbH that has existed since fiscal year 2008.

EUR 472 thousand of other interest and similar income relates to affiliated companies (prior year: EUR 476 thousand).

The extraordinary expenses shown in the prior year come from the revaluation of provisions as a result of the first-time application of the HGB in the version of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz; BilMoG).

Income taxes include previous years' expenses in the amount of EUR 320 thousand.

OTHER DISCLOSURES

Authorized capital

At the Annual Stockholder's Meeting on June 29, 2011, Authorized Capital I and II (Authorized Capital 2011) were newly created through resolutions for the amendment of the Articles of Association under the cancellation of the prior authorizations and Authorized Capital (Authorized Capital 2007), provided that they were not used. The new Authorized Capital and corresponding amendments to the Articles of Association were entered into the commercial register on July 21, 2011. As of the balance sheet date, the Company had a total of EUR 7,656,137 in new authorized capital. As of December 31, 2010, the now cancelled Authorized Capital 2007 came to EUR 5,032,919.

Under the Articles of Association of INTERSHOP Communications AG, the Management Board is entitled, with the approval of the Supervisory Board, to increase the capital stock by issuing new ordinary shares as follows:

- By up to a total of EUR 7,500,000 against cash contributions (Authorized Capital I 2011). The authorization of the Management Board applies until July 21, 2016. The Management Board is authorized, subject to approval by the Supervisory Board, to suspend the stockholders' subscription rights in certain cases. As of December 31, 2010, the now cancelled Authorized Capital I 2007 amounted to EUR 4,553,103. There were no capital increases from Authorized Capital 1 2007 or 2011 in fiscal year 2011.
- By up to a total of EUR 156,137 against cash contributions, excluding the stockholders' subscription rights (Authorized Capital II 2011). The authorization is valid until December 31, 2012. As of December 31, 2010, cancelled capital came to EUR 479,816, which was used as a result of the following three capital increases due to the exercise of employee options: capital increases of EUR 382,479 as of February 8, 2011, of EUR 87,200 as of May 4, 2011, and of EUR 10,137 as of July 8, 2011. Authorized Capital II 2011 in the amount of EUR 265,000 was newly created effective July 21, 2011. A capital increase of EUR 108,863 from Authorized Capital II took place as of September 30, 2011 by way of the exercise of employee options. With this, the amount of Authorized Capital II 2011 as of the balance sheet date was still EUR 156,137. This authorized capital in the amount of EUR 156,137 serves to fulfill the subscription rights from Stock Option Plan 2001, whereby however a maximum of 118,000 shares may be issued due to the expiration of subscription rights.

Conditional capital

Conditional capital remained unchanged in fiscal year 2011. As of December 31, 2011, the Company's share capital was increased conditionally by up to EUR 59,584 by issuing up to 59,584 shares. In order to grant Management Board stock options, these EUR 59,584 are allocated for options in accordance with section 192 (2) No. 3 of the AktG (Conditional Capital I), whereby however a maximum of 12,500 shares may be issued due to subscription rights that expire or do not come into existence. Conditional Capital I is reserved for subscription rights exercisable under the Stock Option Plan 1999.

The number of options outstanding under the Company's stock option plans at the balance sheet date was 130,500.

As of the balance sheet date, 26.15% of the shares in INTERSHOP Communications AG were held by eBay Inc. through GSI Commerce Inc. and GSI Commerce Solutions Inc., which are under its control, as well as 5.01% by Cyrte Investments. These disclosures are based on the following notifications according to section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG) regarding amendments to voting rights published in the reporting period by the Company pursuant to section 26 (1) of the WpHG: eBay Inc.'s percentage of voting rights in the Company exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% on June 17, 2011, amounting to 26.25% (7,889,222 voting rights). Cyrte Investments' share of voting rights exceeded the threshold of 3% on July 11, 2011 and as of this date stood at 3.32% (996,170 voting rights), as well as the threshold of 5% on October 13, 2011, which amounted to 5.01% (1,510,170 voting rights). Accordingly, as of the balance sheet date, the free float of INTERSHOP Communications AG comes to a total of 68.84%.

Derivative financial instruments

In fiscal year 2011, invoices in foreign currency were hedged with currency options. The nominal volume of hedging transactions amounts to AUD 1.2 million. As of the balance sheet date, the fair value is EUR 2. The contractual maturity dates are within two months following the balance sheet date.

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

Financial obligations resulting from the lease for the Company's business premises amounted to EUR 9.2 million as of December 31, 2011, which are due on a pro rata basis by the end of the lease term up to the end of November 2015. The Company also has other financial liabilities amounting to EUR 1.2 million thousand relating to other tenancy agreements and leases for vehicles and office equipment. The tenancy and leasing arrangements include the advantages and risks that are typical of contracts.

Employees

The Company had an average of 354 employees (salaried employees only) during the fiscal year 2011 (previous year: 270 employees). The figure excludes an average of 5 employees with temporary leave of absence (previous year: 8 employees).

Executive bodies of the Company

The Supervisory Board comprised the following members:

DR. HERBERT MAY

Chairman of the Supervisory Board since 11/17/2010
Member since 10/19/2010
Dipl. Ingenieur (Engineer), independent management consultant
Other supervisory board mandates:
Ubidyne Inc., Scottsdale, AZ, USA
Versant Corp., Redwood City, CA, USA
Certon GmbH, Heidelberg, Germany
Communology GmbH, Cologne, Germany (advisory board member)

JAMES W. MACINTYRE

Vice Chairman of the Supervisory Board from 12/14/2010 (to 01/31/2012)
Member from 06/01/2010 (to 01/31/2012)
Director and member of management, Arimor, LLC, McLean, Virginia, USA
Director and member of management, Product Laboratory, LLC, McLean, Virginia, USA

MICHAEL R. CONN
Member from 12/14/2010 to 06/30/2011
Chief Financial Officer, GSI Commerce, Inc. and its subsidiaries

TOBIAS HARTMANN
Member since 07/01/2011
Chief Executive Officer Global Operations, GSI Commerce Inc.

The Management Board included the following persons:

HEINRICH GÖTTLER
Member of the Management Board since 06/23/2008

DR. LUDGER VOGT
Member of the Management Board since 12/01/2008

LUDWIG LUTTER
Member of the Management Board since 04/01/2011

PETER MARK DROSTE
Member of the Management Board from 04/01/2009 to 03/31/2011

COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Total remuneration paid to the Management Board for fiscal year 2011 amounted to EUR 880 thousand (2010: EUR 934 thousand), of which EUR 624 thousand (2010: EUR 528 thousand) accounted for fixed remuneration and EUR 256 thousand (2010: EUR 406 thousand) for the variable components. In fiscal year 2011, the total remuneration for the Supervisory Board members came to EUR 161 thousand (2010: EUR 78 thousand), of which EUR 101 thousand (2010: EUR 63 thousand) accounted for fixed remuneration and EUR 60 thousand (2010: EUR 15 thousand) for the performance-related portion. Due to the relinquishment of Supervisory Board members, the actual total remuneration to be paid for the Supervisory Board comes to EUR 83 thousand (2010: EUR 65 thousand). The particulars regarding the remuneration of the Management Boards and Supervisory Boards are outlined in the remuneration reports as part of the combined Group management report and management report of INTERSHOP Communications AG.
As of December 31, 2011, Management Board member Dr. Ludger Vogt held 70,000 Intershop bearer shares.

Intershop Group

As of December 31, 2011, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, The Bakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications AB, Aktiebolaget Grundstenen 137724, as well as Intershop Communications Ventures GmbH.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2011:

	Interest in %	Currency	Equity*	Net loss**
Intershop Communications, Inc., San Francisco, U.S.A.	100	Euro	(914,728)	(318,531)
Intershop Communications Ventures GmbH, Jena, Germany	100	Euro	(2,195,858)	475,200
Intershop Communications AB, Stockholm, Sweden	100	Euro	21,147	608
Intershop Communications Korea Co. Ltd., Seoul, Korea	100	Euro	0	0
Intershop Communications Taiwan Co. Ltd., Taipei, Taiwan	100	Euro	0	0
SoQuero GmbH, Frankfurt/Main, Germany	100	Euro	213,151	312,327***
The Bakery GmbH, Berlin, Germany	100	Euro	(1,049,381)	609,036
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	Euro	13,039	2,602
Aktienbolaget Grundstenen 137724, Malmö, Sweden	100	Euro	5,603	0

* Equity as of December 31, 2011 is translated at the exchange rate as of the reporting date
** (Preliminary) net profit/loss for fiscal year 2011 is translated at the average annual rate
*** Net profit/loss before profit transfer to parent company INTERSHOP Communications AG

The expenses for auditors' fees are included in the notes to the Company's consolidated financial statements.

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 February 15, 2012, and made this declaration publicly available on the Company's website at http://www.intershop.com/investors-corporate-governance.html .

Appropriation of net income/loss

The Management Board of Intershop Communications AG proposes to carry forward the accumulated deficit of EUR 7,913,658 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 28, 2012

The Management Board

Heinrich Göttler Dr. Ludger Vogt Ludwig Lutter

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Company and the Group of INTERSHOP Communications Aktiengesellschaft, Jena, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

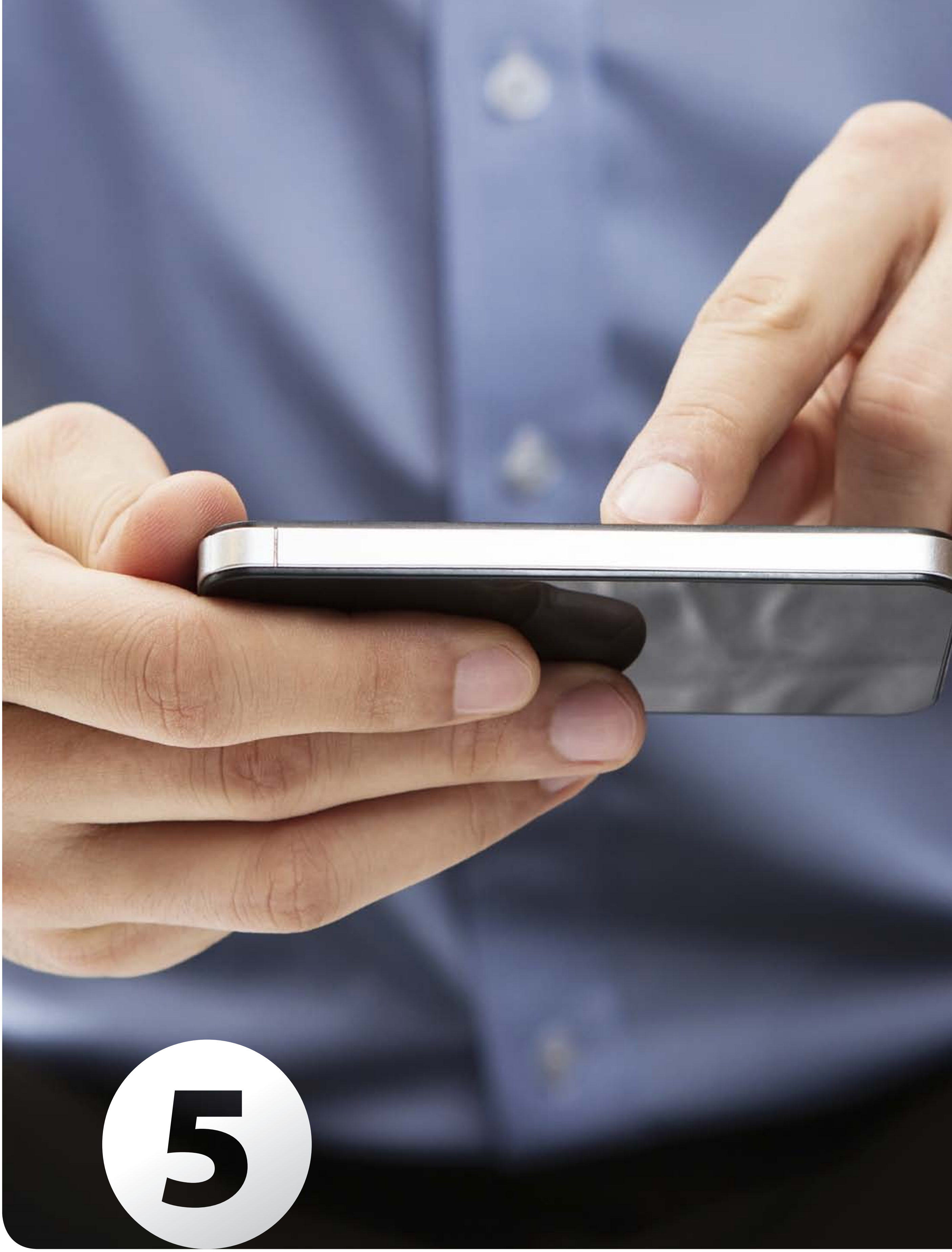
Erfurt, March 28, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Rolf-Peter Stockmeyer)	(sgd. ppa. Heinrich Peters)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE REPORT


5

5

REPORT OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE REPORT

The Supervisory Board has continuously monitored the management of business activities by the Management Board, in accordance with the tasks entrusted to it by law and by the Articles of Associations, and assured itself that the applicable rules and regulations and legal requirements were complied with by the management.

SUPERVISORY BOARD MEETINGS AND CONTENT

In fiscal year 2011, the Supervisory Board met a total of 12 times, of which 9 were telephone consultations. Key topics of the meetings were the current economic situation of the Company, especially development of earnings, revenue and the employees, as well as the strategic direction of the Company, in particular the strategic partnerships. All Supervisory Board members participated in all of the meetings.

In the meeting on April 13, 2011, the Supervisory Board dealt with the audit of the annual and consolidated financial statements for 2010 in the presence of the auditor, as well as with the Corporate Governance Report. The Supervisory Board approved the consolidated and annual financial statements of INTERSHOP Communications AG in this meeting. In addition, the budget for fiscal year 2011 was approved. In the meetings on January 25, August 5 and November 3, 2011, the Management Board reported on the current and expected business development and presented important sales projects. In the other Supervisory Board meetings of February 21, May 2, May 18, May 25, July 1, July 14, August 19 and September 2, 2011, the items that were handled included the following: resolutions for capital increases were adopted, a resolution for a new Rules of Procedure for the Management Board was passed, and agreements requiring approval and personnel issues were discussed. In addition to the meetings, there were circulation resolutions regarding appointments of Management Board members, as well as agreements requiring approval.

Business transactions of importance to the Company were discussed in detail and carefully monitored by the Supervisory Board on the basis of Management Board reports. The Management Board submitted all transactions requiring approval under its Rules of Procedure to the Supervisory Board for approval. The Supervisory Board examined the draft resolutions relating to these transactions and measures requiring approval in detail and took the appropriate decisions.

In addition to its reports at the Supervisory Board meetings, the Management Board regularly informed the Chairman of the Supervisory Board of the current developments of the Company and the related necessary measures. The Chairman and other members of the Supervisory Board were in constant contact with the Management Board, and important issues of the Company were discussed, analyzed and monitored.

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

CORPORATE GOVERNANCE

In three individual cases, the Supervisory Board had to pass a resolution in February, March and September 2011 for its approval for amendment agreements regarding the agreement concluded in 2010 on the strategic partnership with GSI Commerce Solutions Inc. as well as its approval for the acceptance of individual orders in line with this strategic partnership. In these cases, as a precautionary measure, Supervisory Board members James W. MacIntyre, Michael Conn and, after July 1, 2011, Tobias Hartmann assumed that there could be a potential conflict of interest because of their respective main professional activities at GSI Commerce Inc. and notified the Company in the meaning of section 5.5 of the German Corporate Governance Code. They abstained from voting in these cases.

The new declaration of compliance with the German Corporate Governance Code was issued by the Management Board and Supervisory Board in February 2012. The remuneration of the individual Supervisory Board members is broken down into its components in the explanatory notes to the group management report, as well as in the Corporate Governance report.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In fiscal year 2011, there were two personnel changes in the managing bodies, one in the Supervisory Board and another in the Management Board. Michael Conn retired from his office, leaving the Supervisory Board effective as of the end of the day on June 30, 2011. The Supervisory Board would like to thank Mr. Conn for his work. At the Ordinary Annual Stockholders' Meeting on June 29, 2011, Tobias Hartmann, Chief Executive Officer, Global Operations of GSI Commerce, Inc., was elected as a new Supervisory Board member effective July 1, 2011.

Peter Mark Droste retired from the Management Board at the end of his contract as of March 31, 2011. Mr. Droste was appointed to the Management Board in April 2009 with the primary goal of finding a strategic partner with whom Intershop can push forward the internationalization of its e-Commerce business and accelerate growth. The Supervisory Board would like to thank Mr. Droste for his high degree of commitment to the Company.

On March 24, 2011 the Supervisory Board appointed Ludwig Lutter member of the Management Board effective April 1, 2011. Ludwig Lutter succeeded Peter Mark Droste and, as Chief Financial Officer of Intershop, is responsible for the areas of Finance, Mergers and Acquisitions, and IR, as well as the Operations, Legal and Human Resources departments.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, DEPENDENT COMPANY REPORT, ANNUAL AUDIT

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditor for the 2011 fiscal year elected at the Annual Stockholder's Meeting held on June 29, 2011 and engaged by the Supervisory Board, thoroughly reviewed the separate financial statements, the consolidated financial statements, the combined management report and the group 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, and (3) the measures detailed in the report do not represent any circumstances, which could lead to a significantly different assessment as that given by the Management Board."

Following its own thorough examination, in particular after inspecting the auditor's reports, as well as discussing the key points of the audit in detail with the auditor and the material findings of the audit, the Supervisory Board did not raise any objections with respect to the financial statements or the dependent company report. The Supervisory Board concurs with the result of the audit and the audit of the dependent company report. The Supervisory Board does not raise any objections against the declaration given by the Management Board at the end of the dependent company report and approved the separate financial statements and consolidated financial statements prepared by the Management Board in its meeting on April 11, 2012. The annual financial statements of INTERSHOP Communications AG were thus adopted. Since the Company has not yet generated retained earnings due to the remaining loss carryforwards under German commercial law in 2011, in spite of its positive operating result, there was no need to examine a proposal on the appropriation of profits.

The Supervisory Board would like to thank the Management Board and all the employees of the Intershop Group for their dedicated work. The Supervisory Board would like to thank the shareholders for the trust they have placed in the Company.

Jena, April 2011

on behalf of the Supervisory Board

Dr. Herbert May
Chairman of the Supervisory Board

Intershop welcomes the German Corporate Governance Code presented by the Government Commission and most recently amended in May 2010. The Company largely complied with the recommendations of the German Corporate Governance Code in the fiscal year 2011; any departures were explained in the Declaration of Conformity. Pursuant to section 161 of the AktG, the Supervisory Board and the Management Board jointly issued the following Declaration of Conformity on February 15, 2012:

Since its last declaration of compliance dated February 23, 2011 to the time of this declaration, Intershop Communications AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code (hereinafter referred to as the „Code") in the version dated May 26, 2010, with the following exceptions and will comply with them in the future with the following exceptions:

a) The existing D&O insurance does not include a deductible for the members of the Supervisory Board (section 3.8 of the Code) since the Company has not been offered a policy with comparatively more favorable terms. Furthermore, the Management Board and Supervisory Board hold the view that the members of the Supervisory Board also exercise their obligations responsibly without a deductible.

b) The Management Board does not have a Chairman or Spokesperson (section 4.2.1 of the Code). No one was appointed because the members of the Management Board have equal status, work together on the basis of trust, and the rules of procedure detail the organizational arrangements in this respect.

c) In accordance with section 5.4.1 (2) of the Code, the Supervisory Board has not specified concrete objectives regarding its composition, which take diversity into account and which provide for an appropriate degree of female representation. The Supervisory Board is of the opinion that due to its small number of members, a concrete determination of goals restricts the selection of suitable members for the Supervisory Board. Instead, the Supervisory Board wishes to make its decisions with regard to recommendations about its composition independently based on the respective situation.

d) The consolidated financial statements for fiscal year 2010 were published 20 days after the deadline stipulated in the Code, however, within the four-month-period as stipulated in Art. 62(3) of the Börsenordnung der Frankfurter Wertpapierbörse (Frankfurt Stock Exchange Rules and Regulations), Art. 37v(1) of the Wertpapierhandelsgesetz (WpHG, German Securities Trading Act) and Art. 325(4) of the Handelsgesetzbuch (HGB, German Commercial Code) (section 7.1.2 of the Code). An earlier publication date is not possible due to the timetables for the preparation, audit and approval of the consolidated financial statements. However, important preliminary key figures shall be published beforehand.

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

MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN FISCAL YEAR 2011

The Management Board comprised the following members:

Name	Function	Term of office
Heinrich Göttler	Member of the Management Board	since 06/23/2008
Dr. Ludger Vogt	Member of the Management Board	since 12/01/2008
Ludwig Lutter	Member of the Management Board	since 04/01/2011
Peter Mark Droste	Member of the Management Board	04/01/2009 – 03/31/2011

The Supervisory Board comprised the following members:

Name	Function	Term of Office
Dr. Herbert May	Chairman of the Supervisory Board	since 10/19/2010 (Chairman since 11/17/2010)
James W. MacIntyre	Vice Chairman of the Supervisory Board	06/01/2010 – 01/31/2012 (Vice Chairman since 12/14/2010)
Tobias Hartmann	Member of the Supervisory Board	Since 07/01/2011
Michael R. Conn	Member of the Supervisory Board	12/14/2010 – 06/30/2011

COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD (REMUNERATION REPORT)

Remuneration of the Management Board

The compensation of the Management Board comprises fixed and variable components. The fixed components comprise the fixed salary and additional benefits, such as the non-cash benefit resulting from the use of a company car, and are paid monthly. The variable, annually recurring remuneration is based on various annual and multi-annual quantitative and qualitative objectives, whose assessment depends on the degree achieved of the objective. The basis for assessment of the quantitative objectives that have greater weight are the Group's EBIT, revenue and share price. The qualitative objectives are based on strategic targets.

Total remuneration paid to the Management Board for fiscal year 2011 amounted to EUR 880 thousand (2010: EUR 934 thousand), of which EUR 624 thousand (2010: EUR 528 thousand) accounted for fixed remuneration and EUR 256 thousand (2010: EUR 406 thousand) for the variable components. The fixed remuneration components include EUR 582 thousand for fixed salary and EUR 42 thousand for additional benefits (2010: EUR 490 thousand for fixed salary, EUR 38 thousand for additional benefits).

The remuneration of the Management Board members is as follows:

	Fixed Remuneration		Variable Remuneration		Total Remuneration	
in EUR thousand	2011	2010	2011	2010	2011	2010
Heinrich Göttler	212	189	100	90	312	279
Dr. Ludger Vogt	201	164	100	90	301	254
Ludwig Lutter	159	-	56	-	216	-
Peter Mark Droste	52	175	0	226	52	401
	624	**528**	**256**	**406**	**880**	**934**

New stock options were not granted to the members of the Management Board in the reporting year. The members of the Management Board also do not own any stock options from prior years.

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

Remuneration of the Supervisory Board

Upon resolution of the Annual Stockholders' Meeting of June 29, 2011, the remuneration of the Supervisory Board changed effective January 1, 2011, due to the amendment of section 13 of the Articles of Association. The remuneration continues to include fixed and variable components. The fixed remuneration is comprised of an annual fixed remuneration of EUR 12,500, as well as an attendance allowance of EUR 2,500 per meeting or EUR 500 if a telephone conference is held in place of a meeting. In addition, the members of the Supervisory Board receive a performance-related remuneration, as long as the result of the operating activities (EBIT) reported in the approved consolidated financial statements of the Company for the fiscal year concerned was positive and the established quantitative goals were reached: EUR 5,000 are granted, respectively if a) the EBIT of the prior year is achieved, b) the EBIT increased by more than 10% compared to the prior year, c) the EBIT increased by more than 20% compared to the prior year, and d) there was an increase in revenue of more than 20% compared to the prior year. The chairman of the Supervisory Board receives twice the amount of the fixed and variable remuneration. Supervisory Board members who belong to the Supervisory Board for only part of the fiscal year receive remuneration proportionate to the duration of their position. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.
In fiscal year 2011, the total remuneration for the Supervisory Board members came to EUR 161 thousand (2010: EUR 78 thousand), of which EUR 101 thousand (2010: EUR 63 thousand) accounted for fixed remuneration and EUR 60 thousand (2010: EUR 15 thousand) for the performance-related portion. The remuneration of the Supervisory Board members is as follows:

	Fixed Remuneration		**Variable Remuneration**		**Total Remuneration**	
in EUR thousand	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Dr. Herbert May	53	5	30	1	83	6
James W. MacIntyre	24	9	15	3	39*	12*
Tobias Hartmann	11	-	8	-	19*	-
Michael R. Conn	13	1	8	0	21*	1*
Members who left the Supervisory Board in 2010	-	48		11	-	59
	101	**63**	**60**	**15**	**161**	**78**

* The Supervisory Board member relinquished the remuneration entitled to him in accordance with the Articles of Association.

The Supervisory Board members, James W. MacIntyre, Tobias Hartmann, as well as Michael R. Conn relinquished their total remuneration of EUR 78 thousand for fiscal year 2011 (of which EUR 48 thousand account for fixed remuneration and EUR 30 thousand for variable remuneration). As a result of these relinquishments, the actual total remuneration to be paid for the Supervisory Board for fiscal year 2011 comes to EUR 83 thousand (2010: EUR 65 thousand). Supervisory Board members James W. MacIntyre and Michael R. Conn relinquished their remuneration of a total of EUR 13 thousand for fiscal year 2010.

DIRECTORS' HOLDINGS AND SECURITIES TRANSACTIONS SUBJECT TO REPORTING REQUIREMENTS

As of December 31, 2011, Management Board member Dr. Ludger Vogt held 70,000 Intershop bearer shares (this corresponds to a stake of 0.23%).
In fiscal year 2011, one of the Company's board members made the following reportable securities transaction of Intershop bearer shares:

Name	Date	Type of transaction	Amount	Total value (EUR)
Management Board:				
Dr. Ludger Vogt	04/12/2011	Lending*	57,700	0

* Dr. Vogt lent the Company the shares to hedge the employee stock option plan free of charge. The Company returned the shares to Dr. Vogt as of the balance sheet date.

STOCK OPTION PLANS

Stock option plans allow employees to acquire shares in the Company. Intershop has the following Stock Options Plans:

1999 Stock Option Plan

With effect from June 21, 1999, the Company adopted a stock option plan (the 1999 Plan) for the issuance of shares to Management Board members, executives, and various employees. The options under the 1999 Plan vest ratably over a four-year period, beginning six months from the grant date; however, in compliance with the applicable provisions of the German Aktiengesetz (AktG) [„Aktiengesetz": German Stock Corporation Act] (valid version of 1999), the options are not exercisable prior to expiry of a two-year period from the date on which they are granted, even if a portion is already vested. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves. The exercise price of the options is equal to 120% of the market price of the shares at the grant date, where the market price is determined to be the average closing price as quoted on the Prime Standard for the 10 trading days prior to the grant date. Options were last granted under the 1999 Plan in October 2007. A maximum of 12,500 options may still be exercised by a former Management Board member of the Company under the 1999 stock option plan.

2001 Stock Option Plan

As of January 1, 2001, the Company adopted a stock option plan (the 2001 Plan) for the issuance of shares to all employees. The options under the 2001 Plan vest ratably over a fifty-month period beginning from the grant date; however, no options will be exercisable, even though a portion is vested, prior to the six months after the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised up to six months after the employee leaves the Company, but expire after this period. The exercise price of the options is the fair value at the grant date, defined as equivalent to the XETRA closing price on the Frankfurt Stock Exchange for voting shares of stock of the Company. Options were last granted under the 2001 Plan in spring 2008. A maximum of 118,000 options may still be exercised under this stock option plan.

As of December 31, 2011, the total number of outstanding and exercisable options from both stock option plans was 130,500 options.

Jena, March 28, 2012

The Management Board

Heinrich Göttler　　Dr. Ludger Vogt　　Ludwig Lutter

Jena, April 11, 2012

On behalf of the Supervisory Board

Dr. Herbert May
Chairman of the Supervisory Board

INTERSHOP SHARES

Stock Market Data on Intershop Shares	
ISIN	DE000A0EPUH1
WKN	A0EPUH
Stock market symbol	ISH2
Admission segment	Prime Standard / Regulated market
Sector	Software
Membership of Deutsche Börse indices	CDAX, Prime All Share, Technology All Share

Key figures for Intershop shares		2011	2010
Closing price*	in EUR	2.06	1.90
High*	in EUR	3.60	2.22
Low*	in EUR	1.59	1.52
Number of shares outstanding (as of Dec. 31)	in million shares	30.17	29.58
Market capitalization	in EUR million	62.15	56.21
Earings per share	in EUR	0.10	0.06
Cashflow per share	in EUR	0.10	0.25
Carrying amount per share	in EUR	0.94	0.83
Average trading volume per day **	Number	85,310	64,171
Free float	in %	69	73

* Basis: Xetra
** Basis: all stock exchanges

FINANCIALCALENDAR 2012

Date	Event
February 22, 2012	Release of Q4 and FY financials 2011
May 9, 2012	Release of Q1 financials 2012
May 30, 2012	Ordinary Annual Stockholders' Meeting 2012
August 8, 2012	Release of Q2 and 6-month financials 2012
November 7, 2012	Release of Q3 and 9-month financials 2012

Investor Relations Contact:
INTERSHOP Communications AG
Investor Relations
Intershop Tower
07740 Jena
Germany
Phone: +49 3641 50-1000
Fax: +49 3641 50-1309
ir@intershop.com
www.intershop.com/investor-relations

Layout:
timespin - Digital Communication GmbH
www.timespin.de

www.intershop.com

INTERSHOP Communications AG
Intershop Tower
07740 Jena
Germany

Phone: +49 3641 50-0
Fax: +49 3641 50-1111
info@intershop.com
www.intershop.com