



**ANNUAL REPORT
2012**



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2012

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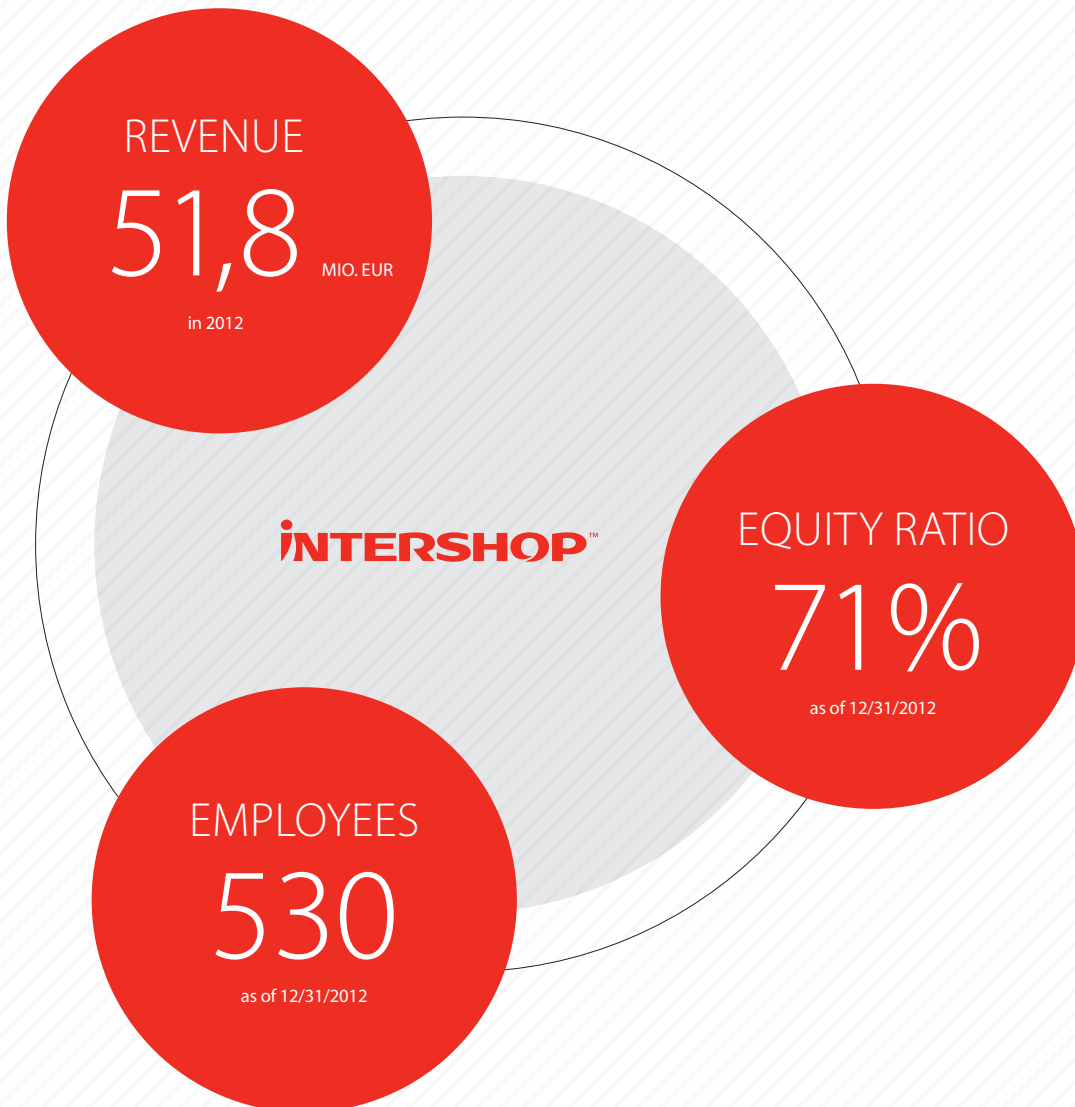
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OVERVIEW



KEY FIGURES FOR THE GROUP

in EUR thousand	2012	2011	Change
Revenue			
Net Revenues	51,766	49,156	5%
Licenses	5,278	5,500	-4%
Services, maintenance and other	46,488	43,656	6%
Revenue Europe	31,014	27,521	13%
Revenue U.S.A.	15,258	13,848	10%
Revenue Asia/Pacific	5,494	7,787	-29%
Earnings			
Cost of revenues	34,401	29,190	18%
Gross profit	17,365	19,966	-13%
Gross margin	34%	41%	
Operating expenses, operating income	17,959	17,339	4%
Research and development	4,542	6,389	-29%
Sales and marketing	8,383	6,663	26%
General and administrative	5,898	5,252	12%
Other operating income/expenses	(864)	(965)	-10%
EBIT	(594)	2,627	-123%
EBIT-Margin	-1%	5%	
EBITDA	1,754	4,513	-61%
EBITDA-Margin	3%	9%	
Net result	(579)	3,040	-119%
Earnings per share (EUR)	(0.02)	0.10	-120%
Net Assets			
Shareholders' equity	27,612	28,219	-2%
Equity ratio	71%	69%	
Balance sheet total	38,637	41,179	-6%
Noncurrent assets	13,919	11,758	18%
Current assets	24,718	29,421	-16%
Noncurrent liabilities	878	1,422	-38%
Current liabilities	10,147	11,538	-12%
Financial Position			
Cash and cash equivalents	14,314	16,884	-15%
Net cash operating activities	1,996	3,061	-35%
Depreciation and amortization	2,348	1,886	24%
Net cash used in investing activities	(4,505)	(3,115)	45%
Employees	530	470	13%

Dear Intershop stockholders,

In the past year, INTERSHOP Communications AG continued its growth and for the first time since 2001 generated net revenue of over EUR 50 million again. Compared to the prior year, net revenue increased by 5% to EUR 51.8 million. The growth rate slowed down somewhat in 2012, which can mainly be attributed to delays with some larger projects, the realignment of our sales, as well as to the necessary lead time for establishing our new software. With the market launch of Intershop 7, we have taken an important step in consolidating our technology leadership and setting an example in the market. At the same time, during the course of the past year, we have optimized our sales structure, put new people in key positions and gained well-known partners. The new orientation in sales resulted in non-recurring costs, which were necessary to increase the pace in the acquisition of new customers and projects. Net of one-time special effects, our operating results have also remained positive for the fifth year in a row.

The large, diverse world of e-Commerce is growing continuously and becoming increasingly complex. Many retailers, who have not yet joined the online trend or came in late, are starting to feel this more and more. In the meantime, for many brand manufacturers it is not enough to operate an online shop. The online and offline sales channels have to be intelligently connected with each other. Mobile, social commerce and other new trends have to be integrated because customers want to decide for themselves how, when and where they shop. Each day, the market comes up with new features that change the shopping world we are used to. Considering the market dynamics, it is important to work together with the right partners. According to the motto „Share and grow,“ Intershop focuses strongly on partnerships, in which each party brings in its strengths and innovations for mutual benefit. We gained new partners in the past year and will continue along this path in 2013 as well. In this regard, we want to strengthen the international marketing of our innovative software platform. We want to continue to grow and will face the challenge of the very intense competition in some respects, especially to acquire additional major clients. Our stable consulting business will be a supporting pillar in 2013 as well. We want to particularly strengthen our license and subscription business via new partnerships. Intershop is active in an exciting market, which is constantly changing and creating new trends virtually every day. We do not just want to be part of this change, we want to continue to be the driver of the upcoming changes in this market – with our highly qualified team, our partners and, last but not least, with you, our stockholders.

Sincerely,


Jochen Moll


Ludwig Lutter

MANAGEMENT BOARD



Jochen Moll
Spokesman of the Board of Management



Ludwig Lutter
CFO

CONSOLIDATED MANAGEMENT REPORT
AND GROUP MANAGEMENT REPORT



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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.



BUSINESS ACTIVITIES AND CONDITIONS

SUMMARY OF THE RESULTS FROM BUSINESS ACTIVITIES DURING FISCAL YEAR 2012

In fiscal year 2012, the Intershop Group showed a positive development of revenue. The Company has continued to expand its business with e-Commerce solutions and for the first time since the boom years ended at the turn of the millennium, it exceeded the threshold of EUR 50 million net revenue. In total, Intershop increased its net revenue by 5% to EUR 51.8 million and was therefore at the lower end of its guidance of a 5% to 10% year-over-year revenue increase. Earnings before interest and tax (EBIT) came to EUR -0.6 million. The one-time expenses, including the expenses for the realignment of sales, came to EUR 1.4 million. Adjusted by these one-time special effects, the operating result amounted to EUR 0.8 million. The aim was a balanced operating result. In the prior year, Intershop generated a profit of EUR 2.6 million.

EXPANSION OF INTERNATIONAL PARTNER NETWORK

One of the Company's strategic focal points in the past year was the targeted expansion of the international partner network. It is an important component of Intershop's future sales strategy. The e-Commerce industry is subject to constant change and technologies are renewed in ever shorter development cycles, which makes it very challenging for individual companies to offer their customers the best of breed solution. This can be achieved by the bundling of expertise and experience of the companies in the partner network. This way, heterogeneous markets and customers from different industries and cultures can be continuously serviced using state-of-the-art technologies.

In addition to the existing cooperations with the international leading e-Commerce provider GSI Commerce and the global technology group Hewlett Packard (HP), Intershop gained other well-known partners in fiscal year 2012. These include Chapter Media and the Javelin Group (both UK companies), the Swedish system integrator Sigma AB, the leading full-service web agency Mirabeau in the Netherlands, as well as the new technology partner Shopatron (U.S.A.) and Tenzing Managed IT Services (Canada). In general, Intershop's management sees an important building block in the partner strategy to introduce the technology platform of the Company to the market faster, especially outside of Europe, and to implement product innovations in less time.

INTERSHOP 7 WITH „BEST OF 2012“ RATING

With the new cross-channel software Intershop 7, successor to the „Enfinity Suite“, as well as the innovative cloud solution „Commerce Cloud Services“, introduced at the CeBIT IT trade fair in March 2012, Intershop has made a clear impact in the industry. With over 1,500 new features, developed on the basis of a market investigation in cooperation with 150 online retailers worldwide, Intershop 7 offers a powerful tool for extensive multi-channel distribution. The new platform was distinguished with the „Best of 2012“ rating by the Initiative Mittelstand in the „e-Commerce“ category and was selected as a CeBIT highlight. At the end of August 2012, as well as at the end of November 2012, instruments for customer-specific advertising campaigns were expanded once again with Intershop 7.1 and Intershop 7.2. This way, multi-channel retailers can manage and link their online and offline promotions even better and adjust the design and layout of their shops faster and with greater flexibility. The first implementations have been running since mid-2012. Alongside GSI Commerce, the largest Intershop 7 project to date is the Europe-wide shopping platform of a leading European retail company in the fashion industry.

¹ „Intershop“, the „Company“, „Intershop Group“

GROUP STRUCTURE AND OPERATING ACTIVITIES

INTERSHOP Communications AG, which is domiciled in Jena, is the parent company of the Intershop Group. As of the reporting date, December 31, 2012, it directly holds 100% of the shares in Intershop Communications, Inc., San Francisco, U.S.A.; the online marketing subsidiary SoQuero GmbH, Frankfurt/Main, Germany; the Berlin-based e-Commerce service provider TheBakery GmbH; and Intershop Communications Australia Pty Ltd., Melbourne, Australia, as well as other non-operational former sales companies. In Germany, INTERSHOP Communications AG has branch offices in Stuttgart, Nuremberg, Hamburg and Ilmenau. In addition, the Company has branches in London, Milan and Amsterdam.

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 software for e-Commerce worldwide. Intershop's business is made up of the two main business areas of Licenses as well as „Services, Maintenance, and Other.“ In addition to the Maintenance and Other (full service and TheBakery business) segments mentioned above, services also include the areas of Consulting and Training as well as Online Marketing. Consulting and Training is by far the segment of the Group that generates the highest revenue.

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 coordination of 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 increase the revenue of our customers. 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 „Intershop 7“ that it developed together with partners. Since November 2012 it has been available as version 7.2.

Intershop is one of the largest providers of e-Commerce solutions worldwide. Over 300 Intershop customers sell their products with the help of Intershop's cross-channel software. Measured in terms of transactions per day, Intershop has an extraordinarily powerful and scalable platform for online business. The customers include the Otto Group, which is the second largest online retailer worldwide, important technology and telecommunications groups like Hewlett Packard and Deutsche Telekom, as well as car manufacturers like BMW and Daimler. Intershop operates in Europe, the United States, and in the Asia Pacific region (mainly Australia). In 2012, revenue with customers outside of Europe came to around 40%.

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 increased by 3.2% in 2012 compared with 3.9% in 2011. As in previous years, the growth was mainly driven by the emerging markets and developing countries, whose economic performance grew by 5.1%. In contrast, the industrialized countries recorded a growth of only 1.3% in the past year. According to the IMF, the economy in the euro zone shrunk by 0.4%. In the past year, the U.S. was at the forefront of the major industrialized countries with a growth of 2.3%, while in the emerging markets, China maintained its leading position with a growth of 7.8%. With a 0.9% growth, Germany remained the driving economic power within the euro zone.

In terms of the sectors, two markets are of special importance for Intershop: The first is the demand trend of the end customer in online business (e-Commerce market) as a driver for expansion of the e-Commerce infrastructure. The other is the willingness of companies to invest in new software solutions (software market).

The growth in the e-Commerce sector proved to be extremely robust in 2012. Online business has been growing continuously for years and, according to projections of the Bundesverband Digitale Wirtschaft (BVDW) e.V., generated revenue of EUR 29.4 billion in the past year, which represents an increase of 15%. Of this amount, around EUR 2.8 billion is attributable to the mobile commerce area (sales via mobile end devices like tablets and smartphones). According to a representative study of the BVDW, the desire to buy

of Germans continues. To date, already one quarter of all purchases made by German Internet users are done via the web. According to surveys of BITKOM, the Federal Association for Information Technology, Telecommunications and New Media, nine out of ten Internet users regularly shop online; in the last year alone, more than ten times. On the company side, by now 20% of the providers of products and services use the Internet for selling. Compared to the rest of Europe, Germany ranks eighth, however clearly above the EU average.

The most important trends in online business are social and mobile commerce. According to a BITKOM study of December 2012 carried out in Germany, the exchange between consumers is playing an increasingly important role. Almost three quarters of all Internet users read the ratings of other customers before placing an order. Transactions via smartphones and tablet computers are increasing significantly. Every second smartphone user already purchases products or services via his mobile device. Similar developments can be observed in other regions of the world, especially in Asia, which is considered to be a pioneer in matters of mobile commerce.

The German software market also showed a positive development in 2012. According to BITKOM's autumn forecast, revenue in the segment increased by more than 4% to EUR 16.9 billion; the business with IT services and maintenance increased by 2% to EUR 35 billion. The global software market is also on a growth course according to projections of the U.S. market research firm IDC. However, IDC data shows that growth in 2012 is 6% lower than in the prior year, in which an increase of just under 10% was recorded. Significant guarantors of growth are still the American markets as well as the major emerging markets, especially in Asia.

RESULT FROM OPERATIONS, FINANCIAL POSITION AND NET ASSETS

DEVELOPMENT OF REVENUE

In fiscal year 2012, Intershop generated net revenue of EUR 51.8 million. This represents an increase of 5% in comparison to the prior-year period. Increase in revenue resulted from the business with major strategic customers as well as from the acquisition of new customers and projects in the area of e-Commerce solutions and online marketing. With the increase in revenue for 2012 as a whole, Intershop is continuing its growth trend, which has been ongoing since 2008. Some of the reasons for the weaker growth rate were attributable to the delay of several larger projects as well as the necessary lead time for establishing the new e-Commerce platform, Intershop 7, on the market.

As in prior years, the consulting business was the dominant source of revenue at Intershop. Net revenue from consulting projects came to EUR 28.3 million, which represented an increase of 5%. A very favorable development was also shown in the areas of online marketing and other (full service and TheBakery business). The revenue with marketing campaigns on the Internet reached a record figure of EUR 4.3 million, representing an increase of 24% compared to 2011. Other revenues, which also include the important full-service business, came to EUR 5.1 million, representing an increase of 47%. Here, the sales-based revenue model paid off with higher sales revenue. Intershop realized less revenue than expected with new software licenses. Net revenue here was EUR 5.3 million following EUR 5.5 million in the prior year. As a result of a change in general conditions with two major customers, maintenance revenue sank to EUR 8.8 million following EUR 9.9 million in the prior year. In contrast, the remaining maintenance business developed favorably and recorded an increase in revenue of 8%.

The overview below shows the change in net revenues:

in EUR thousand	2012	2011	Change
Licenses	5,278	5,500	-4%
Consulting/Training	28,253	26,807	5%
Maintenance	8,822	9,899	-11%
Online Marketing	4,338	3,504	24%
Other Revenues	5,075	3,446	47%
Services, Maintenance and Other	46,488	43,656	6%
Total net revenues	51,766	49,156	5%

Revenue of the Intershop Communications AG as a single entity reported under German commercial law came to EUR 40.0 million following EUR 40.4 million in the prior year. License revenue for the AG dropped slightly from EUR 5.0 million to EUR 4.7 million. Revenue from services, maintenance and other came to EUR 35.3 million (prior year: EUR 35.4 million).

MARKET LAUNCH OF INTERSHOP 7

The most important driver for the new customer business in 2012 was the new cross-channel software Intershop 7 as well as the cloud solution „Commerce Cloud Services,” which was introduced at the IT trade fair CeBIT in March 2012. Implementation of the first shops based on the innovative e-Commerce platform is going according to plan. The largest new customer, who will use Intershop 7 to run its Europe-wide shop in the future, is a leading European retail business in the fashion industry. The planned B2B shop of Styrolution Group GmbH, a worldwide leading provider of styrene plastics, is also based on Intershop 7. Both new customer acquisitions underscore Intershop’s industry expertise in the areas of fashion and chemicals. In the fashion area, the Company’s reference list includes the world’s largest fashion retailer Otto Group as well as numerous brand shops like Mexx, G-Star, Rösch and Runner’s Point. In the chemical sector, Intershop and Merck Millipore developed one of the most important B2B portals for high-quality industry and laboratory chemicals.

Other important new customers of the past year were LEDON Lamp GmbH, a subsidiary of the publicly traded Austrian Zumtobel AG, the French Raja Group, one of the leading distributors of packaging solutions in Europe and the Pottermore Shop. The latter is the exclusive retailer of Harry Potter eBooks and digital audio books. Intershop’s comprehensive e-Commerce solution is the foundation of the whole Pottermore shopping experience.

In the first half of 2012, Intershop and the London-based Chapter Media formed a partnership to better serve the e-Commerce market in the entertainment and media industry. Other partnerships were formed with the Javelin Group, Europe’s leading consulting company and system integrator for the multi-channel business and e-Commerce, the Swedish Sigma AB, as well as with the U.S. e-Commerce specialist Shopatron. The goal of the partnership with Sigma is the marketing of Intershop’s e-Commerce solutions in Scandinavia. With regard to the Shopatron cooperation, the partners bundle their expertise in multi-channel sales and order management. Shopatron specializes in technical solutions for linking multiple shops (stationary business) with the online business and has over 1,000 brand manufacturers among its customers. Intershop’s highest revenue-generating existing customers in 2012 included the U.S. group HP, the mail order business Otto and its subsidiaries, the Australian telecommunications group Telstra, GSI Commerce as well as Daimler, Deutsche Telekom and the Merck Group.

With regard to the regional breakdown of revenue, Europe continued to be dominant, ahead of the U.S. and Asia-Pacific region. In the past fiscal year, Intershop generated revenue of EUR 31 million with its European customers, corresponding to an increase of 13%. With that, the share in total net revenue went up to 60% following 56% in the prior year. In the U.S., Intershop realized an increase of 10% to EUR 15.3 million,

which corresponds to a revenue share of around 29%. Revenue in the Asia-Pacific region declined and came to EUR 5.5 million, corresponding to an 11% share of total revenue. The reason for the decline in this region is mainly attributable to the lower maintenance revenue with the major customer Telstra.

EARNINGS DEVELOPMENT

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

	2012	2011	Change
EBIT (in EUR thousand)	(594)	2,627	-123 %
EBIT margin	-1 %	5 %	
EBITDA (in EUR thousand)	1,754	4,514	-61 %
EBITDA margin	3 %	9 %	
Group annual result (in EUR thousand)	(579)	3,040	-119 %

In the past year, Intershop realized a gross profit of EUR 17.4 million, which was 13% less than in 2011. The gross margin was 34% compared to 41% in the prior year. The reason for the decline was license revenue, which was lower than expected, higher amortization for internally developed software as well as low-margin consulting revenue in the reporting period. The operating result before interest, taxes, depreciation and amortization (EBITDA) decreased from EUR 4.5 million to EUR 1.8 million. The EBITDA margin came to 3% compared to 9% in the prior-year period. Depreciation and amortization in fiscal year 2012 came to just under EUR 2.4 million. The result from operating activities (EBIT) came to EUR -0.6 million. In the prior year, the EBIT came to EUR 2.6 million. Net loss also amounted to EUR -0.6 million following EUR 3.0 million in 2011. Earnings per share (diluted and undiluted) fell from EUR 0.10 to EUR -0.02. The reasons for the loss are lower than expected revenues and higher costs for the market launch of Intershop 7 as well as one-time expenses, especially in connection with the reorientation of sales. The measures were necessary in order to establish an efficient and sustainable sales structure. In total, one-time expenses came to EUR 1.4 million. Adjusted by these one-time effects, the operating result came to EUR 0.8 million.

Based on a year-on-year comparison, marketing and sales costs increased by EUR 1.7 million to EUR 8.4 million. Expenses for research and development decreased from EUR 6.4 million in the prior year to EUR 4.5 million. This was affected by finalization of the Intershop 7 platform with higher activation of software development costs as well as less third-party work. General and administrative expenses increased by 12% to EUR 5.9 million. Net operating income and expenses increased from EUR 17.3 million to EUR 18.0 million. In total, the operating cost ratio of 35% was at the same level as in 2011. The same applies to the financial result of EUR 0.09 million, which corresponded to the figure of the prior year. Income tax amounted to EUR 0.07 million. In the prior year, Intershop benefited from a tax refund of EUR 0.3 million.

Net loss for the year of the AG as reported in accordance with the German commercial law came to EUR 3.5 million in 2012 following a net profit for the year of EUR 0.6 million in the prior year. Other operating income fell from EUR 3.1 million to EUR 2.3 million. The government grants contained therein amounted to EUR 0.5 million as in the prior year. The cost of purchased services declined by 7% to EUR 9.3 million. Personnel costs for hiring new employees, especially in the research and development area and in sales, increased to EUR 23.1 million compared to EUR 20.9 million in the prior year. Other operating costs increased from EUR 12.5 million to EUR 13.8 million. Other interest income of EUR 0.2 million resulted primarily from affiliated companies. The result from ordinary business activities amounted to EUR 3.5 million after EUR 0.4 million in 2011. Income tax expenses in 2012 came to EUR 0.02 million following tax income of EUR 0.2 million in the prior year. In total, the balance sheet loss in accordance with German commercial law increased to EUR 11.5 million compared to EUR 7.9 million in 2011.

NET ASSETS AND FINANCIAL POSITION

Intershop's balance sheet still shows a very solid financial position. With the slight decline in total assets from EUR 41.2 million to EUR 38.6 million, the equity ratio increased from 69% to 71%. With this, the Company is well above the average of German mid-sized companies. Intershop's consolidated balance sheet continues to not show any financial liabilities. As of the balance sheet date, equity came to EUR 27.6 million compared to EUR 28.2 million as of the balance sheet date of the prior year. Non-current liabilities only included deferred revenue of EUR 0.9 million. In total, current liabilities decreased by 12% to EUR 10.2 million, which was mainly due to lower trade payables (-15% to EUR 4.8 million) and current provisions (-66% to EUR 0.4 million). On the assets side, intangible assets increased from EUR 9.7 million to EUR 11.6 million, which is primarily attributable to the capitalization of software development costs. Property, plant and equipment increased from EUR 1.1 million to EUR 1.4 million. In total, non-current assets amounted to EUR 13.9 million, up 18% compared to the prior year. In contrast, current assets decreased from EUR 29.4 million to EUR 24.7 million. In particular, this was affected by the 19% decrease in trade receivables to EUR 9.6 million. Cash and cash equivalents not subject to restrictions on disposal as of December 31, 2012 decreased by 15% to EUR 14.3 million. In total, the cash position of the Company is comfortable.

In fiscal year 2012, Intershop generated a positive cash flow of EUR 2.0 million from operating activities. In the prior year, this amount was EUR 3.1 million. The decrease can mainly be attributed to the negative result for the year. The cash outflow from investment activities rose from EUR 3.1 million to EUR 4.5 million, which can mainly be attributed to increased payments for investments in intangible assets. The cash flow from financing activities was EUR 0.01 million following EUR 0.7 million in the prior year. In total, the net outflow of cash and cash equivalents in fiscal year 2012 came to EUR 2.6 million. This resulted in cash and cash equivalents of EUR 14.3 million at the end of the reporting period.

The total assets of the single entity in the annual financial statements prepared in accordance with the German commercial law decreased by 11% to EUR 34.4 million as of December 31, 2012. Fixed assets increased slightly from EUR 11.6 million to EUR 11.8 million due to the purchase of property, plant and equipment. In total, current assets fell by 17% to EUR 22.3 million, which was mainly due to lower trade receivables (-14% to EUR 6.9 million) as well as lower bank balances (-18% to EUR 12.2 million). The receivables from affiliated companies included in current assets decreased from EUR 2.2 million as of the closing date of the prior year to EUR 1.3 million due to partial loan repayment of a subsidiary. Equity decreased from EUR 28.7 million to EUR 25.2 million due to an increased balance sheet loss. Provisions fell by 13% to EUR 4.4 million, as well as liabilities by 11% to EUR 3.9 million. With liabilities, the advance payments received and trade payables developed in opposite directions. The advance payments received of EUR 1.5 million are offset by corresponding orders in the same amount.

With the single entity, cash and cash equivalents decreased from EUR 14.8 million to EUR 12.2 million. The cash outflow resulted primarily from operating activities.

RESEARCH AND DEVELOPMENT

The addition of employees in the last few years in the area of research and development (R&D) has been concluded for the time being. The innovation cycles in the booming e-Commerce sector have shortened significantly and competition has intensified. With the expanded team, Intershop feels well positioned to defend its role as the thought leader in the sector.

With the introduction of the new software platform Intershop 7, R&D expenses in fiscal year 2012 decreased compared to the record level of 2011. The total R&D expenses came to EUR 7.9 million compared to EUR 8.7 in the prior year. Taking into consideration the capitalization of software development costs, R&D costs came to around EUR 4.5 million compared to EUR 6.4 million in the prior year. A higher capitalization of software development costs followed compared to the prior year. The expenses for research and development are mainly attributable to personnel costs in this area, including third-party services. The

personnel costs increased due to the expansion of the number of employees in the prior-year period. In contrast, third-party services decreased given that there was no longer a need to include additional partners for software development.

The focus of the research and development activity in fiscal year 2012 was still the continued development of the core product Intershop 7, the next generation of Intershop's e-Commerce platform, which was distributed worldwide in the first half of 2012. Intershop 7 offers more than 1,500 new features compared to its Enfinity Suite predecessor and is a cross-channel solution for Internet, mobile devices, call centers and points of sale. Additionally, in cooperation with HP, Intershop developed a new cloud solution for online business as a flexible, cost-efficient alternative to traditional implementations.

The ongoing development work has contributed to numerous improvements and innovative applications, especially in the areas of multi-channel business, internationalization, as well as campaign management and analysis. At the end of November 2012, the instruments for customer-specific advertising campaigns were enhanced once again with the latest version Intershop 7.2. This way, multi-channel retailers can manage and link their online and offline promotions even better and adjust the design and layout of their shops faster and with greater flexibility. The new software is based on an extensive market analysis, as well as interviews with over 150 e-Commerce managers. In addition, the experience of our strategic partners was also incorporated into the project. The expansion of the partner network is also of key importance for the R&D area. In the future, the exchange with the partners will be intensified significantly in order to have best-in-class solutions ready for the customers on a continuous basis.

PERSONNEL

As of the balance sheet date on December 31, 2012, Intershop had a total of 530 employees worldwide (prior year: 470 employees). Thereof, 426 account for skilled personnel in the technical areas, including especially R&D and consulting, 52 employees in sales and marketing, as well as 52 employees in administrative capacities. The highest growth was in the technical areas with 42 additional skilled employees, as well as 14 employees in sales and 4 in administration. In the future, the focus of personnel expansion will be sales and marketing, although the increase in the number of employees will be much more moderate in the years to come.

There continues to be a great deal of competition for highly qualified IT experts. 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. In addition, Intershop is regularly represented at university and graduate job fairs all over Germany. In total, Intershop has a particularly young workforce with an average age of 35.6. The share of university graduates to the total workforce is 77%. Newcomers have mentors assigned to them; in addition there is also a special training program. Intershop offers its employees individual advanced training opportunities and focuses greatly on the advancement of women in positions of leadership. With 17% of the women in management positions, Intershop presents itself well over the average of IT companies. Intershop is mindful of the compatibility of family and career by offering flexible working time models and gives its employees the option of a company retirement plan. Also, workplace health promotion at Intershop is stressed with modern ergonomic workstations and plenty of room for social interaction. It is not without reason that in surveys, Intershop is regularly named one of the most popular employers in the industry.

The table below gives a breakdown of the Group's employees by department:

Employees by department (full-time equivalents)	12/31/2012	12/31/2011
Technical departments (R&D and service functions)	426	384
Sales and marketing	52	38
General and administrative departments	52	48
	530	470

The regional distribution of the employees shows only slight changes compared to year-end 2011. On December 31, 2012, 92% of the personnel (488 employees) were working in Europe; in the prior year it was 94% (443 employees). At the branch in San Francisco (U.S.A.), the amount of 5% remained unchanged (expansion from 21 to 26 employees). The share of the Asia-Pacific region increased from 1% to 3% (increase from 6 to 16 employees).

Intershop Communications Aktiengesellschaft as a single entity had 418 employees as of the balance sheet date (December 31, 2011: 384 employees).

MANAGEMENT BOARD AND SUPERVISORY BOARD

In fiscal year 2012, there were three changes in Intershop Communications AG's executive bodies: one in the Supervisory Board and two in the Management Board.

In its decision of January 26, 2012, the district court of Jena appointed Bob van Dijk, Vice President eBay Europe, to the Supervisory Board of Intershop Communications AG effective February 1, 2012 until the next Annual Stockholders' Meeting. The previous Supervisory Board member, James MacIntyre, resigned from his office as of January 31, 2012. During the Company's Annual Stockholders' Meeting on May 30, 2012, Bob van Dijk was elected as member of the Supervisory Board for the period ending with the conclusion of the Annual Stockholders' Meeting that passes a resolution on the approval of the boards' activities for fiscal year 2016.

Effective April 1, 2012, there was a change in the Management Board. In agreement with the Supervisory Board, long-standing Management Board member Dr. Ludger Vogt resigned from his post as of April 1, 2012 with immediate effect. Mr. Jochen Moll assumed office as member and spokesperson of the Management Board as of April 1, 2012. He is responsible for the sales, marketing and consulting portfolios.

Effective September 30, 2012, by agreement with the Supervisory Board, Heinrich Göttler resigned from his position on the Management Board of the Company. His portfolio product areas and new services will initially be jointly assumed by the members of the Management Board, Ludwig Lutter and Jochen Moll.

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 its activities in fiscal year 2012 amounted to EUR 752 thousand (2011: EUR 880 thousand), of which EUR 620 thousand (2011: EUR 624 thousand) accounted for fixed remuneration and EUR 132 thousand (2011: EUR 256 thousand) for the variable components. The fixed remuneration components include EUR 588 thousand for fixed salary and EUR 32 thousand for additional benefits (2011: EUR 582 thousand for fixed salary, EUR 42 thousand for additional benefits).

The remuneration of the Management Board members is as follows:

in EUR thousand	Fixed Remuneration		Variable Remuneration		Total Remuneration	
	2012	2011	2012	2011	2012	2011
Ludwig Lutter	212	159	45	56	257	216
Jochen Moll (since 04/01/2012)	195	-	68	-	263	-
Dr. Ludger Vogt (until 04/01/2012)	53	201	6	100	60	301
Heinrich Göttler (until 09/30/2012)	159	212	12	100	172	312
Member who left the Management Board in 2011	-	52	-	0	-	52
	620	624	132	256	752	880

Stock options were not granted to the members of the Management Board in the reporting year. No member of the Management Board holds stock options in the Company.

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 foregoes the non-compete agreement within a specified period. In the event of illness, the Management Board agreements include an entitlement to continued payment of the fixed basic salary for a period of six months up to a maximum period until the end of the contract duration. In the event of the death of a member of the Management Board, the surviving 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.

A contractual agreement with respect to the premature termination of his Management Board service agreement was reached with Management Board member Dr. Ludger Vogt, who resigned effective April 1, 2012 in agreement with the Supervisory Board. The agreement includes a severance payment in the amount of EUR 464 thousand in fiscal year 2012 to satisfy all claims for the remaining period of the Management Board contract; the post-contractual non-compete agreement from the Management Board contract was waived by mutual agreement.

With Management Board member Heinrich Göttler, who in agreement with the Supervisory Board resigned from the Management Board with effect from the end of September 30, 2012, an agreement was reached which provides for a release from duties with continued pay of his fixed remuneration including fringe benefits and variable remuneration over the remaining term of his service contract. In addition, Mr. Göttler will be available to the Company in a consulting capacity over a specified time period. Furthermore, there is a post-contractual non-compete agreement over a specified time period, for which Mr. Göttler receives compensation in the amount of 75% of the last remuneration paid without fringe benefits or variable remuneration. Altogether, the maximum amount payable by Intershop from this agreement is EUR 369 thousand. In fiscal year 2012, EUR 72 thousand thereof was paid and EUR 297 thousand constituted provisions, which are to be made use of in 2013.

Remuneration of the Supervisory Board

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

In fiscal year 2012, the total remuneration for the Supervisory Board members came to EUR 113 thousand (2011: EUR 161 thousand), of which EUR 113 thousand (2011: EUR 101 thousand) accounted for fixed remuneration and EUR 0 thousand (2011: EUR 60 thousand) for the performance-related portion. The remuneration of the Supervisory Board members is as follows:

in EUR thousand	Fixed Remuneration		Variable Remuneration		Total Remuneration	
	2012	2011	2012	2011	2012	2011
Dr. Herbert May	65	53	0	30	65	83
Tobias Hartmann	24	11	0	8	24*	19*
Bob van Dijk	23	-	0	-	23*	-
James W. MacIntyre	1	24	0	15	1*	39*
Member who left the Supervisory Board in 2011	-	13	-	8	-	21*
	113	101	0	60	113	161

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

The Supervisory Board members Tobias Hartmann, Bob van Dijk and James W. MacIntyre relinquished their total remuneration of EUR 48 thousand for fiscal year 2012. As a consequence of these relinquishments, the actual total remuneration to be paid for the Supervisory Board for fiscal year 2012 amounts to EUR 65 thousand (2011: EUR 83 thousand). The Supervisory Board members Tobias Hartmann, James W. MacIntyre and Michael R. Conn relinquished their remuneration of a total of EUR 78 thousand for fiscal year 2011.

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. In addition, a risk inventory is taken once a year (with quarterly updates), in which the relevance score and risk owners are determined, previously identified risks are reviewed and new risks are identified. In financial control, a deviation analysis is performed so as to identify deviations from targets. This uses financial accounting and control software by SAP. 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.

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 leading provider of innovative e-Commerce solutions in this highly dynamic market. 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 providing product and 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 partners, as well as on the basis of market investigations in cooperation with 150 online retailers worldwide. An independent study on behalf of Intershop investigated the challenges for European retailers in 2012.

STRATEGIC BUSINESS RISKS

Intershop's key strategic goal is to develop the Company from a pure technology provider to a solution provider for business models in e-Commerce.

One of Intershop's major business areas is consulting services, which are primarily provided in the context of projects. In this regard, customer retention is a very important factor. 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 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 2012. 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, an expanded sales structure and increased training measures, so that a risk stemming from this is considered to be minor. 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 therefore considers the probability of this risk materializing as minor.

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

Intershop currently has a high liquidity base and the financial strength 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 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 pricing model is targeted at key figures and the way of thinking of customers. However, for Intershop this means that compared to the license purchase model, the revenue with the respective customer will be spread over several years, which could result in a slump in license revenue in the introduction phase 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. In addition, risks can arise from the new model with regard to the determination of sales. In addition, there is a strategic risk for Intershop if the customer has low or decreasing revenues or transactions over a longer time. Intershop attempts to minimize the risk with contractual agreements on guaranteed minimum revenue, as well as transaction volumes established beforehand.

The subsidiary, TheBakery GmbH, is in the development phase. The costs incurred will be covered by a loan granted by Intershop. If TheBakery 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 as well as additional costs. Intershop counters this risk through increased sales activities, which are supported by marketing measures as well as with the expansion of TheBakery product portfolio.

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. In addition, this risk is also minimized through long-term agreements and a broad customer base, which offers good compensation options. 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.

OPPORTUNITIES

Intershop operates in a very dynamic and growing 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 following opportunities should be especially emphasized: Intershop customers have a high level of satisfaction, which is confirmed by surveys conducted on a regular basis and their long-term loyalty to Intershop. This could also result in short-term and important follow-up orders outside of competition procedures. Intershop's customer structure, with major customers accounting for a large proportion of total revenues, provides the opportunity to continue generating revenues from these customers without renewed acquisition efforts, as they will be less inclined to switch providers due to the financial and time barriers involved. As pioneer in the industry with the most years of experience in the market segment, Intershop has the reputation of being an especially reliable project partner, who also leads projects to success on time and on budget under difficult conditions. This can lead to short-term customer acquisition, especially if customers have failed in a project with other providers in the past. Furthermore, the Company sees considerable opportunities in a forced optimization of the sales and partner structure and the expansion of the sales areas.

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 according to management board areas, whose various departments report to the Management Board member responsible in each case. The departments are divided into a number of cost and profit centers, each with its own department head. The department heads are accountable either for 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. The consolidation and preparation of Intershop's consolidated financial statements is done with centralized 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 30.183.484, composed of 30.183.484 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.

As of the balance sheet date, GSI Commerce Solutions, Inc. of King of Prussia, PA, U.S.A. holds 26.14% 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 26.14% interest in INTERSHOP Communications AG. eBay Inc., San Jose, California, U.S.A. indirectly holds 26.15% of the voting rights in INTERSHOP Communications AG through GSI Commerce Inc. and GSI Commerce Solutions, which are under its control. INTERSHOP Communications AG has not been informed of any other direct or indirect share capital holdings that exceed 10% of the voting rights as of the balance sheet date.

There are no shares with special rights conveying powers of control, especially rights of appointment to the Supervisory Board. 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 Asso-

ciation, 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.

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 February 19, 2013, the Management Board and Supervisory Board issued a Corporate Governance Declaration in accordance with section 289a of the HGB and, together with the Corporate Governance Report, have made it publicly accessible on the Company's website at <http://www.intershop.com/corporate-governance-declaration>.

DEPENDENT COMPANY REPORT

As a purely precautionary measure, pursuant to section 312 of the German Stock Corporation Act (AktG), the Management Board of INTERSHOP Communications Aktiengesellschaft prepared a report for fiscal year 2012 on the relationships with affiliated companies. 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 transactions, listed in this report on relationships to associated companies, according to the circumstances 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

In accordance with section 15a WpHG, the Company published that the Chairman of the Supervisory Board Dr. Herbert May acquired 10,000 Intershop shares on February 25, 2013 worth a total of EUR 18,200 and that the Spokesperson of the Management Board Jochen Moll acquired 10,000 Intershop shares on March 1, 2013 worth a total of EUR 19,270.

REPORT ON EXPECTED DEVELOPMENTS

ECONOMIC CONDITIONS

In its most recent forecast, the International Monetary Fund (IMF) anticipates a gradual recovery of the global economy in 2013. However, in the current year another slight recession with a reduction of 0.2% in economic performance is expected for the euro zone. In 2014, a turnaround to 1.0% is forecast. For the U.S., a slightly decreased growth rate of 2.0% is expected, while for the emerging and developing economies, a growth of 5.5% is estimated. The German economy has a promising start in 2013. The Ifo Business Climate Index increased in January 2013 for the third consecutive time. The figure for the future expectations of the industrial sector also improved and is at its highest level since May 2012. All in all, economists appear more optimistic than the government. In the annual economic report of 2013, the federal government expects a growth of only 0.4%, which thereby reduces its projection of autumn 2012.

The growth trend in the e-Commerce sector is unabated. Commerce over the Internet has become an important pillar of the economy, from which not only brand manufacturers benefit. For example, thanks to the boom in online business, the Deutsche Post subsidiary DHL delivered more packages than ever in the past year. Still, the share of revenue generated over the Internet comes to only around 7.5% of all the retail sales in Germany. However, economic experts agree that this share will continue to increase at least in the next ten years. Strong growth is also expected internationally in 2013. According to Goldman Sachs analysts, the volume of online business worldwide will reach just under the U.S.\$ 1 trillion mark this year (+17%), although Asia with U.S.\$ 323 billion is advancing to the largest Internet market in the world. Goldman Sachs forecasts a volume of U.S.\$ 283 billion for Europe, corresponding to a share of around 29% of global online business and a volume of U.S.\$ 253 billion for the U.S.

One of the most important topics in 2013 is still the intelligent linking of online and offline channels. Retailers who do not focus on online sales are increasingly losing market shares. The business newspaper, Handelsblatt, talks about a „new trade war“ between traditional retailers and the increasing number of online shops. Industry associations expect further consolidation and integration of sales and marketing channels. In the future, customers will want to decide for themselves when, where and how they shop, therefore the omnipresence of the provider is a decisive factor for sales success. According to projections of the BVDW, online business in Germany will grow in 2013 by 14% to EUR 33.6 billion. The BVDW further reports that EUR 4.3 billion thereof are attributable to the area of mobile commerce.

BITKOM predicts that the German IT market will also continue to record growth in the current year. The expected volume of EUR 74.9 billion is 2.9% above the sales figure of 2012. The providers of IT services and software are especially confident. According to BITKOM, eight out of ten companies (81% to 79%) expect revenue increases in 2013. A growing IT market is also predicted for Europe as a whole. The European Information Technology Observatory (EITO) also expects the sales volume to increase by 2.8% to EUR 330 billion in 2013.

COMPANY OUTLOOK

The high market dynamics, as well as intensified competition for large orders with considerable price discounts by competitors operating at a deficit in some cases, make it difficult for Intershop to give predictions concerning its own business development. The uncertainties and project delays in the past year resulted in the Company having to lower its forecast in the third quarter of 2012. Compared to the prior year, Intershop did not reach its goal of an increase in license revenues in the past year. The market launch of our innovative e-Commerce platform Intershop 7 resulted in initial acquisition successes and some projects are in the pipeline. The new software has more innovations than any other release update of Intershop's standard software in history. It underpins the claim of the technology and market leadership of Intershop. The objective now is to convert the technical superiority into further orders.

Based on this, the management has undertaken a fundamental realignment of sales. Expansion of the partner network, in particular, is one of Intershop's most important company goals. In general, Intershop's management sees an important building block in the partner strategy to introduce the technology platform of the Company to the market faster, especially outside of Europe, and to implement product innovations in less time.

The consulting business developed according to plan in the past year, even though the margin was under the average of prior years. In this regard, a stable to slightly favorable development is expected. For the maintenance area, which decreased in revenue in the past year, another slight reduction is predicted for 2013 due to follow-up effects. With regard to other revenue, Intershop expects a continuation of the considerable growth as a result of the full-service business as well as the increasing sales with TheBakery's platform. In online marketing, the Management Board also expects further growth in revenue with the SoQuero subsidiary. Due to the effects of sales measures, increasing revenues are again expected in the license area in 2013.

STATEMENT ON BUSINESS DEVELOPMENTS FOR 2013 AND 2014

Based on the assumptions for the respective business areas, Intershop expects a single-digit percentage increase in net revenues in 2013 on the Group level and for the single entity. Due to increasing investments in the sales and marketing, Intershop expects an approximately break-even result for fiscal year 2013. Intershop predicts further growth in net revenue in 2014 with a positive operating result.

Jena, March 11, 2013

The Management Board


Jochen Moll


Ludwig Lutter

CONSOLIDATED FINANCIAL STATEMENTS



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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in EUR thousand	Note No.	December 31, 2012	December 31, 2011
ASSETS			
Noncurrent assets			
Intangible assets	(1)	11,618	9,741
Property, plant and equipment	(2)	1,380	1,098
Other noncurrent assets	(4)	26	24
Deferred tax assets	(21)	895	895
		13,919	11,758
Current assets			
Trade receivables	(3)	9,613	11,794
Other receivables and other assets	(4)	726	676
Restricted cash	(5)	65	67
Cash and cash equivalents	(5)	14,314	16,884
		24,718	29,421
TOTAL ASSETS		38,637	41,179
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Subscribed capital	(6)	30,183	30,171
Capital reserve	(6.1)	7,751	7,753
Other reserves	(6.2)	(10,322)	(9,705)
		27,612	28,219
Noncurrent liabilities			
Other noncurrent provisions	(11)	0	78
Deferred revenue	(10)	878	1,344
		878	1,422
Current liabilities			
Other current provisions	(11)	352	1,029
Trade accounts payable	(7)	4,771	5,580
Income tax liabilities	(8)	412	579
Other current liabilities	(9)	2,794	2,763
Deferred revenue	(10)	1,818	1,587
		10,147	11,538
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		38,637	41,179

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note No.	January 1 to December 31, 2012	2011
Gross Revenues	(12)		
Licenses		5,278	5,500
Services, maintenance and other		51,447	49,878
		56,725	55,378
Media costs	(13)	(4,959)	(6,222)
Net Revenues	(12)		
Licenses		5,278	5,500
Services, maintenance and other		46,488	43,656
		51,766	49,156
Cost of revenues	(14)		
Licenses		(1,928)	(1,118)
Services, maintenance and other		(32,473)	(28,072)
		(34,401)	(29,190)
Gross profit		17,365	19,966
Operating expenses, operating income			
Research and development	(15)	(4,542)	(6,389)
Sales and marketing	(16)	(8,383)	(6,663)
General and administrative	(17)	(5,898)	(5,252)
Other operating income	(18)	1,149	1,676
Other operating expenses	(19)	(285)	(711)
		(17,959)	(17,339)
Result from operating activities		(594)	2,627
Interest income	(20)	86	92
Interest expense		(2)	(2)
Financial result		84	90
Earnings before tax		(510)	2,717
Income taxes	(21)	(69)	323
Earnings after tax		(579)	3,040
Other comprehensive income			
Exchange differences on translating foreign operations		(38)	(143)
Total comprehensive income		(617)	2,897
Earnings after tax attributable to:			
Shareholders of INTERSHOP Communications AG		(579)	3,040
Total comprehensive income attributable to			
Shareholders of INTERSHOP Communications AG		(617)	2,897
Earnings per share (EUR, basic)	(22)	(0.02)	0.10
Earnings per share (EUR, diluted)	(22)	(0.02)	0.10
Weighted average shares outstanding (basic)		30,180	30,180
Weighted average shares outstanding (diluted)		30,180	30,213

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	Note No.	January 1 to December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		(510)	2,717
<i>Adjustments to reconcile net profit/loss to cash used in operating activities</i>			
Financial result		(84)	(90)
Depreciation and amortization		2,348	1,886
Other noncash expenses and income		(15)	183
<i>Changes in operating assets and liabilities</i>			
Accounts receivable		2,190	(3,854)
Other assets		(346)	441
Liabilities and provisions		(1,521)	2,417
Deferred revenue		(206)	(1,049)
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE INCOME TAX AND INTEREST		1,856	2,651
Interest received		86	92
Interest paid		(2)	(2)
Income taxes received		66	320
Income taxes paid		(10)	0
Net cash (used in) operating activities		1,996	3,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash		2	389
Payments for investments in intangible assets		(3,604)	(2,634)
Proceeds on disposal of equipment		2	0
Purchases of property and equipment, net of capital leases		(905)	(870)
Net cash used in investing activities		(4,505)	(3,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received for unregistered stock		26	732
Expenses of cash received for unregistered stock		(16)	(41)
Net cash provided by/used in financing activities		10	691
Effect of change in exchange rates on cash		(71)	(143)
Net change in cash and cash equivalents		(2,570)	494
Cash and cash equivalents, beginning of period	(5)	16,884	16,390
Cash and cash equivalents, end of period		14,314	16,884

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

in EUR thousand	Common shares (Number shares)	Subscribed capital	Capital reserve
Balance, January 1, 2012	30,170,984	30,171	7,753
Total comprehensive income			
Issue of new shares	12,500	12	(2)
Balance, December 31, 2012	30,183,484	30,183	7,751
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

OTHER RESERVES

Conversion reserve	Cumulative profit/loss	Cumulative currency differences	Total shareholders' equity
(93)	(11,890)	2,278	28,219
	(579)	(38)	(617)
			10
(93)	(12,469)	2,240	27,612
(93)	(14,930)	2,421	24,610
	3,040	(143)	2,897
			22
			690
(93)	(11,890)	2,278	28,219

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL DISCLOSURES

The Company

INTERSHOP Communications AG¹ 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 is a leading provider of innovative and comprehensive e-Commerce solutions. The Company offers powerful standard software for Internet sales as well as all related services. Comprehensive online marketing services are provided by Intershop's subsidiary SoQuero. In addition, on behalf of its customers, Intershop takes care of the entire process chain of the online business including fulfillment. With the transaction platform of TheBakery, a wholly-owned subsidiary of Intershop, the business partners also benefit from comprehensive ordering, supplier, product and sales channel management.

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2012, the Company had cash and cash equivalents (including restricted cash and cash equivalents) of EUR 14.4 million (December 31, 2011: EUR 17.0 million). The equity ratio as of the balance sheet date was 71 % (previous year: 69 %). 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 2012, 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 2012 (January 1, 2012 to December 31, 2012) 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 2012, the following Accounting Standards and Interpretations were required to be applied for the first time:

- Amendments to **IFRS 1** „First-Time Adoption of International Financial Reporting Standards“
- Amendment to **IFRS 7** „Financial Instruments: Disclosures“
- Amendment to **IAS 12** „Income Taxes“

The amendments to IFRS 1 include an exemption regulation in the case of severe hyperinflation and the removal of fixed dates of application. The amendments do not have any effect on Intershop's consolidated financial statements since the Company is not subject to severe hyperinflation. The amendment according to IFRS 7 concerns new disclosure requirements for transfers of financial assets. This could result in extended disclosure requirements for Intershop. IAS 12 was amended to include an exception to the measurement of deferred tax assets or liabilities arising from investment property measured at fair value. Since Intershop does not hold any property, this amendment does not have any effect on the consolidated financial statements of the Company.

¹ „Intershop“, the „Company“, the „Intershop Group“ or the „Group“

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

IFRS	Change	Amendment for fiscal year as of
IFRS 1	First-Time Adoption of International Financial Reporting Standards "Government Loans"	01/01/2013
IFRS 7	Financial Instruments: Disclosures on Offsetting Financial Assets and Liabilities	01/01/2013
IFRS 9	Financial Instruments: Classification and Measurement	01/01/2015
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 Value Measurement	01/01/2013
IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	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
IAS 32	Financial Instruments: Presentation – Offsetting	01/01/2014
Annual improvements 2011	IFRS 1 "First-Time Adoption of IFRS," IAS 1 "Presentation of Financial Statements," IAS 16 "Property, Plant and Equipment," IAS 32 "Financial Instruments: Presentation," IAS 34 "Interim Financial Reporting."	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 2012 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. The income statement has been prepared using the cost of sales method.

On March 11, 2013, the Management Board of INTERSHOP Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board.

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.

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, 2012, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, TheBakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications Nordics AB, as well as Intershop Communications Ventures GmbH. In fiscal year 2012, the subsidiaries Intershop Communications AB and Aktienbolaget Grundstenen 137724 were merged and renamed Intershop Communications Nordics AB.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2012:

	Interest in %	Currency	Equity*	Net loss**
Intershop Communications, Inc., San Francisco, U.S.A	100	EUR	(429,837)	511,770
SoQuero GmbH, Frankfurt/Main, Germany	100	EUR	213,151	428,211***
TheBakery GmbH, Berlin, Germany	100	EUR	(2,039,060)	(989,679)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	EUR	27,574	14,883
Intershop Communications Ventures GmbH, Jena, Germany	100	EUR	(2,224,125)	(28,267)
Intershop Communications Nordics AB, Malmö, Sweden	100	EUR	25,069	(1,947)

* Equity as of December 31, 2012 is translated at the exchange rate as of the reporting date

** (Preliminary) net profit/loss for fiscal year 2012 is translated at the average annual rate

*** Net profit/loss before profit transfer to parent company INTERSHOP Communications AG

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 2012.

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 121 thousands (2011: EUR -253 thousands).

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

Country	Currency	Closing rate		Average rate for the year		
		1 Eur =	Dec. 31, 2012	Dec. 31, 2011	2012	2011
United States	USD		1.32	1.29	1.29	1.39
Australia	AUD		1.27	1.27	1.25	1.35

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. Capitalized software development costs include direct staff costs for employees, ancillary staff costs, directly attributable payments for third-party services, and an appropriate percentage of reasonably identifiable overhead costs. The relevant amount is amortized using the unit of production method over the planned useful life of three years beginning from the time when the software release concerned is made available to customers. 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. In the prior year, there were impairment losses of EUR 559 thousand on internally developed software. 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 2012 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, 2012: 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, 2012: 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 Europe segment excluding the online marketing, full-service business areas and TheBakery 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 2013 to 2016 and a perpetual annuity (without growth rate) was calculated for the period beginning 2017. The calculations are based on the corporate planning for the period from 2013 to 2016 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 9.26% (weighted average cost of capital – WACC). No impairment losses on goodwill were reported in 2011 and 2012. 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. 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. Options from the 1999 stock option plan may no longer be exercised. 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. Options from this stock option plan may no longer be exercised. 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 TheBakery 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 resulting 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.

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 TheBakery 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 TheBakery’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, TheBakery 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, 2011	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
Additions	151	3,454	0	0	3,605
Disposals	(3,545)	0	(10)	0	(3,555)
Currency translation differences					0
Balance at December 31, 2012	1,176	12,983	1,885	24,851	40,895
Amortization, write-downs and impairment losses					
Balance at January 1, 2011	5,466	3,928	1,895	19,624	30,913
Additions	103	1,307	0	0	1,410
<i>Scheduled additions</i>	103	748	0	0	851
<i>Non-scheduled additions</i>	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
Additions	168	1,559	0	0	1,727
Disposals	(3,544)	0	(10)		(3,554)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2012	974	6,794	1,885	19,624	29,277
Net carrying amount at December 31, 2011	220	4,294	0	5,227	9,741
Net carrying amount at December 31, 2012	202	6,189	0	5,227	11,618

“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. The disposals under „Software” in fiscal year 2012 result from stocktaking. Of the amortization, write-downs and impairment losses on intangible assets recognized in the Statement of Comprehensive Income, EUR 1,641 thousand (2011: EUR 1,341 thousand, of which EUR 559 thousand are for non-scheduled write-downs) are included in the cost of revenues, EUR 24 thousand (2011: EUR 44 thousand) in research and development expenses as well as EUR 61 thousand (2011: EUR 25 thousand) in general and administrative costs.

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

(2) PROPERTY, PLANT, AND EQUIPMENT

in TEUR	Computer equipment	Office and operating equipment	Leasehold improve- ments	Total
Costs of purchase				
Balance at January 1, 2011	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
Additions	689	214	2	905
Disposals	(5,566)	(740)	(8)	(6,314)
Currency translation differences	(2)	1	(1)	(2)
Balance at December 31, 2012	2,720	1,552	274	4,546
Depreciation, write-downs and impairment losses				
Balance at January 1, 2011	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
Additions	405	192	24	621
Disposals	(5,580)	(739)	(2)	(6,321)
Currency translation differences	12	1	(6)	7
Balance at December 31, 2012	1,903	1,021	242	3,166
Net carrying amount at Dec. 31, 2011	533	510	55	1,098
Net carrying amount at Dec. 31, 2012	817	531	32	1,380

The disposals under „Computer“ in fiscal year 2012 result from stocktaking. Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 304 thousand (2011: EUR 260 thousand) are included in the cost of revenues, EUR 177 thousand (2011: EUR 125 thousand) in research and development expenses, EUR 34 thousand (2011: EUR 29 thousand) in marketing and sales expenses as well as EUR 106 thousand (2011: EUR 63 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 9,613 thousand (2011: EUR 11,793 thousand) and due within one year (current assets). Thereof, total receivables of EUR 6,372 thousand (2011: EUR 6,346 thousand) are not yet due. The following table shows the maturity structure of the trade receivables that are not yet due:

in EUR thousand	Dec. 31, 2012	Dec. 31, 2011
Due within 30 days	4,677	4,925
Due within 31 and 60 days	1,544	888
Due within 61 days and 1 year	151	533
	6,372	6,346

As of December 31, 2012, trade receivables of EUR 1,414 thousand were past due but were not impaired (December 31, 2011: EUR 3,427 thousand). The following table shows the maturity structure of receivables that are past due but not impaired:

in EUR thousand	Dec. 31, 2012	Dec. 31, 2011
Up to 30 days past due	1,028	3,369
31 to 60 days past due	134	46
61 to 90 days past due	37	12
Over 90 days past due	215	0
	1,414	3,427

The receivables over 90 days past due amounting to EUR 215 thousand include receivables from a customer, whose partner issued a letter of comfort to Intershop.

Specific allowances are recognized after 90 days. Allowances amounting to EUR 124 thousand (2011: EUR 952 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	2012	2011
Balance at beginning of year	952	793
Impairment of receivables	15	169
Amounts derecognized due to uncollectibility	(843)	0
Amounts received during the fiscal year on receivables written off	0	(10)
Reversals of impairments	0	0
Balance at end of year	124	952

(4) OTHER RECEIVABLES AND OTHER ASSETS

Other noncurrent assets in the amount of EUR 26 thousand (2011: EUR 24 thousand) comprise rental security deposits.

Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2012	Dec. 31, 2011
Other tax receivables	117	245
Prepayments	515	313
Gross amount due from customers for contract work	30	0
Receivables from employees and former employees	0	1
Other	64	117
	726	676

The „gross amount due from customers for contract work“ item involves one order with a total volume of EUR 808 thousand. In 2012, revenue of EUR 758 thousand was realized from this project. This was measured based on the stage of completion of the project using the percentage of completion method. The costs amounted to EUR 623 thousand. This fixed-price project resulted in a contribution to earnings of EUR 135 thousand. Payments on account in the amount of EUR 728 thousand were offset against the production order.

(5) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include current restricted cash as well as current cash and cash equivalents. 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 of cash from rent security deposits that will become available.

(6) EQUITY

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

Subscribed capital

As of December 31, 2012, subscribed capital amounted to EUR 30,183,484 and is divided into 30,183,484 no-par value bearer shares, all of which have been fully paid. There are no restrictions of voting rights. Subscribed capital amounted to EUR 30,170,984 as of December 31, 2011. The change in subscribed capital by a total of EUR 12,500 is attributable to the issuance of new shares from Conditional Capital I. Subscribed capital changed as follows:

in EUR thousand	2012	2011
Balance as of January 1,	30,170,984	29,582,305
Capital increases from conditional capital	12,500	0
Capital increases from authorized capital	0	588,679
Balance as of December 31,	30,183,484	30,170,984

As of the balance sheet date, eBay Inc. held 26.14% of the shares in INTERSHOP Communications AG through GSI Commerce Inc. and GSI Commerce Solutions Inc., which are under its control, as well as 7.15% held by Cyrte Investments B.V. The disclosures on eBay Inc.'s shareholding is based on the published notification of the Company pursuant to section 26 (1) WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act) according to section 21 (1) WpHG regarding changes to voting rights in fiscal year 2011.

According to the last notification of October 14, 2011 pursuant to section 21 (1) WpHG, the share of voting rights of Cyrte Investments B.V. in INTERSHOP Communications AG was 5.01%. Due to the registration of Cyrte Investments B.V. for the Annual Stockholders' Meeting in 2012, the Company, however, is aware that the stake is now 7.15%.

Authorized capital

As of December 31, 2012, the Company's authorized capital in the amount of EUR 7,656,137 was unchanged compared to the balance sheet date of the prior year. There were no capital increases from authorized capital in fiscal year 2012. 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). The Management Board's authorization is valid 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.
- By up to a total of EUR 156,137 against cash contributions with cancellation of the stockholders' subscription rights (Authorized Capital II). The authorization was valid until December 31, 2012. Authorized Capital II served for the use of subscription rights from the stock option plan of 2001. All subscription rights have expired by the balance sheet date; consequently no further shares can be issued from Authorized Capital II (see also the section on „Stock Option Plan 2001“).

Conditional capital

As of the balance sheet date, the Company did not have any conditional capital. By resolution of the Annual Stockholders' Meeting on May 30, 2012, the Company's Conditional Capital I was canceled in fiscal year 2012. The cancellation was entered in the commercial register on June 28, 2012. Conditional Capital I was reserved for subscription rights exercisable under the Stock Option Plan 1999 (see also the section on „Stock Option Plan 1999“). In March 2012, 12,500 stock options under the 1999 stock option plan were exercised and 12,500 new shares were issued from the Conditional Capital I on March 28, 2012 to cover those options. As a result, the Conditional Capital I decreased to EUR 47,084. The declaratory entry of this issue of shares in the commercial register was made on April 24, 2012. Due to forfeiture and non-issuance of options, no additional shares from the Conditional Capital I were issued and, therefore, the Conditional Capital I was canceled by resolution of the Annual Stockholders' Meeting on May 30, 2012.

Capital increases in fiscal year 2012

Under the 1999 stock option plan, 12,500 stock options were exercised. To cover this, 12,500 new shares were issued from Conditional Capital I as well as a corresponding transaction of the specific increase of share capital by EUR 12,500 as of March 28, 2012.

The issued shares have the same rights as the other shares issued at the same time. Intershop received cash and cash equivalents of EUR 26 thousand as a result of the capital increase. The transaction costs came to EUR 16 thousand.

In the prior year, capital increases from Authorized Capital II came to EUR 588,679 (stock option plan 2001); there were no capital increases from conditional capital.

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. All of the stock option rights granted by Intershop have expired by the balance sheet date.

Option activity under the plans was as follows:

Year ended December 31,	2012		2011	
	Number of shares outstanding (in thousand)	Weighted average exercise price (EUR)	Number of shares outstanding (in thousand)	Weighted average exercise price (EUR)
Outstanding at beginning of period	131	1.80	903	1.80
Granted	0	-	0	-
Exercised	(13)	2.10	(206)	1.69
Forfeited	(118)	1.77	(566)	1.85
Outstanding at end of period	0	-	131	1.80
Exercisable options at end of period	0	-	131	1.80

The weighted average share price for the exercised options amounted to EUR 2.98 (2011: EUR 2.19) on the exercise date.

In fiscal year 2012, the Company recognized expenses of EUR 0.1 thousand (2011: EUR 22 thousand) relating to the stock option plans. There were no outstanding liabilities from stock option programs as of the balance sheet date (prior year: EUR 17 thousand).

(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 4,771 thousand (2011: EUR 5,580 thousand).

(8) INCOME TAX LIABILITIES

Income tax liabilities amounted to EUR 412 thousand (2011: EUR 579 thousand) and relate to income tax for the years 2009 to 2012. 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 EUR thousand	Dec. 31, 2012	Dec. 31, 2011
Liabilities from advance payments received for fixed-price projects	32	163
Other liabilities relating to social security benefits	52	58
Liabilities to employees	1,097	1,211
Liabilities arising from stock option plans	0	17
Other VAT and wage tax liabilities	757	544
Liabilities to the Occupational Health and Safety Agency	130	134
Liabilities from outstanding vacation entitlement	579	493
Miscellaneous other liabilities	147	143
	2,794	2,763

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 1,081 thousand. This amount was received by the Company as prepayment. In 2012, revenue of EUR 1,049 thousand was realized, which was offset against the prepayment. This was measured based on the stage of completion of the project using the percentage of completion method. The costs of the project amounted to EUR 822 thousand. This fixed-price project resulted in a contribution to earnings of EUR 227 thousand.

(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 0 thousand (2011: EUR 78 thousand).

The following table shows the development of other provisions:

Other noncurrent provisions:

in EUR thousand	
Balance at January 1, 2012	78
Additions	0
Utilization	0
Reversal	0
Reclassification to current provisions	(78)
Currency adjustments	0
Balance at December 31, 2012	0

Other current provisions:

in EUR thousand	Litigation risks	Other	Total
Balance at January 1, 2012	37	992	1,029
Additions	0	255	255
Utilization	(13)	(613)	(626)
Reversal	(24)	(360)	(384)
Reclassification from non-current provisions	0	78	78
Currency adjustments	0	0	0
Balance at December 31, 2012	0	352	352

Miscellaneous other provisions relate to provisions for the Stockholders' Meeting, guarantee provisions and provisions for 2012 for losses from subletting relating to the leased space at the Company's headquarters.

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 5,278 thousand (2011: EUR 5,500 thousand). Net revenues from services, maintenance, and other are composed of the following items:

in EUR thousand	2012	2011
Consulting / Training	28,253	26,807
Maintenance	8,822	9,899
Online Marketing	4,338	3,504
Other revenues	5,075	3,446
	46,488	43,656

Other revenue includes the revenue from the full-service and TheBakery businesses. Gross revenues of online marketing amounted to EUR 9,297 thousand (2011: EUR 9,726 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 1,928 thousand (2011: EUR 1,118 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	2012	2011
Consulting / Training	21,854	18,274
Maintenance	2,140	3,306
Online Marketing	2,813	2,297
Other cost of revenues	5,666	4,195
	32,473	28,072

Other cost of revenues includes the costs from the full-service and TheBakery businesses.

(15) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise all expenses attributable to R&D activities, largely personnel expenses. The decrease in R&D expenses from EUR 6,389 thousand to EUR 4,542 thousand resulted primarily in a decline in costs for third-party services as well as higher activation of software development costs. 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. Sales and marketing expenses rose by 26% from EUR 6,663 thousand to EUR 8,383 thousand. The increase in costs were primarily due to the higher expenditures for sales partners, higher personnel costs due to expansion of the workforce as well as intensified marketing activities. The share of sales and marketing expenses to total revenue was 16% (2011: 14%).

(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 advice as well as other consulting fees. General and administrative expenses came to EUR 5,898 thousand (2011: EUR 5,252 thousand).

(18) OTHER OPERATING INCOME

Other operating income is composed of the following items:

in EUR thousand	2012	2011
Income from currency translation gains	352	268
Income from government grants	515	498
Miscellaneous	282	910
	1,149	1,676

Income from currency gains of EUR 348 thousand is attributable to financial instruments. Income from government grants was paid out in 2012. 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.

(19) OTHER OPERATING EXPENSES

Other operating expenses relate to the following items:

in EUR thousand	2012	2011
Currency translation losses	231	521
Miscellaneous	54	190
	285	711

Expenses from currency translation losses of EUR 230 thousand were attributable to financial instruments.

(20) INTEREST INCOME

Interest income in the amount of EUR 86 thousand (2011: EUR 92 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, 2012.

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

in TEUR	2012	2011
Current taxes		
Abroad	40	(3)
Germany	29	(320)
Deferred taxes		
Abroad	0	0
Germany	0	0
	69	(323)

The Group tax rate of 30.525% applicable in fiscal year 2012 (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.

The tax rate reconciliation contains the following details:

in EUR thousand	2012	2011
IFRS pretax income	(510)	2,717
Corporate tax rate	30.53%	30.53%
Expected income tax expense	(156)	829
Effects of changes in tax rates and different rates of foreign taxation	(1)	(2)
Utilization of tax losses carried forward	(66)	(697)
Permanent effects, tax refunds	312	(410)
Effects of changes in basis of consolidation and others	(20)	(43)
Income taxes	69	(323)

The components of the deferred tax assets were as follows:

in TEUR	2012	2011
Net operating loss carryforwards	51,988	74,721
Other	66	92
Valuation allowance or nonrecognition in accordance with IAS 12.34	(49,167)	(72,492)
	2,887	2,321
Offset	(1,992)	(1,426)
Deferred tax assets after offset	895	895
Intangible assets	1,889	1,311
Consolidation effects	0	19
Other	103	96
	1,992	1,426
Offset	(1,992)	(1,426)
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, 2012 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, 2012, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	2012	2011
U.S. Federal	91,723	93,819
U.S. State	78,297	96,202
German corporate income tax	172,690	152,039
German municipal trade tax	167,755	147,513

U.S. federal and state net operating loss carryforwards expire in various fiscal periods through 2031. The reduction results from the application as well as from the currency conversion. The loss carryforwards for German income taxes relate to corporate income tax and trade tax and carry forward indefinitely. The change in the German loss carryforwards results from the retroactive adjustment of the partial loss of the loss carryforwards in 2011 due to the acquisition of stock in the meaning of section 8c KStG [„Körperschaftsteuergesetz“: German Corporate Income Tax Act] and from recurrent losses in 2012.

(22) EARNINGS PER SHARE

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

in EUR thousand	2012	2011
Basis for calculating basic earnings per share (earnings after tax attributable to Intershop shareholders)	(579)	3,040
Basis for calculating diluted earnings per share	(579)	3,040

The number of shares is calculated as follows:

	2012	2011
Weighted average number of ordinary shares used to calculate basic earnings per share	30,180	30,180
Dilutive effect of potential ordinary shares:		
Weighted average number of options outstanding	0	33
Weighted average number of ordinary shares used to calculate diluted earnings per share	30,180	30,213

	2012	2011
Calculation of earnings per share (basic)		
Basis for calculating basic earnings per share (in EUR thousand)	(579)	3,040
Weighted average number of shares (basic)	30,180	30,180
Earnings per share (basic) (in EUR)	(0.02)	0.10
Calculation of earnings per share (diluted)		
Basis for calculating diluted earnings per share (in EUR thousand)	(579)	3,040
Weighted average number of shares (diluted)	30,180	30,213
Earnings per share (diluted) (in EUR)	(0.02)	0.10
Adjustment of earnings per share (diluted) (in EUR)	(0.02)	0.10

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 operating activities amounted to EUR 1,999 thousand in 2012, compared to a cash inflow of EUR 3,061 thousand in 2011. The decrease can mainly be attributed to the negative result for the year. Non-cash impairment losses increased from EUR 1,886 thousand to EUR 2,348 thousand. The cash outflow from investment activities increased to EUR 4,505 thousand (2011: EUR 3,115 thousand), especially due to higher payments for investments in intangible assets. The payments for investments in intangible assets came to EUR 3,604 thousand (2011: EUR 2,634 thousand). Cash flow from financing activities was EUR 10 thousand (2011: EUR 691 thousand). Please refer to the explanations in the section on „Equity.“ In total, there was a net cash outflow of EUR 2,570 thousand in fiscal year 2012 compared to a cash inflow of EUR 494 thousand in the prior year. In total, Intershop had cash and cash equivalents of EUR 14,314 thousand as of December 31, 2012 (December 31, 2011: EUR 16,884 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, 2012

in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	4,570	543	165	0	5,278
Consulting and training	12,344	12,934	2,975	0	28,253
Maintenance	5,561	907	2,354	0	8,822
Online Marketing	4,338	0	0	0	4,338
Other	4,201	874	0	0	5,075
Total net revenues from external customers	31,014	15,258	5,494	0	51,766
Intersegment revenues	766	734	710	(2,210)	0
Total net revenues	31,780	15,992	6,204	(2,210)	51,766
Cost of revenues	20,606	10,148	3,647	0	34,401
Gross profit	10,408	5,110	1,847	0	17,365
Operating expenses, operating income	10,757	5,298	1,904	0	17,959
Result from operating activities	(349)	(188)	(57)	0	(594)
Financial result					84
Earnings before tax					(510)
Income taxes					(69)
Earnings after tax					(579)
Assets	23,143	11,398	4,096	0	38,637
Depreciation and amortization	1,406	693	249	0	2,348

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

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 TheBakery 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 TheBakery 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.
- There were no other significant non-cash expenses in 2012. Non-cash expenses in 2011 include expenses relating to stock option plans, valuation allowances, non-scheduled write-downs. 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 25,045 thousand (2011: EUR 21,808 thousand). Revenues of EUR 26,721 thousand (2011: EUR 27,348 thousand) were recorded from external customers in other countries. EUR 15,258 thousand (2011: EUR 13,848 thousand) of these revenues was attributable to customers in the U.S. and EUR 5,235 thousand (2011: EUR 7,721) to customers in Australia. Total noncurrent assets excluding deferred taxes amounted to EUR 12,926 thousand (2011: EUR 10,768 thousand) in Germany and EUR 98 thousand (2011: EUR 95 thousand) in other countries. The Company does not have any assets relating to financial instruments associated with pensions or rights arising from insurance contracts.

Revenue of EUR 7,467 thousand was generated with a single customer in fiscal year 2012. In the previous year, Intershop recorded revenue of EUR 6,105 thousand and EUR 7,188 thousand with two individual customers. The revenue was attributable to the „Asia-Pacific" and „U.S." segments.

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	3,198	5,866	59	9,123

The sum of future minimum payments arising from subleases amounted to EUR 318 thousand as of the balance sheet date. Rental expense of EUR 2,512 thousand (2011: EUR 2,664 thousand) was recognized in the income statement. Rental income amounted to EUR 653 thousand (2011: EUR 680 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. In addition, in December 2008 the Company filed a counterclaim for around EUR 250 thousand due to non-payment of services. With regard to the previous and anticipated duration of proceedings, the lawsuit was ended through a settlement of May 24, 2012 with payment of part of the claim. The settlement amount is lower than the provision set aside in prior years.

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. Furthermore, on June 27, 2012 a final order for payment of costs was decided. We refer to the publication in the Bundesanzeiger (German Federal Gazette) on July 14, 2012 pursuant to sections 248a, 249 (1), 149 (2) 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 Group's overall strategy is unchanged compared to the prior year. The capital structure changed as follows and was within budget figures:

in EUR thousand	Dec. 31, 2012	Dec. 31, 2011	as a % of previous year
Equity	27,612	28,219	-2%
Trade accounts payable	4,771	5,580	-14%
Other liabilities	6,254	7,380	-15%
Equity ratio	71%	69%	

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

CATEGORIES OF FINANCIAL INSTRUMENT

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

in EUR thousand

Measurement	Categories	Dec. 31, 2012		Dec. 31, 2010			
		Carrying amount	Fair value	Carrying amount	Fair value		
Measured at amortized cost							
ASSETS							
Other noncurrent assets	Loans and receivables	26	26	24	24		
Trade receivables	Loans and receivables	9,613	9,613	11,794	11,794		
Restricted cash	Loans and receivables	65	65	67	67		
Cash and cash equivalents	Loans and receivables	14,314	14,314	16,884	16,884		
Other receivables and other assets		726		676			
of which gross amount due from customers for contract work		30	30	0	0		
LIABILITIES							
Trade payables	Financial liabilities measured at amortized cost	4,771	4,771	5,580	5,580		
Other current liabilities		2,794		2,763			
of which financial liabilities measured at amortized cost		65	65	81	81		
of which derivative financial instruments held for trading		0	0	0	2		
Carrying amount aggregated by measurement category				2012	2011		
Loans and receivables				24,018	28,769		
Financial liabilities measured at amortized cost				4,836	5,661		
Financial liabilities held for trading				0	0		
Net gain/loss per measurement category		On interest		On valuation allowances		Fair value changes	
		2012	2011	2012	2011	2012	2011
Loans and receivables		84	90	15	159	0	0
Financial liabilities measured at amortized cost		0	0	0	0	0	0
Financial liabilities held for trading		0	0	0	0	0	2

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	2012	2011
Financial liabilities			
Derivatives with negative fair values (current)	2	0	2

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 14,314 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, 2011	Cashflow in 2012	Carrying amount at Dec. 31, 2012	Cashflow in 2013	Cash flow after 2013
Trade accounts payable	5,580	5,580	4,771	4,771	0
Other current liabilities	2,763	2,270	2,794	2,215	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. In general, Intershop hedges invoices in foreign currencies with currency options. As of the balance sheet date, there were no currency options. Intershop is primarily exposed to exchange rate risk relating to the U.S. dollar and the Australian dollar.

The carrying amount of the Group's monetary assets and liabilities denominated in these currencies was as follows at the balance sheet date:

in EUR thousand	Liabilities		Assets	
	2012	2011	2012	2011
in USD	1,249	1,409	31	3
in AUD	666	1,102	98	458

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.

in EUR thousand	Earnings after tax USD		Earnings after tax AUD	
	2012	2011	2012	2011
Change due to 10% appreciation of the euro	(111)	(128)	(52)	(59)
Change due to 10% depreciation of the euro	135	156	63	72

Events subsequent to the balance sheet date

In accordance with section 15a WpHG, the Company published that the Chairman of the Supervisory Board Dr. Herbert May acquired 10,000 Intershop shares on February 25, 2013 worth a total of EUR 18,200 and that the Spokesperson of the Management Board Jochen Moll acquired 10,000 Intershop shares on March 1, 2013 worth a total of EUR 19,270.

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 26.14% of the shares in Intershop as of the balance sheet date. GSI Commerce Inc. has an indirect shareholding of 26.14% in Intershop via GSI Commerce Solutions Inc. eBay Inc. indirectly holds 26.14% of the voting rights in Intershop through GSI Commerce Inc. and GSI Commerce Solutions Inc., which are under its control. We refer to the section on „Disclosures according to section 289 (4) and section 315 (4) of the HGB with an explanatory report“ in the management report. Deputy Chairman of the Supervisory Board Tobias Hartmann is CEO of Global Operations at GSI Commerce Inc. Supervisory Board member James W. MacIntyre, who resigned from the Supervisory Board of the Company as of January 31, 2012, was head of e-Commerce technology for GSI Commerce Inc. Bob van Dijk, who has been Supervisory Board member since February 1, 2012, serves as Vice President of eBay Europe at eBay Inc. 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 3,850 thousand (2011: EUR 7,188 thousand). Income includes revenue from consulting and maintenance (in the prior year, also revenue from licenses). The outstanding balance for receivables came to EUR 244 thousand as of December 31, 2012 (2011: EUR 1,090 thousand). Receivables include trade receivables, which were not yet due. In 2012 and 2011, 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 2012 the following members:

Name	Function	Term of office
Ludwig Lutter	Member of the Management Board	since 04/01/ 2011
Jochen Moll	Spokesman of the Management Board	since 04/01/2012
Heinrich Göttler	Member of the Management Board	06/23/2008 – 09/30/2012
Dr. Ludger Vogt	Member of the Management Board	12/01/2008 – 04/01/2012

The Supervisory Board comprised the following members in 2012:

Name	Function	Term of Office
Dr. Herbert May	Chairman of the Supervisory Board	since 10/19/2010 (Chairman since 11/17/2010)
Tobias Hartmann	Vice Chairman of the Supervisory Board	since 07/01/2011 (Vice Chairman since 05/30/2012)
Bob van Dijk	Member of the Supervisory Board	since 02/01/2012
James W. MacIntyre	Vice Chairman of the Supervisory Board	06/01/2010 – 01/31/2012 (Vice Chairman since 12/14/2010)

Total remuneration paid to the Management Board for its activities in fiscal year 2012 amounted to EUR 752 thousand (2011: EUR 880 thousand), of which EUR 620 thousand (2011: EUR 624 thousand) accounted for fixed remuneration and EUR 132 thousand (2011: EUR 256 thousand) for the variable components. The benefits for the premature termination of Management Board duties for members that left in fiscal year 2012 came to EUR 833 thousand.

In fiscal year 2012, the total remuneration for the Supervisory Board members came to EUR 113 thousand (2011: EUR 161 thousand), of which EUR 113 thousand (2011: EUR 101 thousand) accounted for fixed remuneration and EUR 0 thousand (2011: EUR 60 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 65 thousand (2011: EUR 83 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**

No member of the Company's executive bodies held Intershop ordinary bearer shares as of the balance sheet date. No Intershop ordinary bearer shares were purchased or sold by members of the Company's executive bodies or related parties in fiscal year 2012.

EMPLOYEES

During the fiscal year 2012, Intershop Group had an average of 505 full-time employees, of whom 502 were salaried employees and 3 members of the executive bodies (2011: 441 full-time employees, of whom 438 were salaried employees and 3 members of the executive bodies).

Employee-related expenses amounted to EUR 30,574 thousand (2011: EUR 26,188 thousand). Pension insurance contributions paid by the Company for statutory pension insurance schemes totaled EUR 1,844 thousand (2011: EUR 1,620 thousand).

AUDITORS' FEES

In fiscal year 2012, the Company incurred expenses of EUR 105 thousand (2011: EUR 139 thousand) for audit services in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB, of EUR 6 thousand (2011: EUR 6 thousand) for other assurance services, and of EUR 20 thousand (2011: EUR 8 thousand) for other services. Expenses for tax consulting services amounted to EUR 71 thousand (2011: EUR 17 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 January 11, 2013, and made this declaration permanently available to its stockholders.

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 11, 2013

The Management Board


Jochen Moll


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, 2012. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional 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 additional 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 13, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

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

FINANCIAL STATEMENTS
INTERSHOP COMMUNICATIONS
AKTIENGESELLSCHAFT



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BALANCE SHEET INTERSHOP COMMUNICATIONS AG

in EUR	December 31, 2012	December 31, 2011
ASSETS		
Fixed Assets		
Intangible assets		
Purchased software licenses	171,306	208,098
Property and equipment		
Other facilities, furniture, and equipment	1,135,210	929,810
Financial Assets		
Investments in affiliated companies	10,496,834	10,496,834
	11,803,350	11,634,742
Current Assets		
Inventories		
Work in process	1,468,818	443,793
Payments on account	128,105	15,000
	1,596,923	458,793
Receivables and other assets		
Accounts receivable	6,875,802	8,065,124
Receivables from affiliated companies	1,319,625	2,242,870
Receivables from companies in which participations are held	243,995	1,090,251
Other assets	135,159	298,912
	8,574,581	11,697,157
Cash-in-hand, bank balances	12,170,992	14,749,472
	22,342,496	26,905,422
Prepaid expenses	303,782	192,029
TOTAL ASSETS	34,449,628	38,732,193
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock	30,183,484	30,170,984
Conditional capital: EUR 0 (prior year: EUR 59,584)		
Capital surplus	6,445,281	6,431,531
Accumulated Deficit	(11,462,119)	(7,913,658)
	25,166,646	28,688,857
Accrued Liabilities		
Provisions for taxes	388,918	568,777
Other accrued liabilities	4,014,988	4,474,445
	4,403,906	5,043,222
Liabilities		
Advance payments received	1,524,480	707,273
Accounts payable	1,592,374	2,491,777
Liabilities to affiliated companies	71,420	544,090
Other liabilities	729,565	612,813
thereof from taxes: EUR 574,419 (prior year: EUR 237,645)		
thereof from social security benefits: EUR 34,272 (prior year EUR 35,255)		
	3,917,839	4,355,953
Deferred Charges	961,237	644,161
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	34,449,628	38,732,193

STATEMENT OF OPERATIONS OF INTERSHOP COMMUNICATIONS AG

in EUR	January 1 to December 31,	
	2012	2011
Revenues	39,996,160	40,448,126
Increase in inventories of work in progress	1,025,026	272,055
Other operating income	2,293,267	3,092,763
Cost of Materials		
Cost of purchased merchandise	(562,214)	(429,203)
Cost of purchased services	(9,281,355)	(9,983,071)
Personnel Costs		
Salaries	(19,946,268)	(18,019,739)
Social security contribution	(3,124,316)	(2,847,945)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(684,896)	(497,779)
Other operating expenses	(13,863,307)	(12,516,930)
Profit from profit transfer agreements	428,211	312,836
Other interest and similar income	202,901	556,729
thereof from affiliated companies EUR 114,547 (prior year: EUR 472,105)		
Interest and similar expenses	(2,297)	(14,124)
of which from expenses for accrued interest: EUR 0 (prior year: EUR 12,190)		
Result from ordinary activities	(3,519,088)	373,718
Taxes on income	(29,373)	223,417
Net loss (income) for the year	(3,548,461)	597,135
Accumulated deficit carried forward	(7,913,658)	(8,510,793)
Accumulated Deficit	(11,462,119)	(7,913,658)

The annual financial statements of INTERSHOP Communications Aktiengesellschaft (Intershop), Jena, for fiscal year 2012 are prepared in accordance with the provisions of the HGB (German Commercial Code) and the AktG (German Stock Corporation Act).

The fiscal year corresponds with the calendar year.

The income statement is prepared using total expenditure format.

ACCOUNTING POLICIES

The accounting policies used remained unchanged from the prior year.

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

For low-value assets with a value of EUR 150 to EUR 1,000, a collective item is created, which is depreciated over a period of five years. Use was made of this tax provision due to its secondary importance under German commercial law.

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 at the balance sheet date.

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 one 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:

In EUR thousand	Intangible Assets	Tangible Assets	Financial Assets	Total
	Purchased Software licenses	Other equipment, operating and office equipment	Shares in affiliated companies	
Costs of purchase				
Balance at January 1, 2012	3,256	3,273	46,151	52,680
Additions	125	730	0	855
Disposals	(1,427)	(2)	(82)	(1,511)
Balance at December 31, 2012	1,954	4,001	46,069	52,024
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2012	3,048	2,343	35,654	41,045
Additions	162	523	0	685
Disposals	(1,427)	0	(82)	(1,509)
Balance at December 31, 2012	1,783	2,866	35,572	40,221
Net carrying amount at December 31, 2011	208	930	10,497	11,635
Net carrying amount at December 31, 2012	171	1.135	10,497	11,803

The disposals with regard to intangible assets result from stocktaking.

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 360 thousand (prior year: EUR 1,527 thousand) relate to Group financing, EUR 428 thousand to profit transfer from the subsidiary SoQuero GmbH (prior year: EUR 313 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 65 thousand (prior year: EUR 67 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 30,183,484 consists of 30,183,484 no-par value bearer shares.

The capital reserve developed as follows in fiscal year 2012 (in EUR thousand):

Balance at December 31, 2011	6,432
Premium from the exercise of stock options	13
Balance at December 31, 2012	6,445

The accumulated deficit contains a loss carryforward from previous years in the amount of EUR 7,914 thousand.

Other provisions primarily consist of outstanding invoices (EUR 1,859 thousand; prior year: EUR 1,602 thousand) and commissions (EUR 816 thousand; prior year: EUR 947 thousand). The remaining provisions consist 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, and license fees.

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

The other liabilities mainly include liabilities from ongoing payroll accounting as well as sales tax to be paid.

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	2012	2011
Germany	18,609	17,131
Rest of Europe	5,971	5,723
Rest of the world excluding Europe	15,416	17,594
	39,996	40,448

Revenues of EUR 4,735 thousand (prior year: EUR 5,018 thousand) relate to license revenues and EUR 35,261 thousand (prior year: EUR 35,430 thousand) to revenues from services (Consulting, Maintenance and Other).

Revenue from foreign currency translation is included in "other operating income" and amounted to EUR 345 thousand (prior year: EUR 241 thousand).

EUR 237 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 1,323 thousand (prior year: EUR 868 thousand).

Other operating expenses include expenses of EUR 213 thousand (prior year: EUR 486 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.

Income taxes include previous years' expenses in the amount of EUR 31 thousand.

OTHER DISCLOSURES

Authorized capital

As of December 31, 2012, the Company's authorized capital in the amount of EUR 7,656,137 was unchanged compared to the balance sheet date of the prior year. There were no capital increases from authorized capital in fiscal year 2012. 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). The Management Board's authorization is valid 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.
- By up to a total of EUR 156,137 against cash contributions with cancellation of the stockholders' subscription rights (Authorized Capital II). The authorization was valid until December 31, 2012. Authorized Capital II served for the use of subscription rights from the stock option plan of 2001. All subscription rights have expired by the balance sheet date; consequently no further shares can be issued from Authorized Capital II.

Conditional capital

As of the balance sheet date, the Company did not have any conditional capital. By resolution of the Annual Stockholders' Meeting on May 30, 2012, the Company's Conditional Capital I was canceled in fiscal year 2012. The cancellation was entered in the commercial register on June 28, 2012. Conditional Capital I was reserved for subscription rights exercisable under the Stock Option Plan 1999. In March 2012, 12,500 stock options under the 1999 stock option plan were exercised and 12,500 new shares were issued from the Conditional Capital I on March 28, 2012 to cover those options. As a result, the Conditional Capital I decreased to EUR 47,084. The declaratory entry of this issue of shares in the commercial register was made on April 24, 2012. Due to forfeiture and non-issuance of options, no additional shares from the Conditional Capital I were issued and, therefore, the Conditional Capital I was canceled by resolution of the Annual Stockholders' Meeting on May 30, 2012.

As of the balance sheet date, no options were issued from the stock option plans of the Company.

As of the balance sheet date, eBay Inc. held 26.14% of the shares in INTERSHOP Communications AG through GSI Commerce Inc. and GSI Commerce Solutions Inc., which are under its control, as well as 7.15% held by Cyrte Investments B.V. The disclosures on eBay Inc.'s shareholding is based on the published notification of the Company pursuant to section 26 (1) WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act) according to section 21 (1) WpHG regarding changes to voting rights in fiscal year 2011. According to the last notification of October 14, 2011 pursuant to section 21 (1) WpHG, the share of voting rights of Cyrte Investments B.V. in INTERSHOP Communications AG was 5.01%. Due to the registration of Cyrte Investments B.V. for the Annual Stockholders' Meeting in 2012, the Company, however, is aware that the stake is now 7.15%.

Derivative financial instruments

In fiscal year 2012, invoices in foreign currency were hedged with currency options. As of the balance sheet date, there were no currency options.

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 6.6 million as of December 31, 2012, 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 1.3 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.

In the reporting year, the Company issued a letter of comfort to its non operational subsidiary Intershop Communications Ventures GmbH. Utilization of the letter of comfort is not anticipated since the subsidiary only has liabilities with respect to Intershop.

Employees

The Company had an average of 403 employees (salaried employees only) during fiscal year 2012 (prior year: 354 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), Managing Partner of Dr. May Management Beratungs- und Beteiligungs GmbH

Other supervisory board mandates:

Ubidyne Inc., Scottsdale, AZ, U.S.A. (Chairman Board)

Versant Corp., Redwood City, CA, U.S.A.

Certon GmbH, Heidelberg, Germany

Communology GmbH, Cologne, Germany (advisory board member until October 31, 2012)

TOBIAS HARTMANN

Vice Chairman of the Supervisory Board since 05/30/2012

Member since 07/01/2011

Chief Executive Officer Global Operations, GSI Commerce Inc.

BOB VAN DIJK

Mitglied seit 01.02.2012

Vice President eBay Europe, eBay Inc.

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, U.S.A.

Director and member of management, Product Laboratory, LLC, McLean, Virginia, U.S.A.

The Management Board included the following persons:

JOCHEN MOLL

Member and Spokeman of the Management Board since 04/01/2012

LUDWIG LUTTER

Member of the Management Board since 04/01/2011

HEINRICH GÖTTLER

Member of the Management Board from 06/23/2008 to 09/30/2012

DR. LUDGER VOGT

Member of the Management Board from 12/01/2008 to 04/01/2012

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

Total remuneration paid to the Management Board for its activities in fiscal year 2012 amounted to EUR 752 thousand (2011: EUR 880 thousand), of which EUR 620 thousand (2011: EUR 624 thousand) accounted for fixed remuneration and EUR 132 thousand (2011: EUR 256 thousand) for the variable components. The benefits for the premature termination of Management Board duties for members that left in fiscal year 2012 came to EUR 833 thousand.

In fiscal year 2012, the total remuneration for the Supervisory Board members came to EUR 113 thousand (2011: EUR 161 thousand), of which EUR 113 thousand (2011: EUR 101 thousand) accounted for fixed remuneration and EUR 0 thousand (2011: EUR 60 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 65 thousand (2011: EUR 83 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.

As of December 31, 2012, no member of the Company's executive bodies held Intershop ordinary bearer shares.

Intershop Group

As a listed company, INTERSHOP Communications AG prepares consolidated financial statements in accordance with IFRS and according to the provisions of section 315a of the HGB (German Commercial Code). The consolidated financial statements will be submitted to the Bundesanzeiger (German Federal Gazette). As of December 31, 2012, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, TheBakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications Nordics AB 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, 2012:

	Interest in %	Currency	Equity*	Net loss**
Intershop Communications, Inc., San Francisco, U.S.A	100	EUR	(429,837)	511,770
SoQuero GmbH, Frankfurt/Main, Germany	100	EUR	213,151	428,211***
TheBakery GmbH, Berlin, Germany	100	EUR	(2,039,060)	(989,679)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	EUR	27,574	14,883
Intershop Communications Ventures GmbH, Jena, Germany	100	EUR	(2,224,125)	(28,267)
Intershop Communications Nordics AB, Malmö, Sweden	100	EUR	25,069	(1,947)

* Equity as of December 31, 2012 is translated at the exchange rate as of the reporting date

** (Preliminary) net profit/loss for fiscal year 2012 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 January 11, 2013, and made this declaration publicly available on the Company's website at <http://www.intershop.com/investors-corporate-governance>

Appropriation of net income/loss

The Management Board of Intershop Communications AG proposes to carry forward the accumulated deficit of EUR 11,462,119 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 11, 2013

The Management Board


Jochen Moll


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, which is combined with the group management report, of INTERSHOP Communications Aktiengesellschaft, Jena, for the business year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and the combined 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 § (Article) 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 combined 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 combined 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 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 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 13, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

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

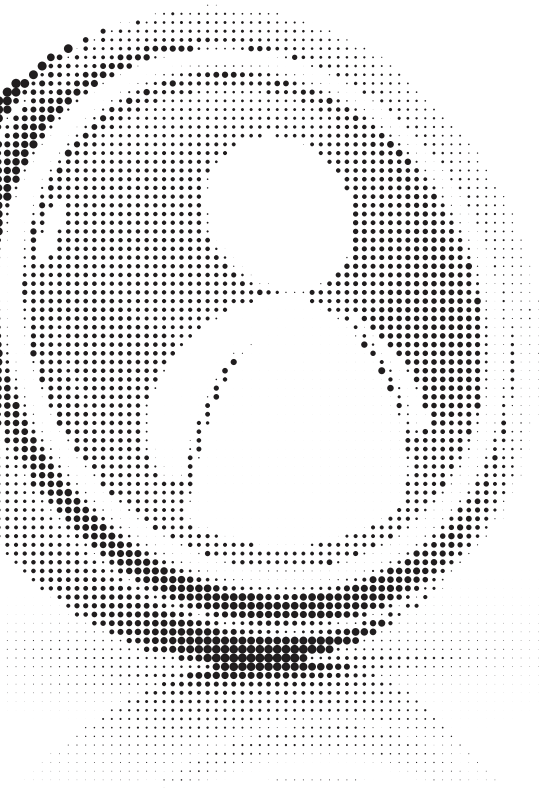
REPORT OF THE
SUPERVISORY BOARD

CORPORATE GOVERNANCE REPORT



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REPORT OF THE SUPERVISORY BOARD

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 2012, the Supervisory Board held 12 meetings, four of which were attendance required meetings and eight were held as a telephone conference. Key topics of the meetings were the current economic development of the Company, especially the sales and earnings situation, employee development as well as the strategic direction of the Company.

All members of the Supervisory Board participated in over half of the meetings. Only Mr. James W. MacIntyre, who resigned from his post as of January 31, 2012, did not participate in the one meeting that took place during his remaining term in the reporting year.

The purpose of the meetings on January 12, 2012 and February 15, 2012 was the budget for fiscal year 2012, which was approved in the latter meeting. In addition, the Management Board reported on the business results of fiscal year 2011. In the Supervisory Board meetings on March 19, 2012 and April 1, 2012, resolutions were made on matters relating to the Management Board. The focus of the meetings on May 3, 2012 and August 1, 2012 were the reports of the Management Board on the current development for the quarter as well as the expected business development with potential sales projects.

In the meeting on May 29, 2012, items on the agenda were personnel matters and in particular the preparation of the Annual Stockholders' Meeting. In the constituent meeting of the Supervisory Board directly after the Annual Stockholders' Meeting on May 30, 2012, the Supervisory Board again elected Dr. Herbert May as Chairman of the Supervisory Board as well as Mr. Tobias Hartmann as his Deputy Chairman.

In the meetings on October 24, December 6 and December 20, 2012, the Supervisory Board discussed the development of the fiscal year as well as the planning and strategies for fiscal year 2013 and the following two years. Furthermore, personnel matters were also discussed at these meetings.

In addition to the meetings, there were circulation resolutions in writing regarding personnel matters, 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, the planning, risk situation and risk management 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 fiscal year 2012, the Supervisory Board had to pass a resolution on its approval for several amendment agreements regarding an agreement concluded in fiscal year 2010 with GSI Commerce Solutions Inc. as well as for the acceptance of individual orders in line with this agreement. In these cases, as a precautionary measure, Supervisory Board members James W. MacIntyre and Tobias Hartmann and, after February 1, 2012, Bob van Dijk assumed that there could be a potential conflict of interest because of their respective main professional activities at GSI Commerce Inc. and eBay Inc. They notified the Company of this in the meaning of section 5.5 of the German Corporate Governance Code. Due to this potential conflict of interest, as a precautionary measure, they abstained regularly from voting on the relevant individual cases.

The remuneration of the respective Supervisory Board members, individualized and broken down by component, is shown in the consolidated Group management report and management report of INTERSHOP Communications AG.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In fiscal year 2012, there were three personnel changes in the executive bodies, one in the Supervisory Board and two in the Management Board.

In its decision of January 26, 2012, the district court of Jena appointed Bob van Dijk, Vice President eBay Europe, to the Supervisory Board of Intershop Communications AG effective February 1, 2012 until the next Annual Stockholders' Meeting. The previous Supervisory Board member, James W. MacIntyre, resigned from his office as of January 31, 2012. During the Company's Annual Stockholders' Meeting on May 30, 2012, Mr. van Dijk was elected as member of the Supervisory Board for the period ending with the conclusion of the Annual Stockholders' Meeting that passes a resolution on the approval of the boards' activities for fiscal year 2016.

Effective April 1, 2012, there was a change in the Management Board. In agreement with the Supervisory Board, long-standing Management Board member Dr. Ludger Vogt resigned from his post as of April 1, 2012 with immediate effect. Mr. Jochen Moll assumed office as member and spokesperson of the Management Board as of April 1, 2012. He is responsible for the sales, marketing and consulting portfolios. Mr. Moll has extensive experience stemming from different management functions in the IT industry. Dr. Vogt has been with the Intershop Group since 1999. Until the end of 2006, he was in charge as Vice President of the areas of consulting, customer support and technical training prior to taking over the responsibility for the sales area in 2007 and becoming a member of the Management Board in 2008. The Supervisory Board would like to thank Dr. Vogt for his contribution to the positive development of the Company in the last few years, especially in fiscal years 2010 and 2011, with the restructuring in 2007 as well as the creation of the strategic partnership with GSI Commerce, Inc.

Effective September 30, 2012, by agreement with the Supervisory Board, Henry Göttler resigned from his long-standing position on the Management Board of the Company. Mr. Göttler's portfolio will initially be split up between Management Board members Jochen Moll and Ludwig Lutter. Mr. Göttler started at Intershop in 2001 as Director Customer Support Global and since 2008 as member of the Management Board of the Company he was responsible for the product areas and new services. He contributed significantly to the turnaround of Intershop in 2008 and its subsequent growth trend. The Supervisory Board would like to thank Mr. Göttler for his high degree of commitment to the Company. He helped to ensure that Intershop today is one of the world's leading providers of integrated e-Commerce solutions and not just technologically.

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

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditor for the 2012 fiscal year elected at the Annual Stockholder's Meeting held on May 30, 2012 and engaged by the Supervisory Board, thoroughly reviewed the separate financial statements, the consolidated financial statements, the combined management report of INTERSHOP Communications AG and issued unqualified audit opinions in each case.

In addition, the auditors reviewed the dependent company report prepared by the Company pursuant to section 312 of the German Stock Corporation Act (AktG), reported on it pursuant to section 313 (3) of the AktG, and issued the following unqualified audit opinion:

„Based on our audit and assessment in accordance with professional standards, we confirm that (1) the actual disclosures contained in the report are correct and (2) the payments made by the Company in connection with transactions detailed in the report were not unreasonably high.“

Following its own thorough examination, in particular after inspecting the auditor's reports, as well as discussing the key points of the audit in detail with the auditor and the material findings of the audit, the Supervisory Board did not raise any objections with respect to the financial statements or the dependent company report. The Supervisory Board concurs with the result of the audit and the audit of the dependent company report. The Supervisory Board does not raise any objections against the declaration given by the Management Board at the end of the dependent company report and approved the separate financial statements and consolidated financial statements prepared by the Management Board in its meeting on March 20, 2013. 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 carry forwards under German commercial law in 2012, 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 Company and its affiliated companies for their high degree of commitment and services rendered and we would also thank the stockholders for the confidence they placed in us in fiscal year 2012.

Jena, March 2012

on behalf of the Supervisory Board



Dr. Herbert May
Chairman of the Supervisory Board

The activities of the Management Board and Supervisory Board are determined by the principles of responsible corporate governance. This report includes the Corporate Governance Report in accordance with section 3.10 of the German Corporate Governance Code and the Corporate Governance Declaration pursuant to section 289a of the Handelsgesetzbuch (HGB – German Commercial Code).

1. DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 161 OF THE AKTIENGESETZ (AKTG – GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of INTERSHOP Communications AG (*"Intershop"*) welcomes the German Corporate Governance Code presented by the Government Commission and most recently updated in May 2012. The recommendations of the German Corporate Governance Code were largely complied with in fiscal year 2012; any departures were explained in the Declaration of Conformity. The Supervisory Board and the Management Board issued the following joint Declaration of Conformity in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) on January 11, 2013:

Since the update of the declaration of conformity 2011 dated April 17, 2012 to May 15, 2012, 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, and as of May 16, 2012 to the present date with the recommendations in the version dated May 15, 2012, 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) With regard to the composition of the Management Board, the Supervisory Board should ensure diversity and especially strive for an appropriate consideration of women in accordance with section 5.1.2 of the Code. The Supervisory Board is of the opinion that this criterion is unsuitable as the sole deciding reason for the appointment of members to the Management Board. In the composition of the Management Board, the professional and personal qualifications of the applicants should have priority in governing the selection of a suitable candidate because this is the only way that the interests of the Company can best be safeguarded.
- 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. It also has not specified the number of independent Supervisory Board members in the meaning of section 5.4.2 of the Code. The Supervisory Board is also 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. Since the Supervisory Board has to appoint an independent financial expert according to Art. 100(5) of the AktG, the three person Supervisory Board also does not see any reason to determine a number of independent Supervisory Board members beyond this. It considers the appointment of one independent member as appropriate.
- d) The consolidated financial statements for fiscal year 2011 were published 13 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 was not possible due to the timetables for the preparation, audit and approval of the consolidated financial statements. However, important preliminary figures were published beforehand. In the future, the Company will comply with this recommendation of the Code.

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

2. CORPORATE GOVERNANCE PRACTICES

The Company has not implemented any **business practices** exceeding the recommendations of the German Corporate Governance Code, e.g. a company Code of Conduct. The Company takes into consideration the suggestions of the Corporate Governance Code to the greatest possible extent.

3. INFORMATION ON THE MANAGEMENT BOARD'S AND SUPERVISORY BOARD'S PRINCIPLES OF WORK, AS WELL AS THEIR COMPOSITION

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

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

The Management Board currently comprises two members. The number of members of the Management Board is determined by the Supervisory Board, which can also appoint a Chairman or a Spokesperson and Deputy Chairman of the Management Board. As part of the reorganization of the Management Board, a Spokesman was appointed to the Management Board in fiscal year 2012.

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

The **Supervisory Board** advises the Management Board on the management of the Company and monitors the Management Board's activities. It appoints and dismisses the members of the Management Board, resolves the compensation system for the Management Board members, and sets their total compensation. It is involved in all decisions that are of fundamental importance for the Company.

The Articles of Association stipulate that the Supervisory Board must comprise three members. Its regular term of office is five years and ends at the Annual Stockholders' Meeting that resolves the approval of the Supervisory Board's activities for the fourth fiscal year after the beginning of its term of office. The Supervi-

sory Board regularly monitors and advises the Management Board in its management of the Company. It must perform its duties in accordance with the provisions of the law, the German Corporate Governance Code, the Articles of Association, and its By-laws. The Supervisory Board must be consulted on all decisions of fundamental importance for the Company. The By-laws of the Management Board therefore stipulate certain transactions – such as major investment projects, acquisitions, and employment contracts above a certain amount – that require the Supervisory Board’s approval. The Chairman of the Supervisory Board represents the Supervisory Board externally and in dealings with the Management Board. He chairs the Supervisory Board meetings. No committees were established because the Supervisory Board only comprises three members. In addition to its reports at the Supervisory Board meetings, the Management Board regularly informs the Supervisory Board about current key developments at the Company and the related measures required, as well as about the forecast for future quarters.

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

4. FURTHER INFORMATION – CORPORATE GOVERNANCE REPORT

Since the Management Board and Supervisory Board have stated in their Declaration of Conformity that they will not follow the Code’s recommendations that suggest appointing members taking diversity into account and also appointing independent members, information on the implementation of this objective in the meaning of section 5.4.1 and 7.1.3 of the Code is also unnecessary in this report.

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.

Jena, February 19, 2013

INTERSHOP Communications AG

For the Management Board

For the Supervisory Board


Jochen Moll


Ludwig Lutter


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		2012	2011
Closing price*	in EUR	1.79	2.06
High*	in EUR	3.16	3.60
Low*	in EUR	1.72	1.59
Number of shares outstanding (as of Dec. 31)	in million shares	30.18	30.17
Market capitalization	in EUR million	54.03	62.15
Earnings per share	in EUR	(0.02)	0.10
Cashflow per share	in EUR	0.07	0.10
Carrying amount per share	in EUR	0.91	0.94
Average trading volume per day **	Number	48,964	85,310
Free float	in %	67	69

* Basis: Xetra

** Basis: all stock exchanges

FINANCIAL CALENDAR 2013

Date	Event
February 20, 2013	Release of Q4 and FY financials 2012
May 8, 2013	Release of Q1 financials 2013
June 12, 2013	Ordinary Annual Stockholders' Meeting 2013
August 7, 2013	Release of Q2 and 6-month financials 2013
November 6, 2013	Release of Q3 and 9-month financials 2013

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