2013

ANNUAL REPORT

intershop®

2013

ANNUAL REPORT

intershop®

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OVERVIEW

SALES GROWTH
3 %
in 2013

REVENUE
53,6 MIO. EUR
in 2013

LICENSE GROWTH
20 %
in 2013

EMPLOYEES
535
as of 12/31/2013

EQUITY RATIO
72 %
as of 12/31/2013

intershop®

KEY FIGURES FOR THE GROUP

in EUR thousand	2013	2012	Change
Revenue			
Net Revenues	53,555	51,766	3%
Licenses	6,318	5,278	20%
Services, maintenance and other	47,237	46,488	2%
Revenue Europe	33,091	31,014	7%
Revenue U.S.A.	14,750	15,258	-3%
Revenue Asia/Pacific	5,714	5,494	4%
Earnings			
Cost of revenues	34,707	34,401	1%
Gross profit	18,848	17,365	9%
Gross margin	35%	34%	
Operating expenses, operating income	22,076	17,959	23%
Research and development	3,463	4,542	-24%
Sales and marketing	11,946	8,383	43%
General and administrative	5,814	5,898	-1%
Other operating income/expenses	853	(864)	-199%
EBIT	(3,228)	(594)	-443%
EBIT-Margin	-6%	-1%	
EBITDA	488	1,754	-72%
EBITDA-Margin	1%	3%	
Net result	(3,327)	(579)	-475%
Earnings per share (EUR)	(0.11)	(0.02)	-450%
Net Assets			
Shareholders´equity	24,182	27,612	-12%
Equity ratio	72%	71%	
Balance sheet total	33,705	38,637	-13%
Noncurrent assets	13,045	13,919	-6%
Current assets	20,660	24,718	-16%
Noncurrent liabilities	479	878	-45%
Current liabilities	9,044	10,147	-11%
Financial Position			
Cash and cash equivalents	7,389	14,314	-48%
Net cash operating activities	(4,131)	1,996	-307%
Depreciation and amortization	3,716	2,348	58%
Net cash used in investing activities	(2,795)	(4,505)	-38%
Employees	535	530	1%

Dear stockholders and business partners,

The e-Commerce market continues to do well, and the growth rates in online sales with both end customers (B2C) and business customers (B2B) still remain in the double-digit range. Our market place is moving towards omni-channel commerce, which means that buying incentives, obtaining information, ordering and receipt of goods are increasingly processed over different channels that are becoming increasingly interlinked. Intershop has completely rebuilt its commerce platform over the past few years, and has again risen to the position of technological market leader – a position that has been confirmed by US market researchers from Forrester Research, who for the first time classified our B2B commerce solution in the category of global „leader" as part of their globally recognized cluster, the Forrester Wave.

But our technology leadership and rapid market growth in the online business are not yet reflected in our financial figures. Why? The two main reasons are insufficient market presence and visibility mainly in the United States, the world's largest e-Commerce market, and the important emerging markets, and also the limited availability of funds for investments in sales and marketing compared to our major competitors. Both issues are still at the top of this year's agenda on a strategic level. In the past year, our investments in marketing and sales reached a level not seen in ten years, namely EUR 11.9 million. Initial successes from the measures that were taken became noticeable in a record-setting fourth quarter of 2013, with numerous new customers and revenues of EUR 15 million. At the same time, our global partner network was also expanded, which will enable us to increase our market presence and develop new markets more quickly and cost-effectively.

The loss of approximately EUR 3.2 million in the past fiscal year is not satisfactory, even if our primary focus for the current market phase is on growth. However, we strongly believe that we will be able to significantly increase our gross margin and finally our operating result in the medium term by consistently expanding the high-margin license business. The first steps have been taken. Now the focus is on consolidating this positive trend to be able to participate in the growth opportunities offered by our business over the long term.

We thank you for your trust.

Sincerely,

Jochen Moll | Ludwig Lutter | Dr. Jochen Wiechen

MANAGEMENT BOARD

Jochen Moll
Spokesman of the Management Board

Dr. Jochen Wiechen

Ludwig Lutter

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CONSOLIDATED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT OF INTERSHOP COMMUNICATIONS AKTIENGESELLSCHAFT

THE INTERSHOP GROUP

Group structure and business activities

INTERSHOP Communications AG, which is domiciled in Jena, is the parent company of the Intershop Group. As of the reporting date of December 31, 2013, it directly holds 100% of the shares in Intershop Communications, Inc., San Francisco, USA; the online marketing subsidiary SoQuero GmbH, Frankfurt, Germany; the Berlin subsidiary The Bakery GmbH; Intershop Communications Australia Pty Ltd., Melbourne, Australia; Intershop Communications Asia Limited, Hong Kong, China, 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, Amsterdam, Paris and Rio de Janeiro.

Intershop is a globally oriented provider of integrated enterprise solutions for B2C and B2B commerce. The focus of its service range is the Intershop Commerce platform, which was brought to the market in 1996 as the world's first standard software for electronic commerce. Intershop's business is made up of the two main business areas of „Licenses" and „Services, Maintenance, and Other." In addition to the Maintenance and Other (full service and The Bakery business) segments mentioned above, services also include Consulting and Training as well as Online Marketing. Consulting and Training is by far the segment of the Group that generates the highest revenue (2013: 48% of net sales).

Intershop's business model includes the orchestration of the entire omni-channel commerce process chain from the design of the online channels to implementation of the software platform and coordination of delivery of goods, i.e., fulfillment. 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. The new version 7.4 has been available since January 2014; it simplifies sales activities across multiple online and offline touchpoints, and helps B2C and B2B companies to create high-quality customized and personalized brand experiences.

Intershop is one of the leading providers of commerce solutions worldwide. With the help of Intershop's omni-channel software, over 300 Intershop customers sell their products in more than 75 countries and 50 different languages. Based on its expertise of more than 20 years in software development for the e-Commerce business, Intershop has an extraordinarily powerful and scalable platform for online business measured in terms of transactions per day. Its customers include important technology and telecommunications groups such as Hewlett Packard and Deutsche Telekom, numerous well-known fashion brands such as Mexx or G-Star, as well as car manufacturers such as BMW and Daimler. Intershop operates in Europe, the United States and in the Asia Pacific region (mainly Australia). In 2013, revenues with customers outside of Europe came to 38%.

CONTINUED SYSTEMATIC EXPANSION OF INTERNATIONAL PARTNER NETWORK

The systematic expansion of the international partner network represents an important cornerstone of the Intershop strategy. This course was consistently maintained throughout 2013. The expansion of the network forms an important component of Intershop's sales strategy. It focuses on increasing the reach of its customer approach and bundling the expertise and experience of the companies in the partner network. The e-Commerce industry is constantly changing and technologies are renewed in progressively shorter development cycles, making it challenging for individual companies to offer the best possible solutions to their customers on a permanent basis. With the help of the partner network, heterogeneous markets and customers from different industries and cultures can be continuously serviced using state-of-the-art technologies.

[1] „Intershop," the „Company," „Intershop Group"

During the past fiscal year, the Company concluded 19 new cooperation agreements in the areas system integration, technology and services, and increased the total number of partner companies to approximately 150 worldwide. In the first quarter, Intershop opened an office in Hong Kong and gained a strong partner for the booming Chinese online business with the addition of Shinetec. In addition, Intershop strengthened its presence in the fast-growing e-Commerce markets Brazil and Russia through new collaborations. The Company also continued its focus on the main European markets, starting with the continent's largest e-Commerce market, the UK, for which several additional partners were added. In 2014, the Company's expansion strategy will focus on the United States.

FORRESTER RESEARCH POSITIONS INTERSHOP 7 AS GLOBAL LEADER FOR B2B PLATFORMS

The development of Intershop 7 laid the foundation for the Company's continued success in 2012. In May 2013, the Company introduced Intershop 7.3, which primarily offers expanded options for multi-channel commerce in the B2B segment. Intershop's strong position in this segment was confirmed in a study by the prestigious US market research institute Forrester Research, which was published at the beginning of October 2013. According to estimates by Forrester analysts, Intershop is among the world's four leading companies (Leader) in the B2B Commerce solutions segment on the basis of the current suite Intershop 7.3, and is the only independent provider among the Top 4. The study evaluated the providers of e-Commerce solutions according to three main criteria: current offering, market position and strategy. In turn, these segments were again broken down into a total of 66 individual criteria, including security features, technical architecture, planned updates and the number of new customer acquisitions. In the report, industry analysts highlighted Intershop's long-standing B2B expertise, which is reflected in the newly developed software platform. Intershop has been active in the business customer segment for over 20 years. The Intershop solution for B2B organizations stands out mainly for its comprehensive technical architecture, its suitability for the globalization of the business, its distinctive security features as well as its smooth integration in the customer's existing IT landscape.

Similarly, the Company's Intershop 7 solution also received high ratings as part of the Magic Quadrant analysis by US market research firm Gartner for the assessment of commerce platforms for the B2B and B2C segment in May 2013, whereby Gartner currently ranks Intershop among the world's Top 8 providers.

Research and development

Research and development (R&D) activities undertaken by Intershop mainly concentrate on the further development of the innovative Intershop 7 commerce platform. In view of the much shorter innovation cycles in the fast-growing commerce sector, not to mention the growing competition, it is very important that innovative functions and extensions are provided within existing product cycles to defend and expand one's own market position. Intershop has a strong and experienced developer team that continuously works on the continued success of the Company's products.

One of the key development steps was the update of the Intershop 7 platform with version 7.3, which expands the current functions for multi-channel shops in the B2B segment. It includes a turnkey solution for a ready-to-use multi-channel B2B shop, as well as an option for implementing customized user experiences, simplifying ordering processes and reducing complexity in a customer-oriented manner. Setting up online shops for business customers has now become even quicker and easier for B2B retailers. In addition, Intershop is the first provider to offer its customers real-time analyses in their online shops. The Company also worked on another comprehensive update during the second half of 2013, which was introduced in Intershop 7.4 in January 2014. These innovations include the option of linking different online and offline sales channels with the Intershop platform, which further simplifies the complex interaction between a multi-channel company and its customers. Version 7.4 offers external developers new ways of easily expanding the purchasing environment. Simplified content management, additional personalization options for B2B customers and reduced requirements for setting up new payment systems on existing platforms round off the product update. With these initiatives, Intershop addresses the continued transformation of conventional online commerce towards omni-channel commerce, which links together the sales channels catalog, branch, PC and Smartphone or tablet.

Total R&D expenses came to EUR 5.8 million compared to EUR 7.9 million in the same period of the preceding year. Taking capitalization of software development costs into account, R&D expenses came to around EUR 3.5 million in comparison to EUR 4.5 million in the prior year, which represents a share of 6% in the total sales revenue (2012: 9%). These expenses consist primarily of personnel costs (including third-party services) that can be attributed to this area. Third-party services in particular declined markedly in the past year. At the same time, the capitalization of software development costs also declined. The share of capitalized software development costs in the total sales revenue declined from 7% to 4%.

The expansion of the partner network is also of key importance for the R&D area. The exchange between partners was significantly intensified in 2013 to ensure that best-in-class solutions can be made available to customers at all times.

Control system

Intershop has enjoyed average growth of 14% per year in the past five years. The Company will continue to focus on increasing net revenues and thus gaining additional market share in a very competitive and dynamic market in the future. This is the reason why all management levels are monitoring the development of revenues over time. Other important financial figures in addition to net revenues are the gross profit (net sales less production costs) and the associated gross margin, which the Company intends to increase in the long term to generate a higher profit margin for additional investments in sales and marketing. In addition, other important performance indicators include earnings before interest and taxes (EBIT).

Overall, Intershop's efforts are directed at significantly increasing the Company's revenues in the coming years and gaining additional market share, particularly in the US and key emerging markets. In addition, Intershop will increasingly focus on its core competence, namely the development of commerce software. The Company intends to significantly improve its gross margin and EBIT in the medium term

THE 2013 FISCAL YEAR

Overall economy and industry

Last year, the global economy grew slower than originally expected. This was mainly due to continued uncertainties with regard to the sovereign debt crisis, the budget dispute in the US, rising growth risks in emerging and developing countries, and negative economic developments in the euro zone. The current estimate of the World Bank pegs global growth in 2013 at 3.1%. With a growth rate of 4.8%, emerging and developing markets stayed at the level of the previous year and thus performed markedly below the long-term average. Industrialized countries registered only minimal growth rates of 1.3% overall. In the euro zone, real GDP even declined by 0.4%. In Germany, the GDP rose by 0.5% last year according to Bundesbank estimates.

When it comes to an examination of the various industries, there are two markets that are of particular importance to Intershop: firstly, the demand trend of the end customer in online business (commerce market) as a driver for the expansion of the commerce infrastructure, and secondly, the willingness of companies to invest in new software solutions (software market and IT services).

According to estimates of market research company eMarketer, the global e-Commerce sector grew by 17.1% in 2013. Thus the global online retail business segment reached a new record volume of approximately EUR 900 billion. The largest national market is the US. This market turned over merchandise of approximately EUR 191 billion in 2013 according to forecasts of Forrester Research. China has risen to become the second-largest e-Commerce market in the world over a period of just a few years, in front of the UK and Japan. In Germany, the world's fifth-largest market, the e-Commerce sector also reached new record levels in 2013. The Bundesverband für Versandhandel (BVH) [German E-Commerce and Distance Selling Trade Association] adjusted its February 2013 forecast upwards twice within a year, and most recently expected sales to grow by 44.2% for the entire year. This means that the retail sector sold goods valued at EUR 39.8 billion over the Internet in 2013.

In addition to the online retail business, it is the increasingly digitized trade between business customers that is gaining in global importance. Unlike the B2C business, however, only parts of the B2B online trade have been captured to date. Forrester has quantified the volume of the American B2B online trade at EUR 411 billion in 2013 – a figure that is double the sales in the digital retail trade. The Institut für Handelsforschung (IFH) [Institute for Trade Research] estimates that the German B2B trade segment generated online sales of goods and services of approximately EUR 52 billion in 2012. Retail experts expect that conventional online shops, as can be found in the retail client sector, will also see increased use in the B2B segment in the future. According to Forrester Research, US firms in the B2B sector are now investing enormous resources to improve their e-Commerce technology infrastructure, on average approximately 4% of online sales.

Based on forecasts by the European Information Technology Observatory (EITO), the IT industry also made gains in 2013 (3.3% in total). This puts the current IT market volume at around EUR 1.18 trillion. The software business registered above-average growth of 5.5% (market volume 2013: EUR 302 billion). The IT services business generated a volume of EUR 510 billion in 2013, and thus grew by 3.4%. In the case of Germany, industry association BITKOM expects that the IT market grew by 2.8% in the past year, based on October 2013 forecasts. The software industry was a particularly dynamic player in Germany, growing by 4.9% to a total volume of EUR 18.1 billion according to BITCOM estimates. IT services generated a turnover of approximately EUR 35.7 billion, which corresponds to a growth of 2.4%.

Summary of developments in the 2013 fiscal year

During the 2013 fiscal year, the Intershop Group increased its net revenues by 3% to EUR 53.6 million and thus slightly surpassed the sales forecast that was revised in October 2013. At that time, Intershop had expected total annual sales for 2013 to remain at the previous year's level (EUR 51.8 million). The tremendous sales performance in the fourth quarter, carried by high license revenues, led to increased sales. In contrast, developments were more muted in the consulting business and license sales segments during the first nine months of fiscal year 2013. Intense competition and protracted decision-making processes, particularly with major customers, led to project delays. As a result, Intershop was forced to adjust its expectations in October 2013 from a nearly balanced result to a negative EBIT in the lower single-digit million euro range, in addition to adjusting its sales planning that expected a single-digit percentage increase in net revenue. The jump in sales and results in the fourth quarter was not able to compensate for the losses in the first nine months, so that the Company generated a negative EBIT of EUR 3.2 million for the 2013 fiscal year (prior year: EUR -0.6 million). Increased investments in marketing and sales to increase the Company's market presence resulted in higher costs; they are the main reasons for the negative result for 2013 in addition to the moderate increase in sales.

Revenue development

In fiscal year 2013, Intershop generated net revenue of EUR 53.6 million. This represents an increase of 3% in comparison to the prior-year period. The growth in sales for the entire year of 2013 was mainly the result of a strong fourth quarter. The consulting business continues to be the largest revenue item at Intershop. Net revenue from consulting projects amounted to EUR 25.8 million, which however represents a decline of 9% that is mainly due to a reduction in revenue from major customers. The competitive license business was also weaker in the first nine months of the year, but picked up considerably during the last quarter of 2013 as revenues increased significantly compared to the previous year's quarter (+105%). Intershop was thus able to increase license revenues by 20% to a total of EUR 6.3 million. This figure is a positive signal that increased marketing and sales activities are bearing fruit, and that the Intershop platform continues to enjoy increasing acceptance in the very competitive market for commerce software solutions. Other revenues, which consist mainly of the Full Service business, also saw positive growth. Following very good growth in this segment last year, Intershop registered another 72% increase in 2013, generating total revenues of EUR 8.7 million. Online marketing revenues increased by 2% to EUR 4.4 million, which underlines the solid growth of online marketing subsidiary SoQuero. The maintenance segment continues to struggle. It generated net sales of EUR 8.3 million in the fiscal year, which represents a decrease of 6%. Overall, revenues in the segment Services, Maintenance and Other rose by 2% to EUR 47.2 million.

The following overview shows the development of net revenues:

in EUR thousand	2013	2012	Change
Licenses	**6,318**	**5,278**	**20%**
Services, Maintenance and Other	**47,237**	**46,488**	**2%**
Consulting/Training	25,775	28,253	-9%
Maintenance	8,306	8,822	-6%
Online Marketing	4,417	4,338	2%
Other revenues	8,739	5,075	72%
Total net revenues	**53,555**	**51,766**	**3%**

Revenue of INTERSHOP Communications AG as a single entity reported under German commercial law increased by 5% to EUR 42.0 million. License revenue for the AG declined slightly from EUR 4.7 million to EUR 4.5 million. Revenues from Services, Maintenance and Other rose by 6% to EUR 37.5 million.

RECORD LICENSE REVENUES IN FOURTH QUARTER 2013

The further development of Intershop 7 and the intensification of sales and marketing activities were main factors in the new customer business for 2013. Initial successes from the measures that were taken became apparent at the end of the year in the form of a very strong final quarter, the best since the second quarter of 2001. Revenue from the sale of software licenses more than doubled compared to the previous year's quarter.

Overall, the Company acquired numerous new customers around the world as a result of the marketing offensive for Intershop 7. Intershop acquired larger licensing contracts with the Australian subsidiary of a globally leading retailer and service provider for wireless solutions, with a fast-growing and very successful online optician and with one of the largest supermarket chains in the Benelux area, which added the online channel to its business model. Similarly, the world's largest supplier of professional photo equipment and professional services, Calumet, has been driving forward the global expansion of its online presence together with Intershop since 2013. In Italy, the Company acquired watch manufacturer Binda Group as a new customer. Other additions include an Australian provider of home textiles (Linen House) and Australia Post, whose shops went into operation last year. The latter also concluded a multi-year follow-up contract for services.

Other go lives in 2013 included the Intershop 7-based B2B shop of the Styrolution Group, a customer portal of the global market leader for styrene plastics based in Germany. Other new starts included the complete e-Commerce solution of Berlin-based book retailer Ocelot, as well as a shop for a brand of Belgian lingerie manufacturer Van de Velde. Together with its partner Fenego, Intershop will be implementing all German online shops of the company's brands in the future. In Finland, the country's largest magazine publishing house Sanoma Magazines will be implementing all online shops of its magazine, comics and book club segments together with Intershop. New customers were also acquired in the energy segment. With Stadtwerke Rostock, Intershop gained a new customer for the turnkey online portal for energy service providers, which was developed jointly with T-Systems.

The international network was also significantly expanded in 2013. In China, Intershop was able to partner up with Shinetec, one of the world's largest outsourcing service providers for software development. The two companies plan to introduce Intershop's multi-channel platform on the fast-growing Chinese retail market. Further partnerships were concluded with the British payment service provider Computop, the cloud hosting provider Carrenza and the global provider for online payment transactions WorldPay. In May, Intershop announced its partnership with the British brand engagement agency Coolpink, the main aim of which is to optimize the websites of British retailers. PEER 1 Hosting is another UK partner that was added during the course of the year. The UK is the largest e-Commerce market in Europe, and therefore very important to Intershop. With respect to the US market, Intershop concluded an agreement with Rackspace Hosting for the marketing of cloud-based e-Commerce solutions.
Software and service provider Calago has been assisting Intershop with the implementation of its B2B commerce platform on the Dutch market since the middle of last year. In France, the Company gained a new partner in Compario, a leading service provider in the area of merchandising, product recommendations and personalization for all digital channels. An extension to the existing partnership was arranged with PayPal for the fast-growing Brazilian e-Commerce market. In November, Intershop also established a presence in the fast-growing Russian market through its new cooperation partner KORUS Consulting, a leading Russian IT consulting firm. The Russian e-Commerce industry still offers a lot of potential and is expected to grow from an estimated market volume of EUR 12 billion in 2012 to EUR 35 billion in 2015 according to

forecasts by investment bank Morgan Stanley. At the end of December, Intershop concluded a partnership agreement with Euro.message, the leading Turkish provider for e-mail marketing. The companies will work together to offer customers in Turkey, Germany and other countries in Europe and the Middle East combined services in the omni-channel commerce and digital marketing area. In Germany, the partner network recently welcomed the addition of Jankofsky e-commerce, another well-known agency, for the implementation of Intershop 7.

With respect to the regional distribution of sales, Europe continues to dominate ahead of the US and the Asia Pacific region. During the last fiscal year, Intershop generated sales of EUR 33 million with European customers, which corresponds to an increase of 7%. As a result, its share in total net revenue rose to 62% after 60% in the previous year. Following an increase of 10% last year, sales in the US declined by 3% to EUR 14.8 million, which corresponds to a revenue share of approximately 28%. Sales in Asia Pacific, which declined in the previous year, stabilized on account of the numerous new customer acquisitions, and amounted to EUR 5.7 million, around 11% of the total revenue.

Earnings development

The most important financial figures in the Group profit are as follows:

	2013	2012	Change
EBIT (in EUR thousand)	(3,228)	(594)	-443%
EBIT margin	-6%	-1%	
EBITDA (in EUR thousand)	488	1,754	-72%
EBITDA margin	1%	3%	
Group profit for the year (in EUR thousand)	(3,327)	(579)	-475%

Last year, Intershop increased its gross profit from EUR 17.4 million to EUR 18.8 million, an increase of 9% compared to the previous year. The gross margin was 35%, as compared to 34% in the previous year. The slight increase is mainly due to higher license revenues during the reporting period. The operating result before interest, taxes, depreciation and amortization (EBITDA) decreased from EUR 1.8 million to EUR 0.5 million. The EBITDA margin came to 1% compared to 3% in the prior-year period. Depreciation and amortization in fiscal year 2013 came to just under EUR 3.7 million compared to EUR 2.3 million in the previous year. The result from operating activities (EBIT) fell from EUR -0.6 million to EUR -3.2 million. The annual net loss was EUR -3.3 million, following EUR -0.6 million in 2012. Earnings per share (diluted and undiluted) amounted to EUR -0.11 (previous year: EUR -0.02). The negative result is due to the moderate rise in sales, and also increased costs for the required expansion of the marketing and sales segments, along with one-time expenses due to value adjustments on receivables of approximately EUR 1.0 million.
Based on a year-on-year comparison, marketing and sales costs increased significantly by EUR 3.6 million to EUR 11.9 million, mainly due to an increase in personnel costs resulting from the workforce expansion. Expenses for research and development decreased from EUR 4.5 million in the prior year to EUR 3.5 million. General administrative expenses decreased by 1% to EUR 5.8 million. Net operating income and expenses increased from EUR 18.0 million to EUR 22.1 million. In total, the operating cost ratio of 41% (prior year: 35%) was significantly higher than the level of previous years. The financial result fell by almost EUR 60 thousand to EUR 21 thousand. Income tax amounted to EUR 120 thousand as compared to EUR 69 thousand in the prior year.

The AG's annual net loss as reported in accordance with German commercial law declined to EUR 2.6 million in 2013 following an annual net loss of EUR 3.5 million in the previous year. Other operating income fell from EUR 2.3 million to EUR 1.8 million. The cost of purchased services declined by 37% to EUR 5.8 million due to the reduced amount of third-party services, while personnel costs rose to EUR 24.4 million compared to EUR 23.1 million in the previous year. Other operating expenses amounted to EUR 14.1 million, a rise of 2% compared to 2012. Other interest income of EUR 0.1 million resulted primarily from affiliated companies. The result from ordinary business activities amounted to EUR -2.6 million after EUR 3.5 million in 2012. In total, the balance sheet loss in accordance with German commercial law increased to EUR 14.1 million compared to EUR 11.5 million in the previous year.

Presentation of the net assets and financial position

The Intershop balance sheet continues to remain free of financial liabilities in the year 2013, and offers a very high equity ratio of 72% that is at the level of the previous year (71%). The balance sheet total on December 31, 2013, on the other hand, has declined markedly by EUR 4.9 million to EUR 33.7 million. The main effects of the balance sheet contraction are the reduction in cash and cash equivalents from EUR 14.4 million to EUR 7.4 million on the assets side, and a reduction in shareholders' equity from EUR 27.6 million to EUR 24.2 million on the liabilities side. Non-current liabilities include provisions of EUR 58 thousand and deferred revenue of EUR 0.4 million. Current liabilities declined by 11% to EUR 9.0 million, mainly due to lower trade payables (-36% to EUR 3.1 million). On the assets side, non-current assets declined from EUR 13.9 million to EUR 13.0 million, mainly on account of the higher depreciation and amortization of tangible and intangible assets. Current assets also declined from EUR 24.7 million to EUR 20.7 million. This item was particularly affected by the 48% reduction in cash and cash equivalents to EUR 7.4 million, with a simultaneous increase in trade receivables by 31% to EUR 12.6 million.

In fiscal year 2013, Intershop generated a negative cash flow of EUR -4.1 million from operating activities, compared to EUR 2.0 million in the previous year. This development is mainly the result of the net loss for the year as well as increased trade receivables. The cash outflow from investment activities declined to EUR 2.8 million compared to EUR 4.5 million in the prior year, mainly due to decreased payments for investments in intangible assets. In total, the net outflow of cash and cash equivalents in fiscal year 2013 came to EUR 6.9 million. This resulted in cash and cash equivalents of EUR 7.4 million at the end of the reporting period.

The total assets of the single entity in the annual financial statements prepared in accordance with German commercial law decreased by 15% to EUR 29.2 million as of December 31, 2013. Fixed assets declined by 3% to EUR 11.4 million. Current assets declined mainly due to lower bank balances (2013: EUR 5.8 million; 2012: EUR 12.2 million) by a total of 23% to EUR 17.3 million. Trade receivables contained in current assets increased from EUR 6.9 million to EUR 8.4 million. Equity decreased from EUR 25.2 million to EUR 22.6 million due to an increased balance sheet loss. Provisions fell by 39% to EUR 2.7 million, and liabilities by 35% to EUR 2.6 million. Cash and cash equivalents declined from EUR 12.2 million to EUR 5.8 million. The cash outflow resulted primarily from operating activities.

Employees

As of the balance sheet date on December 31, 2013, Intershop had a total of 535 employees worldwide. That makes five employees more than in the previous year. Thereof, 404 account for skilled personnel in the technical areas, including especially R&D and consulting. As was announced, Intershop continued the significant expansion of its sales activities for the marketing of the Intershop 7 platform during the past fiscal year. In turn, R&D activities were cut back accordingly. The sales and marketing team was expanded during the course of 2013 from 52 to 73 employees. The number of employees in an administrative capacity rose from 52 to 58 full-time equivalents.

In the competition for highly-qualified IT workers, Intershop is relying on its cooperation with the research facilities and relevant departments at well-known universities. The proportion of university graduates in the AG's workforce, which is disproportionately high at 76%, highlights the importance of young IT talent for Intershop. Intershop is mindful of the compatibility of family and career by offering flexible working time models, and offers its employees technical and personal development opportunities as well as special induction programs for new employees. At the beginning of September 2013, Intershop received the distinction of being named a „Fair Company." This Handelsblatt initiative honors companies that offer interns, trainees and professional newcomers fair employment conditions. The „Fair Company" quality seal underlines Intershop's image as an employer with flat hierarchies and an open, fair company culture, and assists with the recruitment of highly-qualified IT personnel. In January 2014, Intershop was ranked among the best employers in Germany according to an independent data collection survey undertaken by Focus magazine. In a survey conducted jointly with the business network Xing and Statista, Intershop was ranked in sixth place in the areas of telecommunications and IT.

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

Employees by department (full-time equivalents)	**Dec. 31, 2013**	**Dec. 31, 2012**
Technical departments (research and development and service functions)	404	426
Sales and marketing	73	52
General administration	58	52
	535	**530**

Compared to the end of 2012, the regional distribution of employees has continued to change slightly in favor of the non-European branches. On December 31, 2013, 90% of the workforce (480 employees) worked within Europe, compared to 92% the year before (488 employees). The branch in San Francisco, USA, made up 6% of the workforce (increase from 26 to 31 employees). The proportion of employees in the Asia Pacific region increased from 1% to 3% (increase from 16 to 24 employees).

Intershop Communications Aktiengesellschaft as a single entity had 410 employees as of the balance sheet date (December 31, 2012: 418 employees).

Management Board and Supervisory Board

In fiscal year 2013, there were three changes to Intershop Communications AG's executive bodies: the election of two new Supervisory Board members and the appointment of a new Management Board member.

Since August 1, 2013, Dr. Jochen Wiechen has been supporting the Management Board as Chief Technical Officer (CTO) in addition to Jochen Moll and Ludwig Lutter. He is responsible for product development, the technical department and the full service area. Prior to joining Intershop, Dr. Jochen Wiechen was Vice President at SAP AG, responsible for product strategy development as well as for the management, development and support of Workforce Performance Builder. His prior work experience included positions at datango AG, the associated company Martlet Venture Management Ltd., Psipenta GmbH and PSI AG. Dr. Jochen Wiechen has a doctorate in physics.

Effective May 31, 2013, Supervisory Board members Bob van Dijk and Tobias Hartmann resigned their seats on the Supervisory Board of Intershop Communications AG. Tobias Hartmann had been on the Supervisory Board since July 2011 and Bob van Dijk since February 2012.

At the Annual General Meeting on June 12, 2013, Dr. Kai Hudetz, Managing Director of the IFH Institut für Handelsforschung GmbH, as well as Professor Dr. Nikolaus Mohr, Managing Director and Managing Partner of Mücke, Sturm & Company GmbH, were elected to the Supervisory Board. Both members have extensive experience in the retail, IT and e-commerce sectors.

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 2013 amounted to EUR 823 thousand (2012: EUR 752 thousand), of which EUR 591 thousand (2012: EUR 620 thousand) accounted for fixed remuneration and EUR 232 thousand (2012: EUR 132 thousand) for the variable components. The fixed remuneration components include EUR 542 thousand for fixed salary and EUR 49 thousand for additional benefits (2012: EUR 588 thousand for fixed salary, EUR 32 thousand for additional benefits).

The remuneration of the Management Board members is as follows:

	Fixed Remuneration		Variable Remuneration		Total Remuneration	
in TEUR	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Jochen Moll	280	195	117	68	397	263
Ludwig Lutter	220	212	85	45	305	257
Dr. Jochen Wiechen (since 08/01/2013)	92	-	30	-	122	-
Members who left the Management Board in 2012	-	212	-	18	-	232
	591	**620**	**232**	**132**	**823**	**752**

Stock options were not granted to the members of the Management Board. Membership on the Management Board ends in the event of the Company's reorganization (merger, split-up, or change in legal form). By way of compensation, the Management Board member then receives a severance payment amounting to twelve months' salary; if the remaining term of the Management Board member's contract is less than one year, the severance payment is reduced accordingly. 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.

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 2013, the total remuneration for the Supervisory Board members came to EUR 111 thousand (2012: EUR 113 thousand), of which EUR 111 thousand (2012: EUR 113 thousand) accounted for fixed remuneration and EUR 0 thousand (2012: EUR 0 thousand) for the performance-related portion. The remuneration of the Supervisory Board members is as follows:

	Fixed Remuneration		**Variable Remuneration**		**Total Remuneration**	
in EUR thousand	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Dr. Herbert May	59	65	0	0	59	65
Prof. Dr. Nikolaus Mohr (since 06/12/2013)	16	-	0	-	16	-
Dr. Kai Hudetz (since 06/12/2013)	18	-	0	-	18	-
Tobias Hartmann (until 05/31/2013)	9	24	0	0	9*	24*
Bob van Dijk (until 05/31/2013)	9	23	0	0	9*	23*
Member who left the Supervisory Board in 2012	-	1	-	0	-	1*
	111	**113**	**0**	**0**	**111**	**113**

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

The Supervisory Board members Tobias Hartmann and Bob van Dijk relinquished their total remuneration of EUR 18 thousand for fiscal year 2013. As a consequence of these relinquishments, the actual total remuneration to be paid for the Supervisory Board for fiscal year 2013 amounts to EUR 93 thousand (2012: EUR 65 thousand).

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Report on expected developments

ENVIRONMENT

The global economy is expected to regain its momentum in 2014. Current estimates by the World Bank in the middle of January have pegged global economic growth at 3.2%. According to the World Bank, it is particularly industrialized countries that are showing signs of a recovery following years of crisis. The relatively better stability in these countries is expected to generate a growth of 2.2% in 2014. This will also lead to improved economic activity in emerging and developing markets, which will grow by 5.3% according to expert estimates. In the case of Germany, the Bundesbank currently expects economic growth to come in at 1.7% for 2014.

The high growth rates in the e-Commerce market continue unabated. eMarketer analysts are forecasting global growth of around 18% in 2014 alone. The market will then grow by an average of 13% annually until 2017 and reach a volume of approximately EUR 1.5 trillion. According to Forrester Research, the American market will grow by approximately 10% annually and reach a total volume of EUR 268 billion by the end of 2017. China will probably surpass the US in the next couple of years as the world's largest e-Commerce market. For 2018, Forrester is predicting a total revenue potential of EUR 496 billion for the Chinese online business. The entire European market will grow by 10.5% per year until 2017, reaching a volume of EUR 183 billion in goods sold.

The expansion of the broadband networks is an important driver behind the shift of trade to the Internet. There has been a lot of catch-up in this area in Germany over the past few years, according to information obtained from BITKOM. At this time, 85% of households are using a broadband connection, compared to 55% five years ago. Mobile networks are playing an increasingly important role, as shopping by Smartphone or tablet is becoming more popular. Software company Adobe estimates that the share of mobile online purchases for Christmas 2013 reached 14% in the US, 12.4% in Europe and 10.6% in Germany.

The global IT market is also benefiting from the continued expansion of broadband and mobile networks. Market researchers at Gartner are forecasting global IT expenditures to increase by 3.1% in 2014 compared to the previous year, with significant growth rates in the software (+6.8%) and IT services sector (+4.5%). The market research company IDC expects the global software market to grow by an average of almost 6% per year until 2017. According to BITKOM forecasts, the German software market will grow by 5.1% this year, reaching a volume of EUR 19 billion. The IT services business is expected to grow by 3.2% to almost EUR 37 billion.

COMPANY OUTLOOK

As noted in the industry outlook, there is very dynamic growth in the market segments that are relevant to Intershop, which makes it difficult to provide reliable forecasts. The business review for 2013 has shown that the process of acquiring large projects in the license business in particular is very cumbersome and volatile. While Intershop sold only a few new licenses in the first nine months, it registered a significant increase in sales in this segment during the fourth quarter. The new business is the result of increased investments in marketing and sales and in the expansion of the global partner network. Both initiatives serve to increase the marketing reach of the Intershop 7 software and to acquire additional market share. These measures will be continued in 2014, and will be accompanied by the additional expansion of the sales team and partner network. A regional focal point of the sales activities in 2014 will be on the US market, where Intershop has already significantly expanded its sales team and is planning a marketing offensive on the basis of the positive analyst comments for the Intershop 7 platform.

The high-margin license business represents a clear focus area within the business units; this segment is essential to Intershop's continued growth, as sales of licenses generally also lead to consulting and maintenance revenues. It is expected that the additionally intensified sales measures will lead to rapidly increasing revenues in the license area. The consulting business was slightly below expectations last year. In this segment, the Company expects slightly positive growth in comparison to the previous year. The maintenance area, which lost revenues in the past year, is expected to stabilize in 2014 due to higher sales of licenses. Intershop is expecting Other Revenues to decline slightly or remain stable, following a noticeable increase in the previous year. The Management Board expects revenues in online marketing to continue to rise slightly at subsidiary SoQuero. A constant distribution of the respective revenue share in the total net revenue is expected in the revenue development for the Europe, US and Asia Pacific segments.

STATEMENT ON BUSINESS DEVELOPMENTS FOR 2014

Based on the assumptions for the respective business areas, the Company expects a single-digit percentage increase in net revenue in 2014 with a moderately increased gross margin. Intershop expects a negative operating result (EBIT) in the lower single-digit million euro range for the entire year of 2014 due to the continued growth investments in the sales and marketing segments.

Report on opportunities and risks

RISK MANAGEMENT SYSTEM

Intershop operates in a dynamic market characterized by continuous changes and a wide range of associated business environment risks. 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. 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. 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. 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. In this vein, the current product roadmap was prepared on the basis of customer and partner feedback and evaluated in discussions with industry analysts such as Forrester. This process led to Intershop being classified into the Market Leader segment as part of the B2B Forrester Wave 2013.

STRATEGIC BUSINESS RISKS

Intershop's primary strategic objective is to turn the Company from a pure technology provider into an integrated provider of omni-channel commerce solutions.
Brand visibility plays a central role for Intershop, as otherwise potential customers are unaware of the Company as a possible solutions partner. To this end, Intershop focuses on re-branding and re-positioning as part of its brand strategy, taking into account an added-value approach, so as to avoid endangering its existing brand value and in particular to increase brand visibility in important non-European markets. These initiatives are accompanied by the expansion of the workforce in its foreign markets and of a network of international sales partners, which will contribute to increasing the visibility of the Intershop brand with a variety of sales and advertising measures.
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.

BUSINESS RISKS

Intershop is unable to rule out the possibility of deviations from planned targets as a result of failing to acquire a sufficient number of new customers, particularly in the license area, or inappropriate marketing and sales activities. This risk is countered with appropriate target models in the sales area, a significantly expanded sales structure and increased training measures, so that any resulting risk may be 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.

Sales activities through partners are a challenge considering the complexity of the products. Intershop is finding it necessary to rely on sales partners particularly in foreign markets, given the excessive costs associated with establishing its own sales structure. To avoid the risks associated with partners providing incorrect advice to potential clients, Intershop relies on targeted training measures, the further development of partner programs and a partner selection process, which must satisfy 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

As of the balance sheet date, Intershop has a comfortable liquidity base and the financial strength. 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 US 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 sections „(3) Trade receivables" and „Financial instrument disclosures" in the notes to the consolidated financial statements.

OTHER RISKS

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.

Specialized and standardized contracts and GTCs are used for the sale of Intershop products. It is possible that deviations from these contracts have to be made, for example, due to customer requests. In these cases, there is a risk that the deviating contractual provision poses a disadvantage for the Company. This risk is limited by having the legal department review all contracts that deviate from the standard templates or standard GTCs.

The subsidiary The Bakery GmbH is still generating losses, therefore the costs incurred are financed with a loan commitment from Intershop. If The Bakery GmbH fails to attain its planned figures for revenue and profit, it runs the risk of insolvency. This would result in the loss of planned revenues for Intershop as well as additional costs. Intershop addresses this risk primarily with increased sales activities and the increased integration of the The Bakery product portfolio into the Intershop portfolio. The Company expects these measures to generate cost saving effects.

Changes in the ranking algorithms of search engines might make it more difficult or more cumbersome 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 must be noted in particular: Intershop customers have a high level of satisfaction, which is confirmed by regular surveys and their long-term loyalty to Intershop. This could also result in short-term and important follow-up orders outside of competitive 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 and their affiliated companies without renewed acquisition efforts, as they will be less inclined to switch providers due to the financial and time barriers involved. As the 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. Intershop still sees tremendous opportunities in the expansion of the partner and sales structure. It can be used to open access to hitherto non-accessible customer segments and exploit additional revenue potentials. The marketing of new price models could lead to greater revenue opportunities as new potential customer groups are targeted.

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 in compliance with the dual control system to ensure the reliability of the single-entity financial statements used as a basis and of the consolidated financial statements. The Group's controlling will prepare a detailed analysis every month to show the development of the Group, the single entities, as well as the cost and profit centers. Impairment testing of cash generating units is performed centrally at Group level to ensure the use of uniform evaluation criteria. The preparation and compilation of the data used to prepare the notes to the financial statements and the management report is also performed by the Group's controlling at Group level, and these are checked by the Finance department.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Since January 2014, the Company has been taking legal action to assert claims for payment from a contractual agreement from the year 2013.

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, USA holds 26.14% of the Company's share capital. GSI Commerce, Inc. of King of Prussia, PA, USA through GSI Commerce Solutions, Inc., indirectly holds a 26.14% interest in INTERSHOP Communications AG. eBay Inc., San Jose, California, USA 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. Also, there are no employee stock option plans, meaning that employees do not have an interest in the capital without being able to exercise their control rights directly at the same time.

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

For information on the powers of the Management Board relating to the issuance of shares, please refer to the section entitled „Equity" in the notes to the consolidated financial statements, and to the notes to the financial statements of INTERSHOP Communications AG. The Company has not entered into any significant agreements that are conditional on a change in control as a result of a takover 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 12, 2014, 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 2013 on the relationships with affiliated companies. This report also highlights the relationship with GSI Commerce Solutions Inc. At this time, the Management Board has no reason to believe that there is a dependency with regard to GSI Commerce Solutions Inc. However, the Management Board is also aware that this assessment is dependent on imponderables and uncertainties, in particular the forecast of future Annual General Meeting majorities, which cannot be predicted with certainty. Therefore the dependency report was prepared as a precautionary measure and on a voluntary basis. It contains the following final statement:
„With respect to the legal transactions outlined in the report on relationships with affiliated companies, INTERSHOP Communications Aktiengesellschaft received commensurate consideration for each legal transaction based on the circumstances that were known to us at the time the legal transactions or measures were undertaken, and has not been disadvantaged by the taking or omission of measures."

Jena, March 3, 2014

The Management Board of INTERSHOP Communications AG

Jochen Moll | Ludwig Lutter | Dr. Jochen Wiechen

02

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in EUR thousand	Note No.	December 31, 2013	December 31, 2012
ASSETS			
Noncurrent assets			
Intangible assets	(1)	11,104	11,618
Property, plant and equipment	(2)	1,026	1,380
Other noncurrent assets	(4)	20	26
Deferred tax assets	(21)	895	895
		13,045	**13,919**
Current assets			
Trade receivables	(3)	12,555	9,613
Other receivables and other assets	(4)	716	726
Restricted cash		0	65
Cash and cash equivalents	(5)	7,389	14,314
		20,660	**24,718**
TOTAL ASSETS		**33,705**	**38,637**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Subscribed capital	(6)	30,183	30,183
Capital reserve	(6.1)	7,751	7,751
Other reserves	(6.2)	(13,752)	(10,322)
		24,182	**27,612**
Noncurrent liabilities			
Other noncurrent provisions	(11)	58	0
Deferred revenue	(10)	421	878
		479	**878**
Current liabilities			
Other current provisions	(11)	347	352
Trade accounts payable	(7)	3,057	4,771
Income tax liabilities	(8)	72	412
Other current liabilities	(9)	2,940	2,794
Deferred revenue	(10)	2,628	1,818
		9,044	**10,147**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**33,705**	**38,637**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note No.	January 1 to December 31, 2013	2012
Gross Revenues	(12)		
Licenses		6,318	5,278
Services, maintenance and other		51,020	51,447
		57,338	**56,725**
Media costs	(13)	**(3,783)**	**(4,959)**
Net Revenues	(12)		
Licenses		6,318	5,278
Services, maintenance and other		47,237	46,488
		53,555	**51,766**
Cost of revenues	(14)		
Licenses		(2.880)	(1,928)
Services, maintenance and other		(31,827)	(32,473)
		(34,707)	**(34.401)**
Gross profit		**18,848**	**17,365**
Operating expenses, operating income			
Research and development	(15)	(3,463)	(4,542)
Sales and marketing	(16)	(11,946)	(8,383)
General and administrative	(17)	(5,814)	(5,898)
Other operating income	(18)	499	1,149
Other operating expenses	(19)	(1,352)	(285)
		(22,076)	**(17,959)**
Result from operating activities		**(3,228)**	**(594)**
Interest income	(20)	25	86
Interest expense		(4)	(2)
Financial result		**21**	**84**
Earnings before tax		**(3,207)**	**(510)**
Income taxes	(21)	**(120)**	**(69)**
Earnings after tax		**(3,327)**	**(579)**
Other comprehensive income			
Exchange differences on translating foreign operations		(103)	(38)
Total comprehensive income		**(3.430)**	**(617)**
Earnings per share (EUR, basic)	(22)	(0.11)	(0.02)
Earnings per share (EUR, diluted)	(22)	(0.11)	(0.02)
Weighted average shares outstanding (basic)		30,183	30,183
Weighted average shares outstanding (diluted)		30,183	30,183

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	Note No.	January 1 to December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		(3,207)	(510)
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		(21)	(84)
Depreciation and amortization		3,716	2,348
Other noncash expenses and income		(958)	(15)
Changes in operating assets and liabilities			
Accounts receivable		(2,253)	2,190
Other assets		(41)	(346)
Liabilities and provisions		(1,426)	(1,521)
Deferred revenue		448	(206)
Net cash provided by operating activities before income tax and interest		**(3,742)**	**1,856**
Interest received		25	86
Interest paid		(4)	(2)
Income taxes received		39	66
Income taxes paid		(449)	(10)
Net cash (used in) operating activities		**(4,131)**	**1,996**
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash		65	2
Payments for investments in intangible assets		(2,506)	(3,604)
Proceeds on disposal of equipment		10	2
Purchases of property and equipment		(364)	(905)
Net cash used in investing activities		**(2,795)**	**(4,505)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received for unregistered stock		0	26
Expenses of cash received for unregistered stock		0	(16)
Net cash provided by/used in financing activities		**0**	**10**
Effect of change in exchange rates on cash		1	(71)
Net change in cash and cash equivalents		**(6,925)**	**(2,570)**
Cash and cash equivalents, beginning of period	(5)	14,314	16,884
Cash and cash equivalents, end of period		**7,389**	**14,314**

CONSOLIDATED STATEMENT OF SHAREHOLDERS´ EQUITY

in EUR thousand	Common shares (Number shares)	Subscribed capital	Capital reserve
Balance, January 1, 2013	**30,183,484**	**30,183**	**7,751**
Total comprehensive income			
Balance, December 31, 2013	**30,183,484**	**30,183**	**7,751**
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**

	OTHER RESERVES			
	Conversion reserve	Cumulative profit/loss	Cumulative currency differences	Total shareholders' equity
	(93)	(12,469)	2,240	27,612
		(3,327)	(103)	(3,430)
	(93)	(15,796)	2,137	24,182
	(93)	(11,890)	2,278	28,219
		(579)	(38)	(617)
				10
	(93)	(12,469)	2,240	27,612

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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GENERAL DISCLOSURES

The Company

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

Intershop is the leading independent provider of omni-channel commerce solutions. Intershop offers high-performance packaged software for internet sales, complemented by all necessary services including online marketing. Intershop also acts as a business process outsourcing provider, covering all aspects of online retailing up to fulfillment.

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2013, the Company had cash and cash equivalents of EUR 7.4 million (December 31, 2012: EUR 14.3 million). The equity ratio as of the balance sheet date was 72 % (previous year: 71 %). 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 2013, 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 2013 (January 1, 2013 to December 31, 2013) 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.

The 2013 fiscal year was the first year in which the adoption of the following Financial Reporting Standards and Interpretations became mandatory:

- Amendments to IAS 1 „Presentation of Financial Statements"
- IAS 19 (revised 2011) „Employee Benefits"
- IAS 12 „Income Taxes"
- Amendment to IFRS 1 „First-Time Adoption of IFRSs"
- Amendment to IFRS 7 „Financial Instruments: Disclosures"
- IFRS 13 „Fair Value Measurement"
- Improvements to International Financial Reporting Standards (May 2012)

The amendments to IAS 1 require that the items under the other result are divided into amounts that are reorganized into the income statement, and amounts that are not reorganized. There is no demonstration of which items must be shown under the other result. These amendments did not have any effect on Intershop's consolidated financial statements for the reporting year. The revision of IAS 19 refers to the removal of the corridor method and the calculation of financial expenses on a net basis. These changes do not have any effect on the consolidated financial statements. The amendments to IAS 12 address the realization of underlying assets. These changes do not have any effect on Intershop's consolidated financial statements. The amendment to IFRS 1 refers to the accounting for government grants during the first-time adoption of IFRSs. There was no effect on the consolidated financial statements from this amendment, as Intershop is not a first-time adopter of IFRSs. The amendment to IFRS 7 has the effect of clarifying some of the provisions for the offsetting of assets and liabilities. The new information is designed to facilitate a comparison of IFRS financial statements and US GAAP financial statements. This could result in extended disclosure requirements for Intershop. IFRS 13 describes how the fair value must be defined and also expands the information regarding the fair value. This could result in additional disclosure requirements for Intershop.

Furthermore, the following improvements to IFRS in 2011 were to be applied as of fiscal year 2013:

- IFRS 1 „First-Time Adoption of IFRSs"
- IAS 1 „Presentation of Financial Statements"
- IAS 16 „Property, Plant and Equipment"
- IAS 32 „Financial Instruments: Presentation"
- IAS 34 „Interim Financial Reporting"

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

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	Amendment	Amendment for fiscal year as of
IFRS 10	Consolidated Financial Statements	01/01/2014
IFRS 11	Joint Arrangements	01/01/2014
IFRS 12	Disclosure of Interests in Other Entities	01/01/2014
IFRS 10, 11, 12	Amendments to the transitional provisions	01/01/2014
IAS 27	Separate Financial Statements	01/01/2014
IAS 28	Investments in Associates and Joint Ventures	01/01/2014
IAS 32	Financial Instruments: Presentation – Offsetting	01/01/2014
IAS 36	Recoverable Amount Disclosures	01/01/2014
IAS 39	Novation of Derivatives	01/01/2014
IFRIC 21	Levies	01/01/2014
IFRS 9	Financial Instruments: Classification and Measurement	01/01/2015
IFRS 14	Regulatory Deferral Accounts	01/01/2016

The focus of IFRS 10 is on the introduction of a single consolidation model for all companies that centers on the parent company's control of the subsidiary. The amended definitions in IFRS 11 have resulted in two types of joint arrangements: joint operations and joint ventures. The option of proportionate consolidation was removed for jointly managed companies. IFRS 12 regulates the disclosure requirements for subsidiaries, joint ventures, associates and non-consolidated special purpose entities. IFRS 9 addresses the classification, recognition and measurement of financial assets and liabilities. The concrete impact of IFRS 9, 10, 11 and 12 and the other aforementioned standards on the net assets, financial position and results of operations, along with the presentation of the Group, must still be reviewed.

Financial reporting for fiscal year 2013 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 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 3, 2014, 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. Provisions are recognized and measured on the basis of financial estimates and data, as well as on the basis of historical data and circumstances known at the balance sheet date. It must be probable that the obligation to a third party will have to be settled. The actual obligation may differ from the amounts of the provisions. A corresponding adjustment in the carrying amounts of assets and liabilities would occur within the next fiscal year.
In particular, estimates are required to recognize and measure provisions for legal costs and litigation risks, guarantee provisions, and provisions for income taxes, 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. In fiscal year 2013, other provisions amounted to a total of EUR 405 thousand, of which EUR 50 thousand related to litigation risks. The corresponding expense entry was recognized in the Consolidated Statement of Comprehensive Income under general and administrative expenses. Value adjustments amounting to EUR 1,096 thousand have been recognized in trade receivables. Please refer to the sections „(3) Trade receivables" and „Disclosures on Financial Instruments". Goodwill is tested for impairment using the test described in the section entitled „Impairment of assets." No impairments were necessary in fiscal years 2013 and 2012. Please refer to the "Revenues" section in the chapter entitled "Accounting Policies" for information on estimating revenues.

Basis of consolidation

As of December 31, 2013, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, The Bakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications Nordics AB, Intershop Communications Ventures GmbH, as well as Intershop Communications Asia Limited. The subsidiary Intershop Communications Asia Limited, which is domiciled in Hong Kong, was newly established. The acquisition costs of HKD 5,000 correspond to the capital contribution.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2013:

	Interest (in %)	**Equity*** (in EUR thousand)	**Net loss**** (in EUR thousand)
Intershop Communications, Inc., San Francisco, USA	100	(212)	219
SoQuero GmbH, Frankfurt/Main, Germany	100	213	349***
The Bakery GmbH, Berlin, Germany	100	(3,292)	(1,253)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	158	151
Intershop Communications Ventures GmbH, Jena, Germany	100	(2,253)	(29)
Intershop Communications Nordics AB, Malmö, Sweden	100	24	(2)
Intershop Communications Asia Limited, Hong Kong, China	100	14	14

* Equity as of December 31, 2013 is translated at the exchange rate as of the reporting date
** (Preliminary) net profit/loss for fiscal year 2013 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 its annual financial statements for fiscal year 2013 in accordance with section 264 and following of the HGB, as well as from the obligation to audit and publish them.

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 -290 thousands (2012: EUR 121 thousands).

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

	Currency	**Closing rate**		**Average rate for the year**	
Country	**1 Eur =**	**Dec. 31, 2013**	**Dec. 31, 2012**	**2013**	**2012**
United States	USD	1.38	1.32	1.33	1.29
Australia	AUD	1.55	1.27	1.38	1.25
Hongkong	HKD	10.68	10.25	10.50	9.98

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 the following criteria are met: the technical feasibility, the intention for own use or for sale, a guarantee of the marketability of the newly developed products, the future benefits, the availability of sufficient technology, finances and other resources, as well as a clear allocation of expenses. Capitalization of software development costs generally begins when the technological feasibility of the product is established; 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. The capitalized costs are subject to the impairment test.
Research costs may not be capitalized in accordance with IAS 38 and are therefore recognized directly as an expense in the income statement.

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. No extraordinary write-downs were applied in years 2013 and 2012. 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 2013 and 2012.

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, 2013: EUR 4,473 thousand, recoverable amount: EUR 31,103 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, 2013: EUR 754 thousand, recoverable amount: EUR 6,346 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 The Bakery GmbH. As a first step, the carrying amounts of the cash generating units are compared with their value in use. The total of the carrying amounts is also compared with the fair value of the Company. For this purpose, the fair value is derived from the Company's market capitalization. The impairment write-down required is determined in a second step, but only if the value in use or fair value is less than the carrying amount. To determine the value in use of the cash generating units, the net cash flows were calculated for 2014 to 2017 and a perpetual annuity (without growth rate) was calculated for the period beginning 2018. The calculations are based on the corporate planning for the period from 2014 to 2017 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 10.19% (weighted average cost of capital – WACC). No impairment losses on goodwill were reported in 2012 and 2013. Impairment losses on goodwill are not reversed. A change in the discount rate of 1.0 percentage points or a 10% reduction in revenue compared to our planning would not affect the test result.

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 assets are initially recognized at fair value plus transaction costs. 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. Transaction costs are recognized in income. 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. Intershop also did not have any securities that are classified as available-for-sale.

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.

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.

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

NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS

(1) INTANGIBLE ASSETS

in EUR thousand	**Software**	**Internally developed software**	**Other intangible assets**	**Goodwill**	**Total**
Costs of purchase					
Balance at January 1, 2012	**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	0	0	0	0
Balance at December 31, 2013	**1,176**	**12,983**	**1,885**	**24,851**	**40,895**
Additions	113	2,392	0	0	2,505
Disposals	(190)	0	(73)	0	(263)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2013	**1,099**	**15,375**	**1,812**	**24,851**	**43,137**
Amortization, write-downs, and impairment losses					
Balance at January 1, 2012	**4.350**	**5.235**	**1.895**	**19.624**	**31.104**
Additions	168	1.559	0	0	1.727
Disposals	(3.544)	0	(10)	0	(3.554)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2012	**974**	**6.794**	**1.885**	**19.624**	**29.277**
Additions	169	2.851	0	0	3.020
Disposals	(191)	0	(73)	0	(264)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2013	**952**	**9.645**	**1.812**	**19.624**	**32.033**
Net carrying amount at December 31, 2012	**202**	**6.189**	**0**	**5.227**	**11.618**
Net carrying amount at December 31, 2013	**147**	**5.730**	**0**	**5.227**	**11.104**

"Internally developed software" includes capitalized software development costs for continued development of Intershop's software as well as capitalized development costs for the creation of online shops for full-service customers. Of the amortization, write-downs and impairment losses on intangible assets recognized in the Statement of Comprehensive Income, EUR 2,917 thousand (2012: EUR 1,641 thousand) are included in the cost of revenues, EUR 28 thousand (2012: EUR 24 thousand) in research and development expenses, EUR 9 thousand (2012: EUR 0 thousand) in the Sales and Marketing costs as well as EUR 66 thousand (2012: EUR 61 thousand) in general and administrative costs. With the exception of goodwill, there are no intangible assets with indefinite useful lives.

(2) PROPERTY, PLANT, AND EQUIPMENT

in EUR thousand	Computer equipment	Office and operating equipment	Leasehold improvements	Total
Costs of purchase				
Balance at January 1, 2012	**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**
Additions	186	176	10	372
Disposals	(331)	(73)	0	(404)
Currency translation differences	(11)	(9)	(3)	(23)
Balance at December 31, 2013	**2,564**	**1,646**	**281**	**4,491**
Depreciation, write-downs and impairment losses				
Balance at January 1, 2012	**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**
Additions	459	216	21	696
Disposals	(322)	(64)	0	(386)
Currency translation differences	(8)	(3)	0	(11)
Balance at December 31, 2013	**2,032**	**1,170**	**263**	**3,465**
Net carrying amount at Dec. 31, 2012	**817**	**531**	**32**	**1,380**
Net carrying amount at Dec. 31, 2013	**532**	**476**	**18**	**1,026**

Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 338 thousand (2012: EUR 304 thousand) are included in the cost of revenues, EUR 175 thousand (2012: EUR 177 thousand) in research and development expenses, EUR 44 thousand (2012: EUR 34 thousand) in marketing and sales expenses as well as EUR 139 thousand (2012: EUR 106 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 12,555 thousand (2012: EUR 9,613 thousand) and due within one year (current assets). Thereof, total receivables of EUR 7,782 thousand (2012: EUR 6,372 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, 2013	Dec. 31, 2012
Due within 30 days	5,624	4,677
Due within 31 and 60 days	945	1,544
Due within 61 days and 1 year	1,213	151
	7,782	**6,372**

As of December 31, 2013, trade receivables of EUR 3,781 thousand were past due but were not impaired (December 31, 2012: EUR 1,414 thousand). The following table shows the maturity structure of receivables that are past due but not impaired:

in EUR thousand	Dec. 31, 2013	Dec. 31, 2012
Up to 30 days past due	2,017	1,028
31 to 60 days past due	339	134
61 to 90 days past due	1,426	37
Over 90 days past due	0	215
	3,781	**1,414**

Specific allowances are recognized after 90 days. In the subsequent year, value adjustments may be made for the receivables that are past due but were not yet impaired.

Impairment losses amounting to EUR 1,096 thousand (2012: EUR 124 thousand) have been recognized in the fiscal year. Impairments changed as follows:

in EUR thousand	2013	2012
Balance at beginning of year	**124**	**952**
Impairment of receivables	994	15
Amounts derecognized due to uncollectibility	(22)	(843)
Amounts received during the fiscal year on receivables written off	0	0
Reversals of impairments	0	0
Balance at end of year	**1,096**	**124**

(4) OTHER RECEIVABLES AND OTHER ASSETS

Other noncurrent assets in the amount of EUR 20 thousand (2012: EUR 26 thousand) comprise rental security deposits.

Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2013	Dec. 31, 2012
Prepayments	614	515
Other tax receivables	37	117
Receivables from employees and former employees	13	0
Gross amount due from customers for contract work	0	30
Other	52	64
	716	**726**

(5) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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.

(6) EQUITY

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

Subscribed capital

As of December 31, 2013, the subscribed capital was unchanged compared to the previous year's balance sheet date at 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.

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 5.07% held by Axxion S.A. The disclosures on eBay Inc.'s shareholding are 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. The disclosure regarding the shareholding of Axxion S.A. is based on the published notification of the Company pursuant to section 26 (1) WpHG according to section 21 (1) WpHG regarding the exceeding of the 5% threshold on December 31, 2013, according to which Axxion S.A.'s share of the voting rights was 5.07% (1,530,622 voting rights) on the balance sheet date. As of the balance sheet date, the free float of INTERSHOP Communications AG comes to 68.79%.

Authorized capital

As of December 31, 2013, the Company had a total of EUR 7,500,000 in authorized capital (December 31, 2012: EUR 7,656,137). 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.
- The Annual Stockholders' Meeting of June 12, 2013 passed a resolution to cancel Authorized Capital II in the amount of EUR 156,137. The amendment of the Articles of Association was entered in the commercial register on August 14, 2013.

Conditional capital

As of the balance sheet date, the Company did not have any conditional capital.

Stock option plans

No stock option rights existed on the balance sheet date. All stock option rights granted by Intershop had already expired by the preceding year's balance sheet date.

(6.1) CAPITAL RESERVE

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

(6.2) OTHER RESERVES

Other reserves include a conversion reserve, reserves from cumulative gains/losses, and cumulative currency translation differences. The conversion reserve includes the expense from stock options that related to the first-time adoption of IFRSs. The reserve from cumulative currency translation differences shows the differences that result from the translation of the financial statements of subsidiaries into euros.

(7) TRADE PAYABLES

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services and amounted to EUR 3,057 thousand (2012: EUR 4,771 thousand).

(8) INCOME TAX LIABILITIES

Income tax liabilities amounted to EUR 72 thousand (2012: EUR 412 thousand) and relate to foreign income taxes for 2013. 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, 2013**	**Dec. 31, 2012**
Liabilities to employees	890	1,097
Other VAT and wage tax liabilities	829	757
Liabilities from outstanding vacation entitlement	594	579
Liabilities to the Occupational Health and Safety Agency	158	130
Other liabilities relating to social security benefits	79	52
Liabilities from advance payments received for fixed-price projects	0	32
Miscellaneous other liabilities	390	147
	2,940	**2,794**

Liabilities to employees mainly include liabilities from commissions and performance-related compensation.

(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 58 thousand (2012: EUR 0 thousand). They include the provisions for losses from sub-leasing relating to the leased office space for the year 2015. These provisions were recognized at their discounted amount as of December 31, 2013, as they will not lead to an outflow of resources in 2014.
Other current provisions amounted to EUR 347 thousand (2012: EUR 352 thousand).
The following table shows the development of other provisions:

Other noncurrent provisions:

in EUR thousand	
Balance at January 1, 2013	**0**
Additions	58
Utilization	0
Reversal	0
Currency adjustments	0
Balance at December 31, 2013	**58**

Other current provisions:

in EUR thousand	Litigation risks	Other	Total
Balance at January 1, 2013	**0**	**352**	**352**
Additions	50	295	345
Utilization	0	(337)	(337)
Reversal	0	(12)	(12)
Currency adjustments	0	(1)	(1)
Balance at December 31, 2013	**50**	**297**	**347**

Miscellaneous other provisions relate to provisions for the Stockholders' Meeting, guarantee provisions and provisions for losses from sub-leasing relating to the leased office space for the year 2014.

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 6,318 thousand (2012: EUR 5,278 thousand). Net revenues from services, maintenance, and other are composed of the following items:

in EUR thousand	**2013**	**2012**
Consulting/Training	25,775	28,253
Maintenance	8,306	8,822
Online marketing	4,417	4,338
Other revenues	8,739	5,075
	47,237	**46,488**

Other revenue includes the revenue from the full-service and TheBakery businesses. Gross revenues of online marketing amounted to EUR 8,200 thousand (2012: EUR 9,297 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 2,880 thousand (2012: EUR 1,928 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	**2013**	**2012**
Consulting/Training	19,549	21,854
Maintenance	1,470	2,140
Online marketing	2,842	2,813
Other cost of revenues	7,966	5,666
	31,827	**32,473**

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 4,542 thousand to EUR 3,463 thousand resulted primarily in a decline in costs for third-party services. 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 43% from EUR 8,383 thousand to EUR 11,946 thousand. The increase in costs were primarily due to 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 22% (2012: 16%).

(17) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly comprise personnel and non-personnel expenses as well as depreciation and amortization that relates to administration. They include the cost of investor relations activities and expenses relating to the Stockholders' Meeting, as well as all legal expenses. General and administrative expenses declined slightly from EUR 5,898 thousand to EUR 5,814 thousand.

(18) OTHER OPERATING INCOME

Other operating income is composed of the following items:

in EUR thousand	2013	2012
Income from currency translation gains	79	352
Income from government grants	252	515
Miscellaneous	168	282
	499	**1,149**

Income from currency gains of EUR 79 thousand is attributable to financial instruments. Income from government grants was paid out in 2013. 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	2013	2012
Currency translation losses	368	231
Miscellaneous	984	54
	1,352	**285**

Expenses from currency translation losses of EUR 364 thousand were attributable to financial instruments. The „Miscellaneous" item consists mainly of value adjustments.

(20) INTEREST INCOME

Interest income in the amount of EUR 25 thousand (2012: EUR 86 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, 2013.
The Group's income taxes are broken down as follows:

in TEUR	2013	2012
Current taxes		
Abroad	120	40
Germany	0	29
Deferred taxes		
Abroad	0	0
Germany	0	0
	120	**69**

The Group tax rate of 30.525% applicable in fiscal year 2013 (previous year: 30.525%) was multiplied by IFRS earnings before taxes to calculate the expected tax expense. Tax rates in a bandwidth from 16% to 40% were taken into account for the foreign subsidiaries.

The tax rate reconciliation contains the following details:

in EUR thousand	2013	2012
IFRS pretax income	(3,207)	(510)
Corporate tax rate	30.53%	30.53%
Expected tax income	(979)	(156)
Effects of changes in tax rates and different rates of foreign taxation	17	(1)
Non-recognition of deferred taxes	1,077	311
Utilization of tax losses carried forward	0	(66)
Permanent effects, tax refunds	(7)	1
Effects of changes in basis of consolidation and others	12	(20)
Income taxes	**120**	**69**

The components of the deferred tax assets were as follows:

in EUR thousand	2013	2012
Taxes on eligible loss carryforwards	2,499	2,821
Provisions/Liabilities	145	66
	2,644	**2,887**
Offset	(1,749)	(1,992)
Deferred tax assets after offset	**895**	**895**
Intangible assets	1,749	1,889
Other	0	103
	1,749	**1,992**
Offset	(1,749)	(1,992)
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, 2013 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. Deferred tax liabilities for withholding taxes on capital for subsidiaries were not recognized.

For the year ended December 31, 2013, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	2013	2012
U.S. Federal	89,260	91,723
U.S. State	76,596	78,297
German corporate income tax	177,059	172,690
German municipal trade tax	172,500	167,755

U.S. federal and state net operating loss carryforwards expire in various fiscal periods through 2033. 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 is the result of recurrent losses in 2013. With regard to the remaining loss carryforwards, no deferred tax assets are entered for corporation tax purposes in the amount of EUR 174,124 thousand (previous year: EUR 171,297 thousand) nor for business tax purposes in the amount of EUR 169,568 thousand (previous year: EUR 166,968 thousand). Deferred taxes on foreign loss carryforwards were not recognized.

(22) EARNINGS PER SHARE

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

in EUR thousand	2013	2012
Basis for calculating basic earnings per share (earnings after tax attributable to Intershop shareholders)	**(3.327)**	**(579)**
Basis for calculating diluted earnings per share	**(3.327)**	**(579)**

The number of shares is calculated as follows:

	2013	2012
Weighted average number of ordinary shares used to calculate basic earnings per share	**30,183**	**30,183**
Weighted average number of ordinary shares used to calculate diluted earnings per share	**30,183**	**30,183**

	2013	2012
Calculation of earnings per share (basic)		
Basis for calculating basic earnings per share (in EUR thousand)	(3,327)	(579)
Weighted average number of shares (basic)	30,183	30,183
Earnings per share (basic) (in EUR)	**(0.11)**	**(0.02)**
Calculation of earnings per share (diluted)		
Basis for calculating diluted earnings per share (in EUR thousand)	(3,327)	(579)
Weighted average number of shares (diluted)	30,183	30,183
Earnings per share (diluted) (in EUR)	(0.11)	(0.02)
Adjustment of earnings per share (diluted) (in EUR)	**(0.11)**	**(0.02)**

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 outflow from operating activities amounted to EUR 4,131 thousand in 2013, compared to a cash inflow of EUR 1,996 thousand in 2012. This development is mainly the result of the net loss for the year as well as increased trade receivables. Non-cash impairment losses increased from EUR 2,348 thousand to EUR 3,716 thousand. Cash outflows for investing activities declined to EUR 2,795 thousand (2012: EUR 4,505 thousand), particularly on account of lower payments for investments in intangible assets. The payments for investments in intangible assets came to EUR 2,506 thousand (2012: EUR 3,604 thousand). The total net outflow for the 2013 fiscal year was EUR 6,925 thousand compared to a cash outflow of EUR 2,570 thousand in the preceding year. As of December 31, 2013, Intershop had a total of cash and cash equivalents of EUR 7,389 thousand (December 31, 2012: EUR 14,314 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, 2013

in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	4,347	467	1,504	0	**6,318**
Consulting and training	10,541	12,491	2,743	0	**25,775**
Maintenance	6,206	935	1,165	0	**8,306**
Online Marketing	4,417	0	0	0	**4,417**
Other	7,580	857	302	0	**8,739**
Total net revenues from external customers	**33,091**	**14,750**	**5,714**	**0**	**53,555**
Intersegment revenues	490	457	132	(1,079)	**0**
Total net revenues	**33,581**	**15,207**	**5,846**	**(1,079)**	**53,555**
Cost of revenues	21,449	9,544	3,714	0	**34,707**
Gross profit	**11,642**	**5,206**	**2,000**	**0**	**18,848**
Operating expenses, operating income	13,643	6,071	2,362	0	**22,076**
Result from operating activities	**(2,001)**	**(865)**	**(362)**	**0**	**(3,228)**
Financial result					**21**
Earnings before tax					**(3,207)**
Income taxes					**(120)**
Earnings After Tax					**(3,327)**
Assets	20,830	9,269	3,606	0	**33,705**
Depreciation and amortization	2,296	1,022	398	0	**3,716**
Noncash expenses	592	263	103	0	**958**

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**

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 The Bakery GmbH in Europe. The segment "U.S.A." includes the sales activities of Intershop Communications Inc. in North America as well as the sales activities of INTERSHOP Communications AG in this region. The segment "Asia/Pacific" includes the sales activities of the Group in that region, including the sales activities of INTERSHOP Communications Australia Pty Ltd and Intershop Communications Asia Limited. The segment "Consolidation" includes all transactions in the individual segments.

Notes to the content of the individual line items:

- Net revenues from external customers represent revenues from the segments with third parties outside the Group.
- Intersegment revenues include revenues from intersegment relationships. These revenues are recognized in the same way as those from external third parties.
- The cost of revenues comprises the costs attributed to each operating segment for generating its revenues.
- Gross profit, which is calculated as the difference between segment revenues and the cost of revenues, is the first assessment level for management decisions.
- Operating expenses and income comprise research and development expenses, sales and marketing costs, general and administrative expenses, and other operating expenses and income that are attributable to the relevant segments. Other operating expenses and income also include the effects of one-time expenses and income such as valuation allowances, and currency losses and gains.
- The result from operating activities (EBIT), which is the gross profit or loss less operating expenses and income, forms the basis for assessing the performance of the segments.
- Interest income and income taxes are not allocated to the segments as the relevant transactions are managed by the Group.
- Segment assets comprise the Intershop Group's noncurrent and current assets that are allocated to the respective segment on the basis of the percentage revenue breakdown. No other measurement of segment assets is used.
- Depreciation and amortization relates to the depreciation and amortization of the segment assets allocated to the individual regions.
- Non-cash expenses in 2013 include expenses relating to valuation allowances. There were no significant non-cash expenses in 2012. 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 22,953 thousand (2012: EUR 25,045 thousand). Revenues of EUR 30,602 thousand (2012: EUR 26,721 thousand) were recorded from external customers in other countries. EUR 14,750 thousand (2012: EUR 15,258 thousand) of these revenues was attributable to customers in the U.S. Total non-current assets excluding deferred taxes amounted to EUR 12,217 thousand (2012: EUR 12,926 thousand) in Germany and EUR 83 thousand (2012: EUR 98 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 8,090 thousand was generated with a single customer in fiscal year 2013 (2012: EUR 7,467 thousand). The revenue was attributable to the „U.S." segment.

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	Dec.31, 2013	Dec. 31, 2012
Due within 1 year	3,068	3,198
Due in 1 to 5 years	5,096	5,866
Due after more than 5 years	0	59
Total	**8,164**	**9,123**

The sum of future minimum payments arising from subleases amounted to EUR 334 thousand (2012: 318 TEUR) as of the balance sheet date. Rental expense of EUR 2,662 thousand (2012: EUR 2,512 thousand) was recognized in the income statement. Rental income amounted to EUR 806 thousand (2012: EUR 653 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 an 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.

The Company is asserting claims for payment from a contractual agreement from the year 2013. A value adjustment in the high six-digit euro range was applied in this context.

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, 2013	Dec. 31, 2012	as a % of previous year
Equity	24,182	27,612	-12%
Trade accounts payable	3,057	4,771	-36%
Other liabilities	6,466	6,254	3%
Equity ratio	72%	71%	

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

CATEGORIES OF FINANCIAL INSTRUMENT

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

in EUR thousand		Dec. 31, 2013	Dec. 31, 2012
Measurement	**Categories**	**Carrying amount**	**Carrying amount**
Measured at amortized cost			
ASSETS			
Other noncurrent assets	Loans and receivables	20	26
Trade receivables	Loans and receivables	12,555	9,613
Restricted cash	Loans and receivables	0	65
Cash and cash equivalents	Loans and receivables	7,389	14,314
Other receivables and other assets		716	726
of which gross amount due from customers for contract work		0	30
LIABILITIES			
Trade payables	Financial liabilities measured at amortized cost	3,057	4,771
Other current liabilities		2,940	2,794
of which financial liabilities measured at amortized cost		93	65

Carrying amount aggregated by measurement category	2013	2012
Loans and receivables	19,964	24,018
Financial liabilities measured at amortized cost	3,150	4,836

Net gain/loss per measurement category	On interest		On valuation allowances	
	2013	2012	2013	2012
Loans and receivables	22	84	994	15
Financial liabilities measured at amortized cost	0	0	0	0

Financial instruments to be recognized at fair value were classified using 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 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 value adjustments are particularly due to late payments or problems with the customer's creditworthiness as well as legal disputes with the customer. The value adjustment is measured based on the assessment and evaluation of the chances of success. Particularly in the case of legal disputes with customers, there is an increased residual risk of further value adjustments in the following fiscal years, since the management's assessment of the outcome of the proceedings may deviate from the judicial decision.

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 7,389 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, 2012	Cash flow in 2013	Carrying amount at Dec. 31, 2013	Cashflow in 2014	Cash flow after 2014
Trade accounts payable	4,771	4,771	3,057	3,057	0
Other current liabilities	2,794	2,215	2,940	2,346	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:

	Assets		Liabilities	
in EUR thousand	2013	2012	2013	2012
in USD	504	1,249	45	31
in AUD	0	666	0	98

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

	Earnings After Tax USD		Earnings After Tax AUD	
in TEUR	2013	2012	2013	2012
Change due to 10% appreciation of the euro	(42)	(111)	0	(52)
Change due to 10% depreciation of the euro	51	135	0	63

Events subsequent to the balance sheet date

Since January 2014, the Company has been taking legal action to assert claims for payment from a contractual agreement from the year 2013.

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.
The income generated with the participating company came to EUR 3,042 thousand (2012: EUR 3,850 thousand). Income includes revenue from consulting, maintenance and licenses revenue. The outstanding balance for receivables came to EUR 174 thousand as of December 31, 2013 (2012: EUR 244 thousand). Receivables include trade receivables, which were not yet due. In 2013 and 2012, 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 2013 the following members:

Name	Function	Term of office
Jochen Moll	Spokesman of the Management Board	since 04/01/2012
Ludwig Lutter	Member of the Management Board	since 04/01/2011
Dr. Jochen Wiechen	Member of the Management Board	Since 08/01/2013

The Supervisory Board comprised the following members in 2013:

Name	Function	Term of office
Dr. Herbert May	Chairman of the Supervisory Board	since 10/19/2010 (Chairman since 11/17/2010)
Prof. Dr. Nikolaus Mohr	Vice Chairman of the Supervisory Board	since 06/12/2013
Dr. Kai Hudetz	Member of the Supervisory Board	since 06/12/2013
Tobias Hartmann	Vice Chairman of the Supervisory Board	07/01/2011 – 05/31/2013 (Vice Chairman 05/30/2012 – 05/31/2013)
Bob van Dijk	Member of the Supervisory Board	02/01/2012 – 05/31/2013

Total remuneration paid to the Management Board for its activities in fiscal year 2013 amounted to EUR 823 thousand (2012: EUR 752 thousand), of which EUR 591 thousand (2012: EUR 620 thousand) accounted for fixed remuneration and EUR 232 thousand (2012: EUR 132 thousand) for the variable components. In fiscal year 2013, the total remuneration for the Supervisory Board members came to EUR 111 thousand (2012: EUR 113 thousand), of which EUR 111 thousand (2012: EUR 113 thousand) accounted for fixed remuneration and EUR 0 thousand (2012: EUR 0 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 93 thousand (2012: EUR 65 thousand). The payments of the Management Board and Supervisory Board consist exclusively of benefits due in the short term. The particulars regarding the remuneration of the Management Boards and Supervisory Boards are outlined in the remuneration reports as part of the combined Group management report and management report of INTERSHOP Communications AG.

DIRECTORS' HOLDINGS AND SECURITIES TRANSACTIONS SUBJECT TO REPORTING REQUIREMENTS

As of December 31, 2013, the following members of the company's executive bodies held Intershop ordinary bearer shares:

Name	Function	Shares
Dr. Herbert May	Chairman of the Supervisory Board	18,000
Jochen Moll	Spokesman of the Management Board	32,500
Ludwig Lutter	Member of the Board of Management	10,874
Dr. Jochen Wiechen	Member of the Board of Management	10,000

During fiscal year 2013, the members of the company's executive bodies made the following purchases of Intershop ordinary bearer shares:

Name	Date	Type of transaction	Amount	Total value (EUR)
Supervisory Board:				
Dr. Herbert May	02/25/2013	Purchase	10,000	18,200
Dr. Herbert May	08/13/2013	Purchase	8,000	9,334
Management Board:				
Jochen Moll	03/01/2013	Purchase	10,000	19,270
Jochen Moll	05/10/2013	Purchase	10,000	14,780
Jochen Moll	08/14/2013	Purchase	7,500	8,850
Jochen Moll	08/20/2013	Purchase	5,000	5,445
Ludwig Lutter	05/17/2013	Purchase	6,000	9,322
Ludwig Lutter	05/22/2013	Purchase	2,258	3,771
Ludwig Lutter	05/23/2013	Purchase	516	846
Ludwig Lutter	05/24/2013	Purchase	1,100	1,848
Ludwig Lutter	05/28/2013	Purchase	1,000	1,670

EMPLOYEES

During the fiscal year 2013, Intershop Group had an average of 538 full-time employees, of whom 536 were salaried employees and 2 members of the executive bodies (2012: 505 full-time employees, of whom 502 were salaried employees and 3 members of the executive bodies).

PERSONNEL EXPENSES AND COST OF MATERIALS

Employee-related expenses amounted to EUR 33,395 thousand (2012: EUR 30,574 thousand). Pension insurance contributions paid by the Company for statutory pension insurance schemes totaled EUR 1,916 thousand (2012: EUR 1,844 thousand). The cost of materials came to EUR 7,956 thousand (2012: EUR 10,711 thousand), of which EUR 7,727 thousand (2012: EUR 10,095 thousand) related to purchased services.

AUDITORS' FEES

In fiscal year 2013, the Company incurred expenses of EUR 116 thousand (2012: EUR 105 thousand) for audit services in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB, of EUR 6 thousand (2012: EUR 6 thousand) for other assurance services, and of EUR 12 thousand (2012: EUR 20 thousand) for other services. Expenses for tax consulting services amounted to EUR 16 thousand (2012: EUR 71 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 December 5, 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 3, 2014

The Management Board of INTERSHOP Communications AG

Jochen Moll   Ludwig Lutter   Dr. Jochen Wiechen

AUDITOR'S REPORT

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, 2013. 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 5, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Rolf-Peter Stockmeyer)	(sgd. ppa. Carl Erik Daum)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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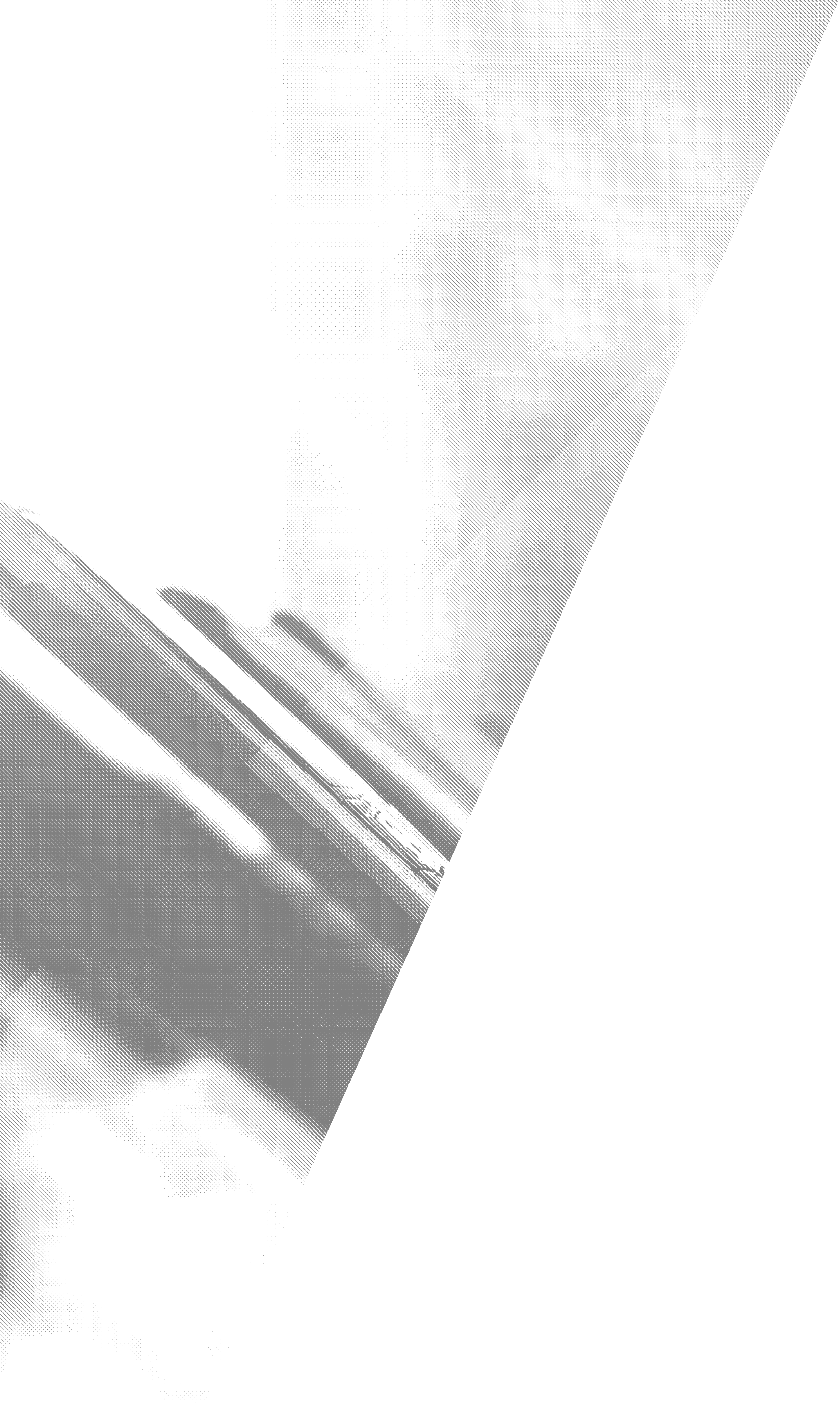
FINANCIAL STATEMENTS INTERSHOP COMMUNICATIONS AG



BALANCE SHEET INTERSHOP COMMUNICATIONS AG

in EUR	December 31, 2013	December 31, 2012
ASSETS		
Fixed Assets		
Intangible assets		
Purchased software licenses	129,015	171,306
Property and equipment		
Other facilities, furniture, and equipment	809,988	1,135,210
Financial Assets		
Investments in affiliated companies	10,497,342	10,496,834
	11,436,345	**11,803,350**
Current Assets		
Inventories		
Work in process	0	1,468,818
Payments on account	0	128,105
	0	1,596,923
Receivables and other assets		
Accounts receivable	8,400,168	6,875,802
Receivables from affiliated companies	2,928,742	1,319,625
Receivables from companies in which participations are held	173,939	243,995
Other assets	51,249	135,159
	11,554,098	8,574,581
Cash-in-hand, bank balances	5,752,992	12,170,992
	17,307,090	**22,342,496**
Prepaid expenses	**482,693**	**303,782**
TOTAL ASSETS	**29,226,128**	**34,449,628**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock	30,183,484	30,183,484
Conditional capital: EUR 0 (prior year: EUR 0)		
Capital surplus	6,445,281	6,445,281
Accumulated Deficit	(14,069,669)	(11,462,119)
	22,559,096	**25,166,646**
Accrued Liabilities		
Provisions for taxes	0	388,918
Other accrued liabilities	2,687,753	4,014,988
	2,687,753	**4,403,906**
Liabilities		
Advance payments received	0	1,524,480
Accounts payable	1,055,161	1,592,374
Liabilities to affiliated companies	657,839	71,420
Other liabilities	838,193	729,565
thereof from taxes: EUR 676,814 (prior year: EUR 574,419)		
thereof from social security benefits: EUR 35,893 (prior year EUR 34,272)		
	2,551,193	**3,917,839**
Deferred Charges	**1,428,086**	**961,237**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**29,226,128**	**34,449,628**

STATEMENT OF OPERATIONS OF INTERSHOP COMMUNICATIONS AG

	January 1 to December 31,	
in EUR	**2013**	**2012**
Revenues	41,959.075	39,996,160
Decrease or increase in inventories of work in progress	(1,468,818)	1,025,026
Other operating income	1,761,628	2,293,267
Cost of Materials		
Cost of purchased merchandise	(217,199)	(562,214)
Cost of purchased services	(5,843,024)	(9,281,355)
Personnel Costs		
Salaries	(20,942,665)	(19,946,268)
Social security contribution	(3,425,104)	(3,124,316)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(738,794)	(684,896)
Other operating expenses	(14,147,596)	(13,863,307)
Profit from profit transfer agreements	349,130	428,211
Other interest and similar income	107,302	202,901
thereof from affiliated companies EUR 86,137 (prior year: EUR 114,547)		
Interest and similar expenses	(1,485)	(2,297)
Result from ordinary activities	**(2,607,550)**	**(3,519,088)**
Taxes on income	0	(29,373)
Net loss for the year	**(2,607,550)**	**(3,548,461)**
Accumulated deficit carried forward	(11,462,119)	(7,913,658)
Accumulated Deficit	**(14,069,669)**	**(11,462,119)**

The annual financial statements of INTERSHOP Communications Aktiengesellschaft (Intershop), Jena, for fiscal year 2013 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 (work in process) are measured at cost. In addition to direct materials and labor costs, they include an appropriate share of the necessary indirect materials and labor costs.

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:

	Intangible Assets	Tangible Assets	Financial Assets	Total
In EUR thousand	Purchased Software licenses	Other equipment, operating and office equipment	Shares in affiliated companies	
Costs of purchase				
Balance at January 1, 2013	**1,954**	**4,001**	**46,069**	**52,024**
Additions	113	276	0	**389**
Disposals	(264)	(397)	0	**(661)**
Balance at December 31, 2013	**1,803**	**3,880**	**46,069**	**51,752**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2013	**1,783**	**2,866**	**35,572**	**40,221**
Additions	155	584	0	**739**
Disposals	(264)	(380)	0	**(644)**
Balance at December 31, 2013	**1,674**	**3,070**	**35,572**	**40,316**
Net carrying amount at December 31, 2012	**171**	**1,135**	**10,497**	**11,803**
Net carrying amount at December 31, 2013	**129**	**810**	**10,497**	**11,436**

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 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 829 thousand (prior year: EUR 360 thousand) relate to Group financing, EUR 349 thousand to profit transfer from the subsidiary SoQuero GmbH (prior year: EUR 428 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. Receivables of EUR 622 thousand from the receivables from affiliated companies that relate to Group financing have a remaining maturity of more than one year.

Accounts receivable were EUR 8,400 thousand as of the balance sheet date (December 31, 2012: EUR 6,876 thousand). Impairment losses amounting to EUR 1,003 thousand (2012: EUR 31 thousand) have been recognized in the fiscal year. As of December 31, 2013, accounts receivable of EUR 3,048 thousand were past due but were not impaired (2012: EUR 839 thousand). The following table shows the maturity structure of receivables that are past due but not impaired:

in EUR thousand	Dec. 31, 2013	Dec. 31, 2012
Up to 30 days past due	1,403	748
31 to 60 days past due	334	91
61 to 90 days past due	1,311	0
	3,048	**839**

Specific allowances are recognized after 90 days. In the subsequent year, value adjustments may be made for the receivables that are past due but were not yet impaired.

The share capital in the amount of EUR 30,183,484 consists of 30,183,484 no-par value bearer shares.

The capital reserve was unchanged compared to the previous year's balance sheet date at EUR 6,445 thousand.

The accumulated deficit contains a loss carryforward from previous years in the amount of EUR 11,462 thousand.

Other provisions primarily consist of outstanding invoices (EUR 779 thousand; prior year: EUR 1,859 thousand) and commissions (EUR 596 thousand; prior year: EUR 816 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	2013	2012
Germany	19,590	18,609
Rest of Europe	10,139	5,971
Rest of the world excluding Europe	12,230	15,416
	41,959	**39,996**

Revenues of EUR 4,507 thousand (prior year: EUR 4,735 thousand) relate to license revenues and EUR 37,452 thousand (prior year: EUR 35,261 thousand) to revenues from services (Consulting, Maintenance and Other).

Revenue from foreign currency translation is included in "other operating income" and amounted to EUR 75 thousand (prior year: EUR 345 thousand).

EUR 160 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 964 thousand (prior year: EUR 1,323 thousand).

Other operating expenses include expenses of EUR 176 thousand (prior year: EUR 213 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.

OTHER DISCLOSURES

Authorized capital

As of December 31, 2013, the Company had a total of EUR 7,500,000 in authorized capital (December 31, 2012: EUR 7,656,137). 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.
- The Annual Stockholders' Meeting of June 12, 2013 passed a resolution to cancel Authorized Capital II in the amount of EUR 156,137. The amendment of the Articles of Association was entered in the commercial register on August 14, 2013.

Conditional capital

As of the balance sheet date, the Company did not have any conditional capital.

No stock option rights existed on the balance sheet date.

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 5.07% held by Axxion S.A. The disclosures on eBay Inc.'s shareholding are 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. The disclosure regarding the shareholding of Axxion S.A. is based on the published notification of the Company pursuant to section 26 (1) WpHG according to section 21 (1) WpHG regarding the exceeding of the 5% threshold on December 31, 2013, according to which Axxion S.A.'s share of the voting rights was 5.07% (1,530,622 voting rights) on the balance sheet date. As of the balance sheet date, the free float of INTERSHOP Communications AG comes to 68.79%.

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 6.4 million as of December 31, 2013, which are due on a pro rata basis by the end of the lease term up to the end of December 2016. The Company also has other financial liabilities amounting to EUR 1.0 million relating to other tenancy agreements and leases for vehicles and office equipment. The tenancy and leasing arrangements include the advantages and risks that are typical of contracts.

Employees

The Company had an average of 417 employees (salaried employees only) during fiscal year 2013 (prior year: 403 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:
Certon GmbH, Heidelberg, Germany
brainloop AG, München

PROF. DR. NIKOLAUS MOHR

Vice Chairman of the Supervisory Board since 06/12/2013
Managing Director and Managing Partner of Mücke, Sturm & Company GmbH
Honorary Professor to the Chair of Innovation and Technology Management at the University of Regensburg

DR. KAI HUDETZ

Member since 06/12/2013
Managing Director of IFH Institut für Handelsforschung GmbH

TOBIAS HARTMANN

Vice Chairman of the Supervisory Board 05/30/2012 to 05/31/2013
Member from 07/01/2011 to 05/31/2013
Chief Executive Officer Global Operations, GSI Commerce Inc.

BOB VAN DIJK

Member from 02/01/2012 to 05/31/2013
Vice President eBay Europe, eBay Inc.

The Management Board included the following persons:

JOCHEN MOLL

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

LUDWIG LUTTER

Member of the Management Board since 04/01/2011

DR. JOCHEN WIECHEN

Member of the Management Board since 08/01/2013

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 2013 amounted to EUR 823 thousand (2012: EUR 752 thousand), of which EUR 591 thousand (2012: EUR 620 thousand) accounted for fixed remuneration and EUR 232 thousand (2012: EUR 132 thousand) for the variable components. In fiscal year 2013, the total remuneration for the Supervisory Board members came to EUR 111 thousand (2012: EUR 113 thousand), of which EUR 111 thousand (2012: EUR 113 thousand) accounted for fixed remuneration and EUR 0 thousand (2012: EUR 0 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 93 thousand (2012: EUR 65 thousand). The payments of the Management Board and Supervisory Board consist exclusively of benefits due in the short term.
The particulars regarding the remuneration of the Management Boards and Supervisory Boards are outlined in the remuneration reports as part of the combined Group management report and management report of INTERSHOP Communications AG.

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, 2013, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., SoQuero GmbH, The Bakery GmbH, Intershop Communications Australia Pty Ltd, Intershop Communications Nordics AB, Intershop Communications Ventures GmbH as well as Intershop Communications Asia Limited.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2013:

	Interest (in %)	**Equity*** (in EUR thousand)	**Net Loss**** (in EUR thousand)
Intershop Communications, Inc., San Francisco, USA	100	(212)	219
SoQuero GmbH, Frankfurt/Main, Germany	100	213	349***
The Bakery GmbH, Berlin, Germany	100	(3.292)	(1.253)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	158	151
Intershop Communications Ventures GmbH, Jena, Germany	100	(2.253)	(29)
Intershop Communications Nordics AB, Malmö, Sweden	100	24	(2)
Intershop Communications Asia Limited, Hong Kong, China	100	14	14

* Equity as of December 31, 2013 is translated at the exchange rate as of the reporting date
** (Preliminary) net profit/loss for fiscal year 2013 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 December 5, 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 14,069,669 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 3, 2014

The Management Board of INTERSHOP Communications AG

Jochen Moll   Ludwig Lutter   Dr. Jochen Wiechen

AUDITOR'S REPORT

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, 2013. 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 5, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Rolf-Peter Stockmeyer)	(sgd. ppa. Carl Erik Daum)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

05

REPORT OF THE SUPERVISORY BOARD
CORPORATE GOVERNANCE REPORT

REPORT OF THE SUPERVISORY BOARD

During the 2013 fiscal year, the Supervisory Board carried out the duties that are incumbent on the Board according to the law, the Articles of Association and the Rules of Procedure. It has continuously monitored and accompanied the management of business activities by the Management Board and assured itself that management complied with the applicable rules and regulations and legal requirements.

SUPERVISORY BOARD MEETINGS AND CONTENT

In fiscal year 2013, ten meetings were held, with six meetings held as telephone conferences. All Supervisory Board members participated in all of the meetings. The Management Board only participated in the meetings if this was required in order to allow the Board to carry out its reporting obligations. Content-related key topics of the meetings were the current situation of the Company, especially the development of earnings, revenue and cash, as well as Intershop's future strategic direction and employee developments.

The meeting on January 11, 2013 centered on approving the budget for the 2012 fiscal year. In addition, the meeting also approved the Declaration of Conformity for 2012. In the meeting on March 20, 2013, the Supervisory Board approved the annual financial statements and the consolidated financial statements for 2012 in the presence of the auditors. In addition, the meeting also decided on the items that would be on the agenda for the Annual Stockholders' Meeting in 2013. In the constitutive Supervisory Board meeting directly following the Annual Stockholders' Meeting on June 12, 2013, the newly constituted Supervisory Board elected Prof. Dr. Nikolaus Mohr as Deputy Chairman of the Supervisory Board. In the meetings on August 1, September 25 and October 29, 2013, the Supervisory Board discussed current and expected business developments. The main focus of discussions at the December 5, 2013 meeting was the 2014 budget and the Company's strategic growth opportunities. In addition, the Declaration of Conformity for 2013 was also approved. In the remaining meetings (February 19, May 15, and July 23, 2013), the Supervisory Board discussed and passed agreements requiring approval and personnel issues. In addition to the resolutions that were adopted at the meetings, the Board also adopted resolutions regarding agreements and personnel issues as part of a circulation procedure.

The Management Board submitted all transactions requiring Supervisory Board approval under its Rules of Procedure to the Supervisory Board for approval. The Supervisory Board examined the relevant draft resolutions in detail and took the appropriate decisions. Business transactions of importance to the Company were discussed in detail and carefully monitored by the Supervisory Board on the basis of Management Board reports. In addition to the Supervisory Board meetings, the Supervisory Board was in regular contact with the Management Board and was informed of the current developments at the Company, the risk situation and risk management, as well as the related measures required.

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

CORPORATE GOVERNANCE

In January 2013, the Supervisory Board had to pass a resolution on its approval to accept an individual order for an agreement with GSI Commerce Solutions Inc. that was concluded in fiscal year 2010. In this case, Supervisory Board members Tobias Hartmann and 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 and abstained from voting in this case.

The new Declaration of Conformity with the German Corporate Governance Code was issued by the Management Board and Supervisory Board in December 2013. 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 2013, there were three personnel changes in the managing bodies of the Company, two in the Supervisory Board and one in the Management Board.

Supervisory Board members Tobias Hartmann and Bob van Dijk resigned as members of the Supervisory Board effective May 31, 2013. Tobias Hartmann had been a member of the Supervisory Board since July 2011 and served as its Deputy Chairman since May 2012. Bob van Dijk joined the Board in February 2012 following his appointment. The Supervisory Board would like to thank Messrs. Hartmann and van Dijk for their services to Intershop. At the Annual Stockholders' Meeting on June 12, 2013, Prof. Dr. Nikolaus Mohr and Dr. Kai Hudetz were elected as new members 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. In the constitutive meeting that followed, the Supervisory Board elected Prof. Dr. Mohr as Deputy Chairman of the Supervisory Board.

In May 2013, the Supervisory Board appointed Dr. Jochen Wiechen to serve as a member of the Management Board effective August 1, 2013. As the Chief Technical Officer (CTO), he is responsible for product development, the technical department and the full service area. With Dr. Wiechen, Intershop gains an experienced technology expert and market insider for the management, development and market positioning of software solutions. The Supervisory Board wishes him all the best.

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

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditor for the 2013 fiscal year elected at the Annual Stockholder's Meeting held on June 12, 2013 and engaged by the Supervisory Board, thoroughly reviewed the annual financial statements, the consolidated financial statements, the combined management report of INTERSHOP Communications AG and issued unqualified audit opinions in each case.

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

Following its own thorough examination, in particular after inspecting the auditor’s reports, as well as discussing the key points of the audit in detail with the auditor and the material findings of the audit, the Supervisory Board did not raise any objections with respect to the financial statements or the dependent company report. The Supervisory Board concurs with the result of the audit and the audit of the dependent company report. The Supervisory Board does not raise any objections against the declaration given by the Management Board at the end of the dependent company report and approved the separate financial statements and consolidated financial statements prepared by the Management Board at its meeting on March 11, 2014. The annual financial statements of INTERSHOP Communications AG were thus adopted. Since the Company did not generate retained earnings during the 2013 fiscal year due to the remaining loss carryforwards under German commercial law and due to the negative operating result, there was no need to examine a proposal on the appropriation of profits.

The Supervisory Board would like to thank the Management Board and all the employees of the Intershop Group for their services rendered, and would also like to thank the stockholders for their renewed confidence during the 2013 fiscal year.

Jena, March 2014

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 2013. The recommendations of the German Corporate Governance Code were largely complied with in fiscal year 2013; any departures were explained in the Declaration of Conformity. The Supervisory Board and the Management Board issued the following joint Declaration of Conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on December 5, 2013:

Since the declaration of conformity dated January 11, 2013 to May 13, 2013, 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 15, 2012, and as of May 14, 2013 to the time of this declaration with the recommendations in the version dated May 13, 2013, 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. However, at present the three Supervisory Board members are independent.

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 three members. There is a Spokesperson for the Management Board. The number of members of the Management Board is determined by the Supervisory Board, which can also appoint a Chairman or a Spokesperson and Deputy Chairman of the Management Board.

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

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

The Articles of Association stipulate that the Supervisory Board must comprise three members. Its regular term of office is five years and ends at the Annual Stockholders' Meeting that resolves the approval of the Supervisory Board's activities for the fourth fiscal year after the beginning of its term of office. The Supervisory 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 of the Code is also unnecessary in this report. However, it should be pointed out that the three Supervisory Board members have been independent since the Annual Stockholder's Meeting in 2013.

There are no stock option plans; the only security-based incentive program is that one of the many aims agreed with the members of the Management Board for their variable remuneration also takes into account price development of the Intershop shares.
The total number of Intershop shares owned by all members of the Management Board and the Supervisory Board is less than 1% of the shares issued by Intershop. Details on the security holdings of the Company's executive bodies will be shown in the notes to the consolidated financial statements.

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 12, 2014

INTERSHOP Communications AG

For the Management Board | For the Supervisory Board

Jochen Moll | Ludwig Lutter | Dr. Jochen Wiechen | Dr. Herbert May

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		2013	2012
Closing price*	in EUR	1.48	1.79
High*	in EUR	2.08	3.16
Low*	in EUR	1.03	1.72
Number of shares outstanding (as of Dec. 31)	in million shares	30.18	30.18
Market capitalization	in EUR million	44.67	54.03
Earnings per share	in EUR	(0.11)	(0.02)
Cashflow per share	in EUR	(0.14)	0.07
Carrying amount per share	in EUR	0.80	0.91
Average trading volume per day **	Number	59,015	48,964
Free float	in %	69	67

* Basis: Xetra

** Basis: all stock exchanges

FINANCIAL CALENDAR 2014

Date	Event
February 19, 2014	Release of Q4 and FY financials 2013
May 7, 2014	Release of Q1 financials 2014
June 12, 2014	Ordinary Annual Stockholders' Meeting 2014
August 6, 2014	Release of Q2 and 6-month financials 2014
November 5, 2014	Release of Q3 and 9-month financials 2014

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