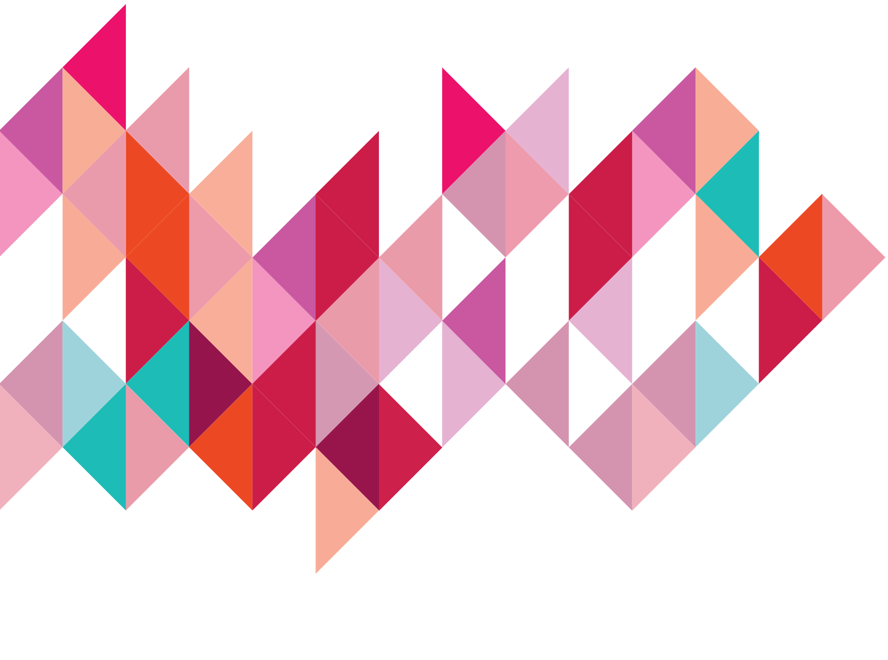
intershop®

2014

ANNUAL REPORT



intershop

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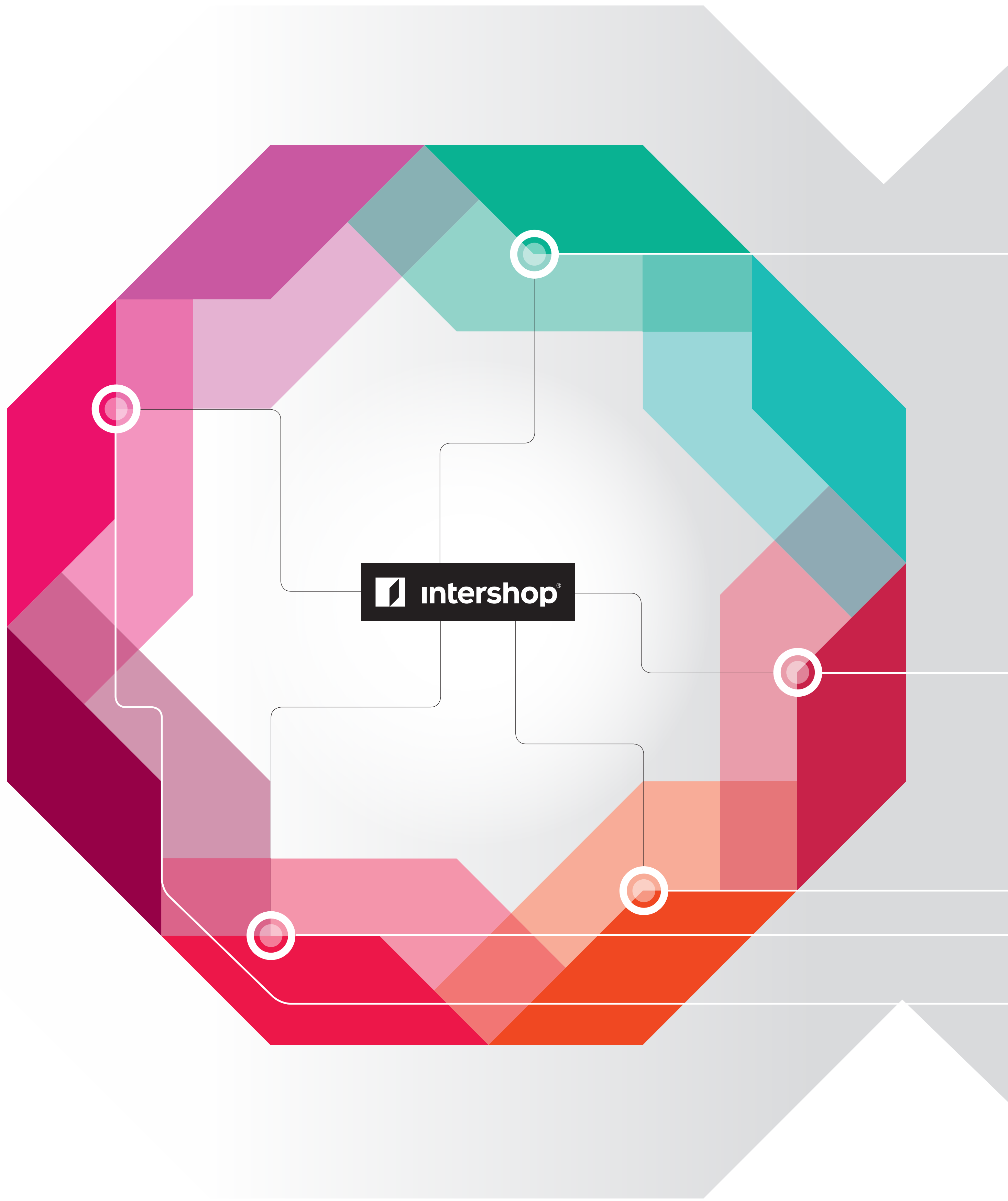
intershop

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OVERVIEW

EQUITY RATIO

70%

as of 12/31/2014

REVENUE

EUR 46.2 million

in 2014

BALANCE SHEET TOTAL

EUR 25.3 million

in 2014

EMPLOYEES

415

as of 12/31/2014

intershop

KEY FIGURES FOR THE GROUP

in EUR thousand	2014	2013	Change
Revenue			
Net Revenues	46,175	53,555	-14%
Licenses	6,174	6,318	-2%
Services, maintenance and other	40,001	47,237	-15%
Revenue Europe	29,451	33,091	-11%
Revenue U.S.A.	10,793	14,750	-27%
Revenue Asia/Pacific	5,931	5,714	4%
Earnings			
Cost of revenues	29,462	34,707	-15%
Gross profit	16,713	18,848	-11%
Gross margin	36%	35%	
Operating expenses, operating income	22,988	22,076	4%
Research and development	5,113	3,463	48%
Sales and marketing	11,872	11,946	-1%
General and administrative	5,698	5,814	-2%
Other operating income/expenses	305	853	-64%
EBIT	(6,275)	(3,228)	-94%
EBIT-Margin	-14%	-6%	
EBITDA	(2,129)	488	-536%
EBITDA-Margin	-5%	1%	
Net result	(6,642)	(3,327)	-100%
Earnings per share (EUR)	(0.22)	(0.11)	-100%
Net Assets			
Shareholders´equity	17,577	24,182	-27%
Equity ratio	70%	72%	
Balance sheet total	25,280	33,705	-25%
Noncurrent assets	11,077	13,045	-15%
Current assets	14,203	20,660	-31%
Noncurrent liabilities	0	479	-100%
Current liabilities	7,703	9,044	-15%
Financial Position			
Cash and cash equivalents	6,358	7,389	-14%
Net cash operating activities	387	(4,131)	-109%
Depreciation and amortization	4,146	3,716	12%
Net cash used in investing activities	(1,417)	(2,795)	-49%
Employees	415	535	-22%

Dear stockholders and business partners,

Intershop's business performance for 2014 fell short of our expectations. However, we are nevertheless convinced that our renewed focus on the product business is the right way to go, although the transition is taking longer than expected. The high number of new customers that we were able to acquire in 2014 offers confirmation of the efficacy of this new strategy. Overall, twice as many new customers were acquired compared to the prior year. Our adjusted sales focus also resulted in a more diversified customer portfolio, which will reduce our dependency on large customers in the medium term and will contribute to stable sales growth. Similarly, the partner network continues to expand, and creates a noticeably more prominent market presence for Intershop. Approximately half of all license sales in 2014 was generated through the collaboration with partner companies.

At the same time, Intershop's transformation is made more difficult by significant sales losses at some large customers, some of which have shifted their technology investments as a result of their own changes in strategy. We have responded by adjusting our costs to the reduced sales levels during the second half of the year, by selling the non-strategic online marketing subsidiary SoQuero, and by outsourcing the business of the deficient subsidiary, The Bakery. Without the negative one-time effect resulting from a bad debt write off during the fourth quarter, Intershop would have already achieved a break-even operating result during the final quarter. With respect to the 2015 fiscal year, we expect that an almost break-even operating result will be achieved with an optimized cost structure and a gross margin that continues to increase slightly.

Our focus on the product business forms the basis for sustainable growth in the coming years, and we will continue on the same path in 2015. Our core product Intershop 7 offers excellent features and sole positioning characteristics that were again confirmed in a study by the market research company Forrester Research at the beginning of 2015. Regardless, the acquisition of new customers in the e-Commerce market requires the ability to provide a competitive offering, alongside a strong market presence and stable company developments. The ability to secure the investments that will be required for this purpose in the next few years remains the most important strategic challenge for Intershop during the 2015 fiscal year.

We thank you for your trust.

Sincerely,

Jochen Moll   Ludwig Lutter   Dr. Jochen Wiechen

intershop

MANAGEMENT BOARD

Jochen Moll
Spokesman of the Management Board

Ludwig Lutter

Dr. Jochen Wiechen

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CONSOLIDATED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

THE INTERSHOP GROUP

Group structure and business activities

INTERSHOP Communications AG[1] is a globally oriented provider of integrated Enterprise solutions for omni-channel commerce. At the center of its service range is the Intershop Commerce software, 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 „Licenses" and „Services, Maintenance, and Other." In addition to the aforementioned „Maintenance" and „Other" segments (Full Service), services also include the strongest sales segment of the group, namely „Consulting and training".

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. The most current version, Intershop 7.5, has been available since September 2014, with numerous extensions.

Intershop is one of the largest and most experienced providers of omni-channel 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 in 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 activities, 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 Red Wing Shoes and 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 2014, revenue with customers outside of Europe came to around 36%.

INTERSHOP Communications AG, which is domiciled in Jena, is the parent company of the Intershop Group. As of the reporting date of December 31, 2014, it directly holds 100% of the shares in Intershop Communications, Inc., San Francisco, USA, Intershop Communications Australia Pty Ltd., Melbourne, Australia, and Intershop Communications Asia Ltd., Hong Kong, China. In addition, two additional wholly-owned subsidiaries were established in 2014 - Intershop Communications SARL, Paris, France, and Intershop Communications Ltd., Romsey, UK - in order to strengthen the presence on the European market. Added to these are other non-operational former sales companies. In Germany, INTERSHOP Communications AG has branches in Stuttgart, Nuremberg, Hamburg, Berlin and Ilmenau. Moreover, the Company has representations in Italy, the Netherlands and Sweden. The online marketing subsidiary SoQuero GmbH, Frankfurt/Main, was sold on September 30, 2014. This disposal is a part of Intershop's strategy, which provides for a focus on the high-margin core business of software products. In this context, the operating activities of The Bakery GmbH, which specializes in order management, were also transferred to Channel21 GmbH in October 2014 by way of a licensing agreement.

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

TRANSFORMATION FROM SERVICE PROVIDER TO PRODUCT COMPANY WITH EXTENSIVE PARTNER NETWORK

In the year 2014, Intershop continued its strategic refocusing from service provider to product company. The medium-term goal is to reverse the ratio of product revenue (licenses and maintenance) and service revenue from 40:60 to 60:40, without diminishing the service business. This decision is part of an extensive reorientation process that is designed to open up the way for Intershop's future growth.

Increasing the focus on the product and license business reduces the dependency on service revenues with major customers, since the license business can generate high-margin revenues with the corresponding follow-up business, which will allow the company to improve its profitability. It also opens up the possibility of higher market penetration. An increased focus on the product business is accompanied by the addition of smaller and medium-sized customers to the target market. In the future, customers in this segment would benefit from the high scalability of the Intershop 7 platform technology, which allows them to start with a cost-effective solution, adapt the technology to growing revenues where required, and thus grow together with Intershop in the long term.

The ability to supplement the company's own development and distribution capacities with competent partners in the respective target markets is another important driver in this regard. By focusing the business on the product offering, Intershop becomes more attractive to its partners, since they are able to generate additional service business with jointly-serviced customers using an Intershop solution. The expansion of the partner network increases the reach of its sales approach, and combines Intershop's know-how and experience with the specific knowledge of the companies in the partner network. 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.

The developed e-Commerce markets in Europe, North America and Asia are at the center of Intershop's distribution activities, since they offer great potential in terms of the licensing and service business. Intensified marketing measures are currently concentrated on five key areas. Besides Germany, they include the Benelux countries, France, the UK and the US. In these markets, Intershop has its own local subsidiary or flexible sales units and a strong partner network. The expanded focus includes future markets with the potential of developing into strategically important markets. In these markets, Intershop relies mainly on the acquisition of license customers through partners.

Intershop's long-term goal is to attain a global market presence with a focus on EMEA and America on the basis of a customer-centered omni-channel commerce solution, and to position Intershop as a leading innovator in the e-Commerce market.

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.

Two new Intershop 7 versions were introduced during the reporting period. Version Intershop 7.4 was released in January 2014. Key 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 extending 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. Another version was released in September 2014. The new Intershop Suite 7.5 offers various extensions and improvements. These include even more intuitive user guidance, adapted workflows, quick access to all important management key figures and more efficient control of trading processes. In addition, there are now more options for continuously integrating and adapting neighboring system environments. Intershop 7.5 underlines Intershop's role as the leading provider of omni-channel commerce solutions.

In addition, Intershop has implemented a reorganization process in the R&D area, which targets the streamlining of processes for the further development of the Intershop 7 platform. In the future, the R&D area will be divided into the segments Agile Development, Solution Management and Innovation Management. As a result of the reorganization process, own resources will be used more effectively and the global partner resources can be quickly and seamlessly integrated exactly where they are needed.

R&D expenditures in 2014 amounted to EUR 7.7 million, an increase of 34% compared to the prior year. Taking into account the capitalization of software development costs, R&D expenses totaled EUR 5.1 million compared to EUR 3.5 million in 2013. This corresponds with a share of 11% of total revenues (2013: 6%). The increase in expenses is mainly the result of higher expenditures for in-house development projects in the 2014 fiscal year. At the same time, expenses for third party services decreased, as did personnel expenses due to reduced working hours. The capitalization of software development costs was 13% higher than in the prior year. The share of capitalized software development costs as a proportion of total revenues increased from 4% to 6%.

Control System

The Company will focus primarily on increasing net revenues and thus gaining additional market share in a very competitive and dynamic market. This is the reason why all management levels are monitoring the development of revenues over time. Sales performance is also used as an early indicator for liquidity developments, since cash and cash equivalents will rise or fall in line with declining or increasing sales. In this way, liquidity developments can be managed early on by implementing counter measures on the cost side, for example. The most important performance indicators in terms of managing profitability are the gross result (net revenues less cost of revenues) and the associated gross margin, which the Company intends to increase in the long term in order to generate a higher profit margin. In addition, other important performance indicators include earnings before interest and taxes (EBIT).

THE 2014 FISCAL YEAR

Overall Economy and Industry

The global economy saw moderate growth in 2014. While the International Monetary Fund (IMF) had forecast a global growth rate of 3.7% at the beginning of 2014, it had lowered the rate to 3.3% for the entire year of 2014 in its most recent estimate in January 2015. In the opinion of the IMF, global economic activity has been negatively impacted by increased geo-political risks and volatility in global financial markets. Based on information provided by the IMF, emerging markets and developing countries grew by 4.4% during the entire year of 2014, instead of the forecast 4.7%. In the group of industrial nations, economies grew by only 1.8% instead of 2.2%. Similarly, the Eurozone was also unable to reach the originally forecast growth rate of 1.0%. But at 0.8%, economic activity in these countries nevertheless increased on an annual basis after two years of recession. The German economy saw solid growth in 2014, growing by 1.5%.

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 (e-Commerce market) as a driver for the expansion of the e-Commerce infrastructure, and secondly, the willingness of companies to invest in new software solutions (software market and IT services).

According to estimates by US market research company eMarketer, the global e-Commerce sector registered a growth of 22% in 2014, with a market volume of USD 1.3 trillion. Growth in China was particularly dynamic. In that country, revenues from online transactions grew by 35% in 2014, to USD 426 billion at present. The US market grew by 16% to a volume of USD 306 billion. According to eMarketer, Britain is the world's third-largest market, which grew by 17% in 2014 to a market volume of USD 82 billion, followed by Japan, (+14%, USD 71 billion), Germany (+22%, USD 64 billion) and France (+12%, USD 39 billion).

In addition to the online retail business (B2C), the online business between business customers also offers substantial potential for solution providers such as Intershop. According to the consulting firm Frost & Sullivan, B2B e-Commerce revenues of USD 5.5 trillion were generated globally in 2012 - many times the revenues generated in the B2C business. In a study published in 2013, the Institute for Commercial Research (IFH) calculated a total of EUR 870 billion of revenues for the German B2B business in terms of online business transactions. At the same time, only EUR 52 billion of this figure was generated in actual online shops. This is because B2B e-Commerce is still dominated by automated data exchange. Purchase orders, invoices or product descriptions are transmitted and processed online via pre-defined formats. However, the retail experts at the IFH 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.

Similarly, the market for information technology (IT) also experienced positive growth in 2014 based on the most recent forecast from the European Information Technology Observatory (EITO). On a global level, the IT market grew by 2.9% to EUR 1.15 trillion. The software market (+6.0%) and the market for IT services (+3.4%) were again the pillars of the IT market. In Germany, the IT industry also had a successful year. According to information obtained from the industry association BITKOM, IT revenues in Germany grew by 4.3% to a volume of EUR 77.8 billion. Sales figures for software did particularly well, growing by 5.6% to EUR 19.1 billion. The business involving IT services also did well with a growth of 2.7% to EUR 36.3 billion.

Business performance during the 2014 fiscal year

EXPANDED PARTNER NETWORK STRENGTHENS INTERSHOP REALIGNMENT

The refocusing of Intershop on the product business was the defining feature of the 2014 fiscal year The acquisition of new partner companies forms a key part of this strategy. To this end, the partner program was extensively revised, and efforts in finding new partners were intensified in all relevant markets.

Intershop's partner program includes an attractive offering consisting of certification, training, advisory services and knowledge transfer, and enables both sides to generate additional project and customer business. During the past fiscal year, the Company concluded a total of 30 new cooperation agreements in the areas system integration, technology and services. The Intershop European Partner Day, which was held in Berlin in mid-October and was very well received, confirms the success of the new partner strategy. The distribution of sales in the past fiscal year also demonstrates the fruits of the partner strategy. Approximately half of all license sales in 2014 was generated through collaborations with partner companies.

Among the most important new business and implementation partners in 2014 were US software company Adobe Systems, whose content management system „Adobe Experience Manager" will be integrated into the Intershop platform in the future. Also in 2014, Intershop entered into a strategic partnership with Siteworx, a leading US digital agency. Additional new strategic partners during the reporting period were payment provider Payone, multi-channel specialist Querplex as well as IT service provider Tricode. During the fourth quarter of 2014, Intershop announced that it would intensify its partnership with Host Europe Solutions, the leading managed hosting provider in Germany. In the future, both companies will be offering integrated e-Commerce solutions ranging from implementation and administration of the Shop software to the design, installation and operation of the entire hosting set-up. Furthermore, Intershop has been collaborating with European payment provider Klarna since December. This cooperation enables online dealers relying on Intershop modules to offer purchases on installments and purchases on account - the most popular payment method in Germany - using Klarna. As the first Intershop customer, Runners Point, the specialist for running shoes, runner's clothing and accessories, now uses Klarna in its online shop.

STRONGER FOCUS ON UNIQUE SELLING POINTS OF INTERSHOP 7 IN MARKETING AND SALES

In addition to revising its partner strategy, Intershop also aligned its activities to refocus on the business model and on the unique selling points of its Intershop 7 platform in terms of its sales and marketing activities. The excellent B2B compatibility offered by the Intershop platform was a main focus area of marketing activities. The B2B segment is not very developed at this time, and is considered as one of the most important e-Commerce markets in the future. A study on customer requirements in the B2B business, which was conducted by Forrester Consulting and introduced by Intershop in October 2014, confirms the potential of this customer group. According to the study, dealers will have to pay more attention to the end user behavior of buyers in the B2B business. In this area, Intershop demonstrably offers an excellent solution with Intershop 7. A study by the well-known US market research institute Forrester Research („The Forrester Wave"), which was published in 2013, ranks Intershop among the world's four leading companies in the B2B commerce solutions segment.

Intershop products also impress in terms of B2C functionality. The „Forrester Wave" study that was published in January 2015, which analyzed the B2C compatibility of commerce platforms, again awarded an excellent rating to Intershop. With the current Suite 7.5, the company was ranked amont the top five providers as a „Strong Performer". According to Forrester, the Intershop platform is a strong solution that offers dealers a more streamlined alternative compared to the products of large competitors. The Intershop solution also offers more added value in areas where shops must service the requirements of B2C and B2B commerce scenarios equally.

Moreover, efforts at expanding the target market to include customers in the smaller and medium revenue segment were initiated in the sales segment. Here, efforts are helped by another strength of the Intershop 7 platform compared to the solutions of competitors, namely its scalability. Intershop 7 is suitable both for smaller customers with online sales of EUR 1 to 10 million (SaaS/Cloud solution) as well as large internet retailers with revenues of more than EUR 1 billion. Smaller new customers can start with a simple cost-effective solution and gradually adjust their commerce platform to their own growth and changing market conditions. In this way, customers do not need to change technology, and Intershop derives long-term benefits from the high degree of scalability as a result of the related follow-up projects.

Moreover, during the reporting period Intershop also discontinued its activities in non-strategic business segments, in order to focus its resources on its core competence, namely the provision of innovative software products in omni-channel commerce. In this context, Intershop sold its online marketing subsidiary SoQuero GmbH effective September 30, 2014. Similarly, the outsourcing of the operating activities of The Bakery GmbH was another logical step on the way to refocusing the business model.

SUCCESSFUL ACQUISITION OF NEW CUSTOMERS IN 2014, AND DIVERSIFICATION OF CUSTOMER PORTFOLIO

In 2014, Intershop was able to significantly increase the number of new customers. Overall, twice as many new customers were acquired compared to the prior year. Intershop's customer portfolio underwent a period of increased differentiation in 2014, also as a result of the new sales focus. Many new customers are small and medium-sized companies. New customers during the reporting period include Ekosport, France's market leader for skiing and outdoor clothing, Trony, the leading Hi-Fi electronics dealer in Italy and medium-sized office furnishing company Papier Liebl. Another new addition to the customer portfolio is Videocon, an Indian conglomerate, which is starting a new online and TV shopping channel for consumer electronics based on Intershop 7. The acquisition of new US customer GutterSupply.com, the largest American manufacturer and online provider of roof drainage systems, tool kits and home accessories, is proof that Intershop offers an excellent platform solution particularly for hybrid B2B/B2C product offerings. The fact that customers can grow successfully using Intershop is demonstrated by the existing customer Music Store, the world's fifth-largest mail order company for musical instruments, which changed over in 2014 to the new flexible Intershop 7 platform as part of its continued corporate expansion. During the fourth quarter of 2014, Intershop gained the leading online shop for travel luggage with koffer-direkt.de. The key argument for a decision in favor of Intershop was, among other factors, the modular structure of Intershop 7, which makes it easy to integrate the existing platform, as well as the great flexibility offered by the platform in terms of connecting additional third-party systems in the future. Integration is an essential requirement for koffer-direkt.de, since the entire order processing system runs using the company's internal systems. In addition, Intershop makes it easy to expand the shop into other countries on a technical level. Similarly, Europe's leading online optician, Mister Spex, is relying on the Intershop 7 platform as part of its own expansion plans. The new British website misterspex.co.uk is the first of a series of new European shop front ends, which is going online on the basis of Intershop 7. The main factor for Mister Spex was the fact that the Intershop 7 platform can serve as a solid basis for the entire European market without driving up future costs for updating and expanding the system.

The Swedish online shop for Vattenfall, one of Europe's largest utility companies, went online on a software-as-a-service (SaaS) basis. In its new shop, Vattenfall sells energy efficiency-related products. The shop was implemented together with Intershop's implementation partner Brightstep, which maintains a close relationship with Vattenfall and also has extensive know-how about the Scandinavian e-Commerce market. Intershop's allround service offering includes technical services, hosting and support for business operations on the basis of the Intershop SaaS e-Commerce platform. Payments, logistics and delivery services are closely integrated into the Intershop platform and are processed and implemented by partners on location. Vattenfall plans to launch its Finnish online shop in the spring of 2015.

In December, Intershop reported the relaunch of the online shop of specialized shipper 4Care, Lensbest.de. Following the relaunch, the platform is at the highest standard in terms of technology and contents, and belongs to the newest generation of interactive shopping portals. With the relaunch of the 4Care shop, Intershop is again demonstrating the relevance of its product portfolio, particularly for medium-sized companies.

ACTUAL DEVELOPMENT OF KEY FINANCIAL FIGURES COMPARED TO THE ORIGINAL FORECAST

Overall, the financial figures for 2014 were not satisfactory. Intershop was not able to achieve the originally defined sales and profit objectives during the 2014 fiscal year. The 2013 annual report forecast a negative operating result (EBIT) in the lower single-digit million euro range, with an increase in net revenues in the single-digit percentage range and a moderately increasing gross margin. While the gross margin increased from 35% to 36%, net revenues and the operating result nevertheless lagged behind the original forecasts. Several factors led to weaker growth during the course of the fiscal year. First, Intershop lost a significant amount of revenues at several major customers, which were only partially offset by the new customer business. In addition, the reorganization of the company from a service-oriented service provider to a product company is taking more time than originally planned. As a result, the combination of higher marketing and sales costs associated with the reorganization, together with lower than expected license revenues, led to a negative result. It is the reason Intershop was forced to adjust its yearly forecast for both sales and the operating result in August 2014. On the basis of the updated forecast, the company subsequently predicted a decline in revenues in the single-digit to lower double-digit percentage range and a negative EBIT in the middle single-digit million euro range. The cost-saving measures introduced in the second half of the year, along with the focusing of sales and marketing activities, finally resulted in a negative EBIT of approximately EUR 6.3 million and a decline in revenue by 14% for the 2014 fiscal year. The EBIT, which was adjusted for two special items (proceeds from the disposal of subsidiary SoQuero and expenditures from a loss of receivables), was EUR 5.8 million. A detailed presentation of the change in the profit situation during the reporting period is shown below.

Result from operations, financial position and net assets

Revenue development

During the 2014 fiscal year, Intershop generated net revenues of EUR 46.2 million, which corresponds to a 14% decrease compared to the prior-year period. Adjusted for the proceeds from the sale of the online marketing subsidiary SoQuero on September 30, 2014, revenue from sales was EUR 42.9 million, a decrease of 13% compared to the prior year. The main reason behind the lower sales revenues were a significant decline in revenues at several major customers in the main business segments services, maintenance and other revenues, which could not be compensated by growing sales revenues with the remaining customer portfolio. As a result, revenues in this area dropped by 15% from EUR 47.2 million to EUR 40.0 million.

An upward trend can still be observed with regard to license revenues in line with a multi-year comparison. License revenues were approximately 12% above the five-year average in 2014. But the expectations for the year 2014 were not met, as license revenues fell slightly below the prior-year level (-2%) to EUR 6.2 million compared to the prior year. In this context, it is important to take into account that the fourth quarter of 2013 was a particularly strong quarter with license revenues of EUR 3.7 million. After the first nine months of 2014, license revenues were 42% above the prior-year period at EUR 3.7 million. During the fourth quarter of 2014, Intershop registered the highest quarterly sales figures in the license business for 2014 (EUR 2.5 million), but still lagged behind the high prior-year figure. Therefore the company's license revenues were slightly below those of the prior year. However, for the current year 2015 Intershop expects that the sales initiatives that have been implemented will start to show the desired effect and that license revenues will continue to rise.

The „Consulting and training" segment, which falls under Services and which is the main revenue driver for Intershop at almost 50% of total sales, experienced a decline in revenue at two major customers, which is why net revenues from consulting projects declined by 11% to EUR 23.0 million. At the same time, revenues from consulting activities rose significantly by 20% once these figures are adjusted for the revenues generated with these two major customers. In the maintenance segment, revenues declined by 10% to EUR 7.5 million, which is entirely due to the decline in revenues at one major customer. Adjusted for this effect, revenues were at the prior-year level. Due to the disposal of subsidiary SoQuero on September 30, online marketing revenues were 27% under the prior-year level at EUR 3.2 million. Other revenues, which consist primarily of the full service segment, fell by 28% to EUR 6.3 million. In this case, increasing revenue with new full service customers were not able to compensate for the loss of revenue due to expiring contracts at an existing full service customer.

Overall, net revenue rose by 15% compared to the prior year, when adjusted for the aforementioned decline in revenue and without the online marketing revenues. This demonstrates the successful acquisition of new customers as a result of increased marketing and sales measures, which are also reflected in rising revenues over the medium term. Since the majority of new customers consist of small and medium-sized companies, the company's dependency on major customers will decline in the medium term due to a more diversified customer structure, and will contribute towards steady growth in sales.

The following overview shows the development of net revenues:

in EUR thousand	2014	2013	Change
Licenses	**6,174**	**6,318**	**-2%**
Services, Maintenance and Other	**40,001**	**47,237**	**-15**%
Consulting/Training	22,986	25,775	-11%
Maintenance	7,493	8,306	-10%
Online Marketing	3,232	4,417	-27%
Other revenues	6,290	8,739	-28%
Total net revenues	**46,175**	**53,555**	**-14%**

The most important business regions for Intershop are the European markets, in front of the US market and the Asia Pacific markets. During the reporting period, the company generated sales of EUR 29.5 million with European customers, which corresponds to a drop of 11%. Since revenues in the US fell by 27% to EUR 10.8 million, the revenue share of European customers nevertheless increased from 62% to 64%, and the share of US customers decreased to 23%. Revenues generated in the Asia Pacific region increased by 4% to EUR 5.9 million, and the profit share thus rose from 11% to approximately 13% of total income.

Revenues of INTERSHOP Communications AG as a single entity reported under German commercial law decreased by 25% to EUR 31.7 million. The drop in revenue is mainly due to the significant decrease in service revenues at several major customers, which could not be compensated by higher revenues with other customers. License revenues stayed at the prior-year level at EUR 4.5 million.

Earnings Development

The most important financial figures in the group profit are shown in the overview below:

	2014	2013	Change
EBIT (in EUR thousand)	(6,275)	(3,228)	-94%
EBIT margin	-14%	-6%	-125%
EBITDA (in EUR thousand)	(2,129)	488	-536%
EBITDA Margin	-5%	1%	-606%
Group profit for the year (in EUR thousand)	(6,642)	(3,327)	-100%

During the reporting period, Intershop generated a gross result from revenues of EUR 16.7 million, a decrease of 11% compared to the prior year. In contrast, the gross margin increased from 35% in the prior year to 36% in 2014. This is due in particular to higher margins in the consulting area, which rose from 24% to 30%. The operating result before interest, taxes, depreciation and amortization (EBITDA) decreased from EUR 0.5 million to EUR -2.1 million. The EBITDA margin decreased accordingly from 1% in the prior-year period to -5% in 2014. Depreciation/amortization rose during the reporting period by almost 12% from EUR 3.7 million to EUR 4.1 million due to higher amortization on self-produced software. The result from operating activities (EBIT) fell significantly to EUR -6.3 million. This significant loss is mainly due to the decline in sales developments. Following the losses in the first half of the year, Intershop implemented targeted cost reduction measures during the second half in order to adjust the cost structure to revenue developments. Key measures in this regard were the reduction in sales and marketing costs as well as restructuring activities in non-profitable sales units and the reduction in administration costs. Short-time working hours were introduced in the research and development area in September which will expire at the end of February 2015. In addition, R&D employees were also reorganized into the profit-generating consulting area. This made it possible to reduce the costs for external service providers. Expenses were also reduced by selling the operating business of the loss-generating subsidiary The Bakery GmbH in October 2014. Overall, costs decreased from approximately EUR 28 million during the first half of the year to approximately EUR 24 million in the second half of the year. In addition, the company generated one-time miscellaneous operating income of EUR 1 million in the third quarter of 2014 due to the disposal of subsidiary SoQuero. A negative factor in this regard was a one-time charge resulting from the insolvency of a customer. This led to a loss of receivables of EUR 2.5 million which was taken into account during the fourth quarter 2014 as a recognized expense in the amount of EUR 1.5 million. Adjusted for this special effect, Intershop achieved a balanced EBIT during the fourth quarter as a result of the improved cost structure. Due to the negative business developments, particularly in the first half of the year, and the fact that the cost reduction measures only came into effect with some delay, the consolidated profit for the year after taxes was EUR -6.6 million (prior year: EUR -3.3 million). Earnings per share (diluted and undiluted) amounted to EUR -0.22 for the 2014 fiscal year (prior year: EUR -0.11).

Expenses for research and development rose by 48% to EUR 5.1 million, following EUR 3.5 million in the prior-year period. Marketing and sales costs remained at the level of the prior year with EUR 11.9 million, which corresponds to a share of 26% in total revenues (prior year: 22%). General administrative expenses decreased by 2% to EUR 5.7 million. Net operating income and expenses increased by 4% from EUR 22.1 million to EUR 23.0 million. As a result, the operating cost ratio rose to approximately 50% (prior year: 40%). The financial result was EUR 6 thousand. Income tax increased to EUR 373 thousand compared to EUR 120 thousand in the prior year.

The AG's annual net loss as reported in accordance with German commercial law increased to EUR 5.5 million in 2014 following an annual net loss of EUR 2.6 million in the prior year. The decline in sales performance is the main reason for this significant loss figure. All expenses fell in comparison to the prior year.

Other operating income increased from EUR 1.8 million to EUR 2.2 million. The cost of purchased services declined by 52% to EUR 2.8 million as a result of the reduction in expenses for third party services. Personnel expenses also declined by 4% to EUR 23.5 million due to the reduction in the work force and occasional short-time working hours, as compared to EUR 24.4 million in the prior year. Other operating expenses fell by 10% to EUR 12.8 million. Other interest income of EUR 0.1 million resulted primarily from affiliated companies. Earnings from profit transfers in the amount of EUR 0.2 million came from the subsidiary SoQuero, which was sold on September 30, 2014. The result from ordinary business activities amounted to EUR -5.3 million after EUR -2.6 million in 2013. In total, the balance sheet loss in accordance with German commercial law increased to EUR 19.6 million compared to EUR 14.1 million in the prior year.

Presentation of the Net Assets and Financial Position

Notwithstanding the weaker development of earnings during the 2014 fiscal year, Intershop's balance sheet continues to offer a solid equity ratio of approximately 70% (prior year: 72%) and is not encumbered with any financial liabilities. The balance sheet total as at December 31, 2014 fell by EUR 8.4 million to EUR 25.3 million, which on the assets side was primarily due to a significant reduction in trade receivables, which declined by 46% from EUR 12.6 million to EUR 6.7 million. Non-current assets declined from EUR 13.0 million to EUR 11.1 million, which is mainly due to higher depreciation and amortization of intangible assets. On the liabilities side, equity declined by EUR 6.6 million to EUR 17.6 million due to the negative operating performance. At the same time, current liabilities fell by 15% to EUR 7.7 million, which is mainly due to lower trade payables (-45% to EUR 1.7 million).

In fiscal year 2014, Intershop generated a positive cash flow of EUR 0.4 million (prior year: -4.1 million) from continuing operating activities despite the negative annual result. The reduction in trade receivables, which led to a cash inflow of EUR 3.1 million, was the main reason for the positive cash flow. In addition, higher depreciation and amortization as well as reduced liabilities and provisions also had a positive effect on cash flow. Cash flow from investing activities was primarily characterized by investments in the software solution (intangible assets) and the inflows from the disposal of the subsidiary SoQuero. On a net basis, cash outflows for investing activities declined by 49% to EUR 1.4 million (compared to the prior year). No financing projects were implemented during the reporting period, hence no cash flows were reported in this area. Cash and cash equivalents declined by approximately EUR 1.0 million to 6.4 million during the 2014 fiscal year.

The total assets of the single entity in the annual financial statements prepared in accordance with German commercial law decreased by 24% to EUR 22.1 million as of December 31, 2014. Fixed assets declined by 17% to EUR 9.5 million, mainly due to the disposal of the subsidiary SoQuero. Current assets declined overall by 29% to EUR 12.2, primarily due to the decline in trade receivables, which fell from EUR 8.4 million to EUR 3.4 million. Equity declined from EUR 22.6 million to EUR 17.1 million due to a higher balance sheet loss. Provisions fell by 6% to EUR 2.5 million, and liabilities by 60% to EUR 1.0 million. Cash and cash equivalents declined from EUR 5.8 million to EUR 5.1 million. The cash outflow resulted primarily from operating activities.

Employees

As of the balance sheet date of December 31, 2014, Intershop had a total of 415 employees worldwide. This corresponds to a reduction of 120 full-time employees compared to the balance sheet date of the prior year. Of this figure, 66 employees were attributed to the subsidiaries SoQuero GmbH and The Bakery GmbH. In addition, employee figures in some areas declined due to fewer work students and interns, and a policy of not filling positions when employees resigned on their own accord or went on parental leave.

Broken down by company segments, the number of employees in the technical departments fell from 404 to 322. In the administrative departments, the number of employees went from 58 to 46 full-time employees. The number of employees in the sales and marketing departments decreased from 73 on December 31, 2013 to 47 employees on the 2014 balance sheet date.

Notwithstanding the decline in the work force during the reporting period, when competing for qualified employees Intershop generally relies on cooperations with research institutions and departments at well-known universities to secure the recruitment of young talent. The share of university graduates in the total work force is disproportionately high at 80%. The average age of employees was 38.4 years (2013: 36.6 years).

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

Employees by department (full-time equivalents)	**12/31/2014**	12/31/2013
Technical Departments (Service Functions and Research and Development)	322	404
Sales and marketing	47	73
General administration	46	58
	415	**535**

The regional percentage-based distribution of employees changed slightly in favor of non-European branches in 2014. As per the balance sheet date, 360 employees or 87% of the work force worked within Europe. In the prior-year period this figure was 480 employees and 90%. The branch in San Francisco (US) had 27 employees or 6% of the work force (prior year: 31 employees, 6%). The number of employees in the Asia-Pacific region increased from 24 to 28 employees. Employees in this region made up 7% of the work force (prior year: 3%).

Intershop Communications Aktiengesellschaft as a single entity had 352 employees as of the balance sheet date (December 31, 2013: 410 employees).

Management Board and Supervisory Board

No personnel-related changes occurred in the committees of INTERSHOP Communications AG during the 2014 fiscal year.

REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD

The compensation of the Management Board comprises fixed and variable components. The fixed components comprise the fixed salary and additional benefits, such as the non-cash benefit resulting from the use of a company car, and are paid monthly. The variable, annually recurring remuneration is based on various annual and multi-annual qualitative objectives relating to the portfolio of each Management Board member and quantitative objectives related to the financial result, whose assessment depends on the degree achieved of the objective. Approx.1/3 of the total remuneration is variable. Of the variable remuneration, 55% of the remuneration depends on the achievement of long-term objectives and 45% on the achievement of short-term objectives.

Total remuneration paid to the Management Board for its activities for fiscal year 2014 amounted to EUR 831 thousand (2013: EUR 823 thousand), of which EUR 736 thousand (2013: EUR 591 thousand) relate to fixed remuneration and EUR 95 thousand (2013: EUR 232 thousand) to variable components. The fixed remuneration components include EUR 670 thousand for the fixed salary component and EUR 66 thousand for fringe benefits (2013: EUR 542 thousand for fixed salary, EUR 49 thousand for fringe benefits).

The remuneration of the Management Board members is as follows:

	Fixed Remuneration		Variable Remuneration		Total Remuneration	
in EUR thousand	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Jochen Moll	282	280	28	117	309	397
Ludwig Lutter	234	220	31	85	266	305
Dr. Jochen Wiechen (since 08/01/2013)	220	92	36	30	256	122
	736	**591**	**95**	**232**	**831**	**823**

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.

For the 2014 fiscal year, members of the Supervisory Board were entitled to a total remuneration of EUR 150 thousand (2013: EUR 111 thousand), which consists entirely of fixed compensation. There was no entitlement to variable compensation, similar to the prior year. The fixed compensation consists of EUR 50 thousand (2013: EUR 49 thousand) in fixed remuneration and EUR 100 thousand (2013: EUR 62 thousand) of fees for meetings. The remuneration of the Supervisory Board members is as follows:

	Fixed Remuneration		Variable Remuneration		Total Remuneration	
in EUR thousand	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Dr. Herbert May	77	59	0	0	77	59
Prof. Dr. Nikolaus Mohr	37	16	0	0	37	16
Dr. Kai Hudetz	37	18	0	0	37	18
Members who left the Supervisory Board in 2013	-	18*	-	0	-	18*
	150	**111**	**0**	**0**	**150**	**111**

* The Supervisory Board members waived the compensation for membership in the Supervisory Board, to which they are entitled pursuant to the articles of association.

In 2013, compensation for the Supervisory Board that was actually payable amounted to EUR 93 thousand, since Supervisory Board members Tobias Hartmann and Bob van Dijk waived their remuneration in the amount of EUR 18 thousand.

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 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 one of the leading providers of innovative and comprehensive solutions for omni-channel commerce in a highly dynamic market. That market is undergoing constant change due to factors such as technological progress, changes in the companies' IT landscape, consolidation of provider 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, and that new technologies greatly affect or even replace the current e-Commerce business. If the Company is not successful in monitoring the target markets adequately, sizing up the competition and providing new innovative product and solution-oriented strategies, this could lead to a negative sales trend because customers will go to the competition, making it more difficult to acquire new customers. Intershop counters this risk through continuous market monitoring and analysis of customer requirements together with customers, partners and market analysts. Therefore customer and partner feedback is regularly incorporated in the new product versions. In addition, discussions are held with industry analysts such as Forrester. The „Forrester Wave" study that was published in January 2015, which analyzed the B2C compatibility of commerce platforms, awarded an excellent rating to Intershop, designating it a „Strong Performer" with its current Suite 7.5.

Overall, Intershop has designated these risks as strategic risks that may significantly impact the company's financial and earnings position in the long term. However, at the moment there are no or only weak indicators that would indicate the occurrence of such risks.

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, in 2014 Intershop focused 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 European and non-European markets. Parallel to these developments, the year 2014 was marked by the establishment of new subsidiaries in France and the UK, and the expansion of a network of international sales partners, which will contribute to increasing the visibility of the Intershop brand in the respective region with various 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. Apart from the product shortage risk, there is also a general risk that the Intershop software is partially or entirely displaced by new disruptive technologies. But there are no indications of such developments at this time.

In summary, Intershop has assessed these risks as strategic risks that could cause a noticeable to significant negative impact on the earnings position, or a significant impact on the financial position. At this time, Intershop believes that the probability of these risks occurring is rather unlikely.

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 non-productive 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. 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. Even if the risk can be described as minimal overall, it cannot be excluded, as demonstrated by the 2014 fiscal year.

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, improved partner support by partner managers, and a partner selection process, which must satisfy an extensive catalog of requirements.

Business performance risks overall are currently assessed as unlikely. But if they were to occur, they could have a significant impact on Intershop's earnings and financial position.

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 employees switch to a competitor, the specific knowledge of the employee will be used there. Furthermore, it is generally more difficult to replace these employees. The loss of key personnel could have a negative impact on Intershop's competitiveness and economic development. These risks are counteracted using a modern personnel management system 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 in principle. During the course of the 2014 fiscal year, the company's economic development resulted in increased employee fluctuation, so that countermeasures, for example in the form of a newly introduced employee retention program, were intensified.

In summary, Intershop assesses the human resources risks as rather improbable, medium risks whose occurrence could have a noticeable negative effect on the earnings position.

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.

On the whole, Intershop assesses the information technology risks as rather improbable risks that, were they to occur, could have a negligible to significant impact on the earnings position.

FINANCIAL RISKS

As of the balance sheet date, Intershop had a reasonable liquidity situation and financial strength, with liquidity of EUR 6.7 million. 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.

On the whole, Intershop assesses the financial risks as rather improbable risks which, if they were to occur, could have a negligible to noticeably negative or positive effect on the earnings position.

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.

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, in isolation, may put the continued existence of Intershop in jeopardy.

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.

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 26.14% 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 takeover bid. In addition, the Company has not entered into any agreements with the members of the Management Board or with employees for compensation in the event of a takeover bid.

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

On February 19, 2015, 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 2014 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."

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

REPORT ON EXPECTED DEVELOPMENTS

ENVIRONMENT

Global growth for 2015 will again be fairly moderate at 3.5%. The economies of developed countries are expected to grow by 2.4%. In the countries of the Eurozone, economic activity is only slowly starting to gain some traction, and is expected to reach 1.2%. For Germany, the IMF forecasts a relatively solid 1.3% increase in GDP for 2015.

The global e-Commerce market has been mostly impervious to the fluctuations of the global economy in recent years. This trend is expected to continue, as eMarketer has also forecast strong growth of approximately 21% for the year 2015. By 2018, the B2C online business will grow by an average of 17% annually. In this context, the share of online business in the global retail business will grow from 5.9% in 2014 to 8.8% in 2018. In Germany, the current outlook is also positive. According to a current survey by the Institute for Commercial Research on behalf of the Handelsverband Deutschlands (HDE) [German Retail Federation], approximately 45% of all German online retailers expect stable, and approximately 40% expect slightly or much better sales, for 2015. The overall forecast of the HDE for the German online business in 2015 is correspondingly positive. It expects a growth of 12% to a volume of approximately EUR 44 billion.

The B2B online business will also be in a position to increasingly realize its potential in the coming years. In the opinion of the experts at Frost & Sullivan, the B2B online business is one of the most attractive and innovative markets of the future. In the coming years, B2B companies will come under increasing pressure to shift more of their activities onto the web. As a result, global sales in the B2B e-Commerce segment will grow to USD 12 trillion by 2020, which would correspond to an annual growth rate of 8.1%.

The increased digitization of not only businesses but also the global economy also ensures continued growth on global IT markets. In its annual forecast of global IT investments, US consulting firm Gartner expects that expenditure will increase by 2.4% in 2015, to a total volume of approximately USD 3.8 trillion. In this context, the market for IT services will grow by 2.5%. Growth drivers include Big Data and Cloud Computing. Expenditure for Enterprise Software is expected to grow by 5.5%. At the same time, Gartner also expects increased consolidation and price pressure particularly in the case of software solutions for Customer Relationship Management (CRM), which also includes e-Commerce platforms. Nevertheless, Forrester Research expects that the US market for e-Commerce software solutions alone will double to a volume of approximately USD 2.1 billion by 2019. Since commerce technologies have already been introduced in most B2C industries such as retailers and consumer goods, it is expected that the majority of the expected growth during the next five years will be driven by replatforming activities at established online retailers. Further growth in this market segment is generated by investments in improving the scalability of platforms and the purchasing experience. According to information from EITO, the software business in Germany is expected to grow by 5.5% to EUR 20.2 billion in the next year. Sales from IT services will also see a significant increase of 3.0% to EUR 37.4 billion.

COMPANY OUTLOOK

The e-Commerce market continues to promise significant growth in the coming years. Considerable potential is evident particularly in the B2B market and in places where retailers are adapting their online shops to growing sales or wish to overhaul them in terms of new technology. However, the market for e-Commerce software is extremely competitive, and the acquisition of new customers requires that commerce platform providers provide a competitive offering, alongside a strong market presence and stable company developments. In 2015, Intershop will continue the started refocusing process on the product business on the basis of the cost structure that was adjusted during the second half of 2014. The Management Board is in the process of reviewing various strategic scenarios and corporate financing options, such as using authorized capital or the option of external financing, so that the medium-term growth targets for the company and the required investments can be achieved.

For the current 2015 fiscal year, the Management Board expects to generate higher license revenues in the product business. Sales of licenses are generally followed by consulting and maintenance revenue. Accordingly, the company expects maintenance-related revenues to increase slightly. Due to the continued decline in revenues at several major customers in the consulting area, this segment will continue to experience a drop in sales in the 2015 fiscal year. Intershop expects stable revenue levels in the full service segment. With respect to the sales performance in the Europe, US and Asia Pacific segments, the company will strive to achieve a balanced distribution in terms of the percentage of total sales.

STATEMENT ON BUSINESS DEVELOPMENTS FOR 2015

Based on the assumptions for the respective business units, in 2015 Intershop expects lower total sales revenues in the lower double-digit percentage range under the level of the prior year 2014 - adjusted for the disposal of the online marketing subsidiary. The Management Board also expects to achieve an almost break-even operating result (EBIT) as a result of a continued slight increase in the gross margin and optimized cost structures.

Jena, March 3, 2015

The Management Board of INTERSHOP Communications AG

Jochen Moll   Ludwig Lutter   Dr. Jochen Wiechen


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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in EUR thousand	Note No.	December 31, 2014	December 31, 2013
ASSETS			
Noncurrent assets			
Intangible assets	(1)	9,451	11,104
Property, plant and equipment	(2)	631	1,026
Other noncurrent assets	(4)	45	20
Deferred tax assets	(21)	950	895
		11,077	**13,045**
Current assets			
Trade receivables	(3)	6,737	12,555
Other receivables and other assets	(4)	733	716
Restricted cash	(5)	375	0
Cash and cash equivalents	(5)	6,358	7,389
		14,203	**20,660**
TOTAL ASSETS		**25,280**	**33,705**
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)	(20,357)	(13,752)
		17,577	**24,182**
Noncurrent liabilities			
Other noncurrent provisions	(11)	0	58
Deferred revenue	(10)	0	421
		0	**479**
Current liabilities			
Other current provisions	(11)	344	347
Trade accounts payable	(7)	1,670	3,057
Income tax liabilities	(8)	150	72
Other current liabilities	(9)	2,867	2,940
Deferred revenue	(10)	2,672	2,628
		7,703	**9,044**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**25,280**	**33,705**

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CORPORATE GOVERNANCE REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	Note No.	January 1 to December 31, 2014	2013
Gross Revenues	(12)		
Licenses		6,174	6,318
Services, maintenance and other		43,279	51,020
		49,453	**57,338**
Media costs	(13)	**(3,278)**	**(3,783)**
Net Revenues	(12)		
Licenses		6,174	6,318
Services, maintenance and other		40,001	47,237
		46,175	**53,555**
Cost of revenues	(14)		
Licenses		(3,468)	(2,880)
Services, maintenance and other		(25,994)	(31,827)
		(29,462)	**(34,707)**
Gross profit		**16,713**	**18,848**
Operating expenses, operating income			
Research and development	(15)	(5,113)	(3,463)
Sales and marketing	(16)	(11,872)	(11,946)
General and administrative	(17)	(5,698)	(5,814)
Other operating income	(18)	1,510	499
Other operating expenses	(19)	(1,815)	(1,352)
		(22,988)	**(22,076)**
Result from operating activities		**(6,275)**	**(3,228)**
Interest income	(20)	37	25
Interest expense	(20)	(31)	(4)
Financial result		**6**	**21**
Earnings before tax		**(6,269)**	**(3,207)**
Income taxes	(21)	**(373)**	**(120)**
Earnings after tax		**(6,642)**	**(3,327)**
Other comprehensive income:			
Exchange differences on translating foreign operations		(133)	(103)
Reclassified to profit or loss		170	0
Other comprehensive income from exchange differences		**37**	**(103)**
Total comprehensive income		**(6,605)**	**(3,430)**
Earnings per share (EUR, basic, diluted)	(22)	(0.22)	(0.11)
Weighted average shares outstanding (basic, diluted)		30,183	30,183

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	Note No.	January 1 to December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		(6,269)	(3,207)
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		(6)	(21)
Depreciation and amortization		4,146	3,716
Other noncash expenses and income		514	(958)
Changes in operating assets and liabilities			
Accounts receivable		3,142	(2,253)
Other assets		(21)	(41)
Liabilities and provisions		(446)	(1,426)
Deferred revenue		(461)	448
Net cash provided by operating activities before income tax and interest		**599**	**(3,742)**
Interest received		37	25
Interest paid		0	(4)
Income taxes received		0	39
Income taxes paid		(249)	(449)
Net cash (used in) operating activities		**387**	**(4,131)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash		(375)	65
Proceeds on disposal of intangible assets		8	0
Payments for investments in intangible assets		(2,708)	(2,506)
Proceeds on disposal of equipment		32	10
Purchases of property and equipment		(275)	(364)
Proceeds on disposal of consolidated companies		1,901	0
Net cash used in investing activities		**(1,417)**	**(2,795)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows from financing activities		**0**	**0**
Effect of change in exchange rates on cash		(1)	1
Net change in cash and cash equivalents		**(1,031)**	**(6,925)**
Cash and cash equivalents, beginning of period	(5)	7,389	14,314
Cash and cash equivalents, end of period		**6,358**	**7,389**

CONSOLIDATED STATEMENT OF SHAREHOLDERS´ EQUITY

in EUR thousand	Common shares (Number shares)	Subscribed capital	Capital reserve	OTHER RESERVES Conversion reserve	Cumulative profit/loss	Cumulative currency differences	Total shareholders´equity
Balance, January 1, 2014	**30,183,484**	**30,183**	**7,751**	**(93)**	**(15,796)**	**2,137**	**24,182**
Total comprehensive income					(6,642)	37	(6,605)
Balance, December 31, 2014	**30,183,484**	**30,183**	**7,751**	**(93)**	**(22,438)**	**2,174**	**17,577**
Balance, January 1, 2013	**30,183,484**	**30,183**	**7,751**	**(93)**	**(12,469)**	**2,240**	**27,612**
Total comprehensive income					(3,327)	(103)	(3,430)
Balance, December 31, 2013	**30,183,484**	**30,183**	**7,751**	**(93)**	**(15,796)**	**2,137**	**24,182**

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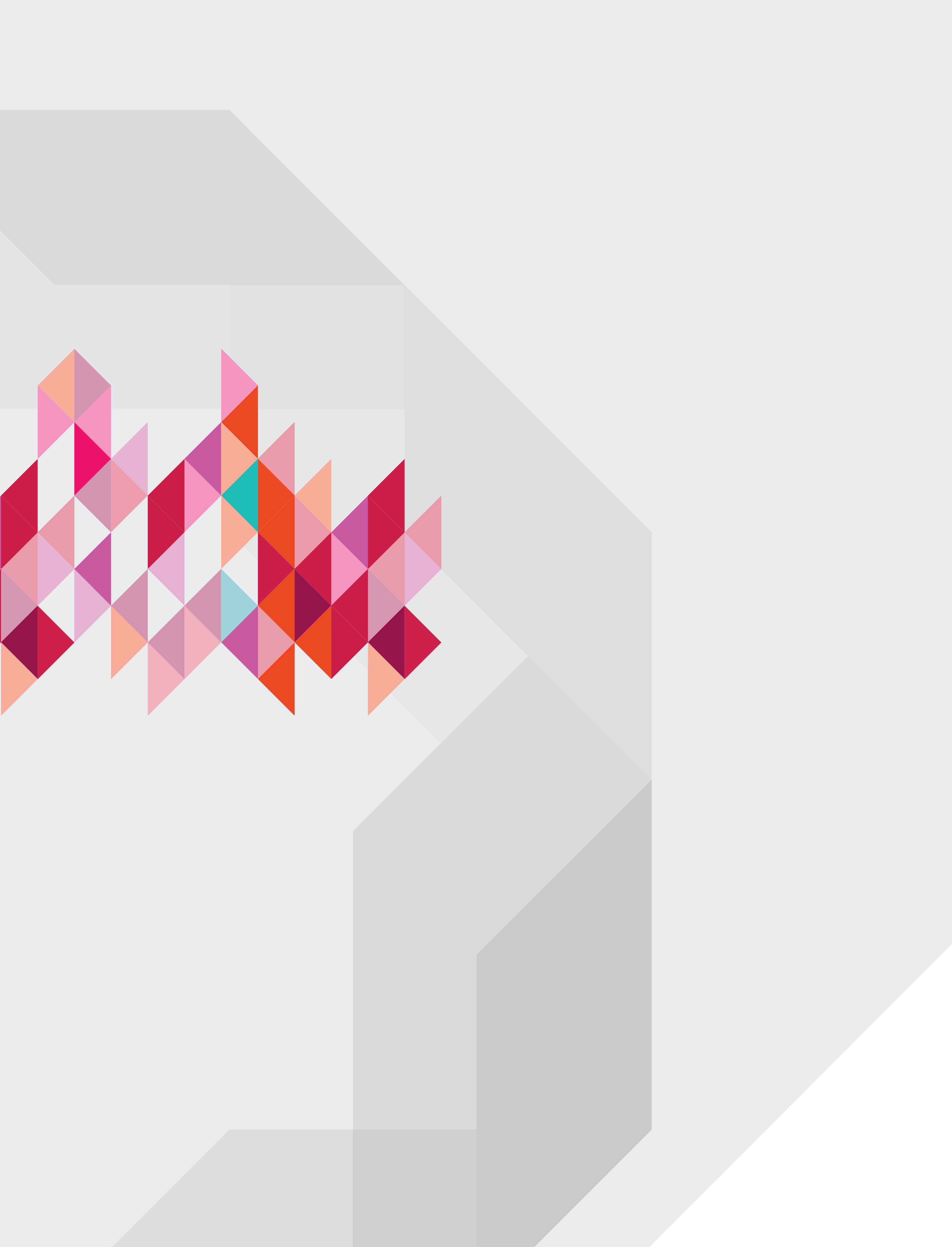
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



GENERAL DISCLOSURES

General Disclosures

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 07743 Jena, Germany. The Company is listed on the German stock exchange in Frankfurt and is included in the Prime Standard.
INTERSHOP Communications AG is entered in the commercial register of the Jena Local Court under number HRB 209419.

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

The Company has prepared its consolidated financial statements assuming the Company's continued operations. As of December 31, 2014, the Company had cash and cash equivalents of EUR 6.4 million (December 31, 2013: EUR 7.4 million). The equity ratio as of the balance sheet date was 70% (previous year: 72%). 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 2014, 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 the Company for 2014 (January 1, 2014 to December 31, 2014) were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date, which include standards (IFRS, IAS) adopted by IASB, and the Interpretations (IFRIC, SIC) issued by the International Financial Reporting Interpretations Committee (IFRIC IC), as adopted by the EU.

The 2014 fiscal year was the first year in which the adoption of the following financial reporting standards and interpretations became mandatory:

- IFRS 10 „Consolidated financial statements"
- IFRS 12 „Disclosure of interests in other entities"
- Amendment to the transition rules of IFRS 10 ,11 and 12
- Amendments to IAS 27 „Individual financial statements"
- Amendments to IAS 28 „Investments in associates and joint ventures"
- Amendments to IAS 32 „Financial Instruments: Presentation"
- Amendments to IAS 36: „Recoverable Amount Disclosures"
- Amendments to IAS 39 „Novation of derivatives"

The focus of IFRS 10 is on the introduction of a single consolidation model for all companies, which centers on the parent company's control of the subsidiary. IFRS 12 sets out the disclosure requirements regarding subsidiaries, joint ventures, associates and non-consolidated structured entities. The first-time application of the aforementioned amendments did not result in a major impact on the presentation of Intershop's consolidated financial statements for the reporting year. It may lead to changes and additions to the information in the Notes in the future.

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

IFRS	**Change**	**Amendment for fiscal year as of**
IFRIC 21	Levies	07/01/2014
IAS 19	Performance-based plans: Employee contributions	07/01/2014
Improvements	Improvements to IFRSs 2010-2012	02/01/2015
	Improvements to IFRSs 2011-2013	01/01/2015
	Improvements to IFRSs 2012-2014	01/01/2016
IAS 1	Initiative for the improvement of disclosure requirements	01/01/2016
IFRS 11	Accounting for joint operations	01/01/2016
IFRS 14	Regulatory Deferral Accounts	01/01/2016
IAS 16, IAS 38	Clarification of admissible depreciation methods	01/01/2016
Amendments IFRS 10, 12, IAS 28	Investment entities: Application of the consolidation exception, contribution to an associate	01/01/2016
Amendment IAS 27	Equity method	01/01/2016
IFRS 15	Revenues from contracts with customers	01/01/2017
IFRS 9	Financial instruments	01/01/2018

IFRS 15: The new model establishes a five-step scheme. According to this, the customer contract and the performance obligations contained therein are to be identified. Then the agreed transaction price is to be determined and allocated to the separate performance obligations. At the end, revenue is to be recognized for each performance obligation when the performance obligation is satisfied or when the power of control has been transferred to the customer. A distinction is made between performances at a certain point in time (such as handover of a product) and performances obligations satisfied over time (such as providing a service). The effects on the accounts at Intershop will be reviewed. Additional information must also be included in the Notes.

IFRS 9 addresses the classification, recognition and measurement of financial assets and liabilities. The concrete impact of the amendments from IFRS 9 and the other aforementioned standards on the net assets, financial and earnings position, along with the presentation of the group, must still be reviewed.

Financial reporting for fiscal year 2014 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, 2015, 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 and full services. In fiscal year 2014, other provisions amounted to a total of EUR 344 thousand (previous year: EUR 347 thousand). The corresponding expense entries were recognized in the Consolidated Statement of Comprehensive Income under general administration costs and cost of revenues. Value adjustments amounting to EUR 1,096 thousand, which concerned one customer in the amount of EUR 950 thousand, have been recognized in trade receivables. In 2014 this amount was written off as irrecoverable due to the insolvency of the customer and the remaining receivables in the amount of EUR 1,510 thousand were written off as a loss. Please refer to sections „(3) Trade receivables" and „(19) Other operating expenses". Goodwill is tested for impairment using the test described in the section entitled „Impairment of assets." No impairments were necessary in fiscal years 2014 and 2013. Please refer to the "Revenues" section in the chapter entitled "Accounting Policies" for information on estimating revenues.

Basis of consolidation

As of December 31, 2014, the companies included in consolidation consisted of, apart from the parent company, the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd, Intershop Communications Asia Limited, Intershop Communications Nordics AB, The Bakery GmbH, Intershop Communications Ventures GmbH, Intershop Communications SARL and Intershop Communications LTD.

The subsidiaries Intershop Communications SARL domiciled in Paris (France) and Intershop Communications LTD domiciled in Romsey (UK) were established in 2014. The acquisition costs of EUR 10,000 and GBP 1 correspond to the capital contribution. The subsidiary SoQuero GmbH was sold effective September 30, 2014, and has thus been removed from the list of companies included in consolidation. As a result of the sale, non-current assets of EUR 110 thousand plus EUR 754 thousand in goodwill, current assets of EUR 1,431 thousand and current liabilities of EUR 1,412 thousand were removed from the consolidated balance sheet. The deconsolidation resulted in a positive effect on results in the amount of EUR 1,017 thousand. It was recognized under other operating income.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2014:

	Interest in%	**Equity*** (in EUR thousand)	**Net loss**** (in EUR thousand)
Intershop Communications, Inc., San Francisco, USA	100	(1,489)	(1,234)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	413	252
Intershop Communications Asia Limited, Hong Kong, China	100	34	17
Intershop Communications Nordics AB, Malmö, Sweden	100	23	0
The Bakery GmbH, Berlin, Germany	100	(3,725)	(433)
Intershop Communications Ventures GmbH, Jena, Germany	100	(2,282)	(29)
Intershop Communications SARL, Paris, France	100	(256)	(266)
Intershop Communications LTD, Romsey, United Kingdom	100	(163)	(158)

* Equity as of December 31, 2014 is translated at the exchange rate as of the reporting date

** Net profit/loss for fiscal year 2014 is translated at the average annual rate

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. Intershop Communications AG controls an entity when it is exposed to fluctuating returns from its activities in the entity, or owns the rights to these returns, and can influence them through the entity using its 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 75 thousands (2013: EUR -290 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, 2014	Dec. 31, 2013	2014	2013
United States	USD	1.22	1.38	1.33	1.33
Australia	AUD	1.49	1.55	1.47	1.38
Hong Kong	HKD	9.43	10.68	10.33	10.50
United Kingdom	GBP	0.78	0.83	0.81	0.85

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 2014 and 2013. 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 2014 and 2013.
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, 2014: EUR 4,473 thousand, recoverable amount: EUR 17,372 thousand). For the goodwill the relevant cash-generating unit is the Europe segment excluding full-service business areas. As a first step, the carrying amount of the cash generating unit is compared with their value in use. The total of the carrying amount 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 unit, the net cash flows were calculated for 2015 to 2018 and a perpetual annuity (without growth rate) was calculated for the period beginning 2019. The calculations are based on the corporate planning for the period from 2015 to 2018 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 11.75% (weighted average cost of capital – WACC). No impairment losses on goodwill were reported in 2014 and 2013. Impairment losses on goodwill are not reversed. A change in the discount rate by one percentage point or a reduction in cash flows by up to 50% compared to the budget would not have any effect on the result of the test.

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 and restricted cash

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

Other provisions and contingent liabilities

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

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

Trade accounts payable

Trade accounts payable are 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 and full service 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, 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**
Additions	74	2,601	33	0	2,708
Disposals	(37)	0	0	(754)	(791)
Disposals in the consolidated group	(2)	0	(33)	0	(35)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2014	**1,134**	**17,976**	**1,812**	**24,097**	**45,019**
Amortization, write-downs, and impairment losses					
Balance at January 1, 2013	**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**
Additions	109	3,456	1	0	3,566
Disposals	(29)	0	0	0	(29)
Disposals in the consolidated group	(1)	0	(1)	0	(2)
Currency translation differences	0	0	0	0	0
Balance at December 31, 2014	**1,031**	**13,101**	**1,812**	**19,624**	**35,568**
Net carrying amount at December 31, 2013	**147**	**5,730**	**0**	**5,227**	**11,104**
Net carrying amount at December 31, 2014	**103**	**4,875**	**0**	**4,473**	**9,451**

"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 3,482 thousand (2013: EUR 2,917 thousand) are included in the cost of revenues, EUR 33 thousand (2013: EUR 28 thousand) in research and development expenses, EUR 6 thousand (2013: EUR 9 thousand) in the Sales and Marketing costs as well as EUR 45 thousand (2013: EUR 66 thousand) in general and administrative costs. With the exception of goodwill, there are no intangible assets with indefinite useful lives. The decrease of goodwill in the amount of EUR 754 thousand was due to the sale of the subsidiary, SoQuero GmbH.

(2) PROPERTY, PLANT, AND EQUIPMENT

in EUR thousand	Computer equipment	Office and operating equipment	Leasehold improvements	Total
Costs of purchase				
Balance at January 1, 2013	**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**
Additions	150	124	0	274
Disposals	(230)	(37)	0	(267)
Disposals in the consolidated group	(77)	(102)	0	(179)
Currency translation differences	16	6	1	23
Balance at December 31, 2014	**2,423**	**1,637**	**282**	**4,342**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2013	**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**
Additions	367	211	1	579
Disposals	(213)	(23)	0	(236)
Disposals in the consolidated group	(52)	(62)	0	(114)
Currency translation differences	13	4	0	17
Balance at December 31, 2014	**2,147**	**1,300**	**264**	**3,711**
Net carrying amount at December 31, 2013	**532**	**476**	**18**	**1,026**
Net carrying amount at December 31, 2014	**276**	**337**	**18**	**631**

Of depreciation, write-downs and impairment losses on property, plant and equipment recognized in the Statement of Comprehensive Income, EUR 252 thousand (2013: EUR 338 thousand) are included in the cost of revenues, EUR 146 thousand (2013: EUR 175 thousand) in research and development expenses, EUR 44 thousand (2013: EUR 44 thousand) in marketing and sales expenses as well as EUR 137 thousand (2013: EUR 139 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 6,737 thousand (2013: EUR 12,555 thousand) and due within one year (current assets). Thereof, total receivables of EUR 5,317 thousand (2013: EUR 7,782 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, 2014	Dec. 31, 2013
Due within 30 days	4,392	5,624
Due within 31 and 60 days	329	945
Due within 61 days and 1 year	596	1,213
	5,317	**7,782**

As of December 31, 2014, trade receivables of EUR 879 thousand were past due but were not impaired (December 31, 2013: EUR 3,781 thousand). The following table shows the maturity structure of receivables that are past due but not impaired:

in EUR thousand	Dec. 31, 2014	Dec. 31, 2013
Up to 30 days past due	226	2,017
31 to 60 days past due	481	339
61 to 90 days past due	172	1,426
	879	**3,781**

Specific allowances are recognized after 90 days. As regards the trade receivables due or not yet due at the balance sheet date, it is not expected that the customers will fail to fulfill their payment obligations. Impairment losses amounting to EUR 82 thousand (2013: EUR 1,096 thousand) have been recognized in the fiscal year. Impairments changed as follows:

in EUR thousand	2014	2013
Balance at beginning of year	**1,096**	**124**
Impairment of receivables	(20)	994
Amounts derecognized due to uncollectibility	(1,029)	(22)
Amounts received during the fiscal year on receivables written off	35	0
Reversals of impairments	0	0
Balance at end of year	**82**	**1,096**

(4) OTHER RECEIVABLES AND OTHER ASSETS

Other noncurrent assets in the amount of EUR 45 thousand (2013: EUR 20 thousand) comprise rental security deposits.

Other current receivables and current assets include the following items:

in EUR thousand	Dec. 31, 2014	Dec. 31, 2013
Prepayments	469	614
Other tax receivables	99	37
Receivables from Agentur für Arbeit [German Labor Agency]	84	0
Receivables from employees and former employees	5	13
Other	76	52
	733	**716**

(5) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include current cash and cash equivalents, as well as short-term restricted cash.

Cash and cash equivalents include balances at various credit institutions that are available at any time, as well as cash on hand and checks. Short-term restricted cash includes released cash from a collateral amount in connection with the disposal of subsidiary SoQuero GmbH.

(6) EQUITY

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

SUBSCRIBED CAPITAL

As of December 31, 2014, 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 information regarding shareholdings is based on the notifications according to sec. 21 (1) WpHG, which were made by the company pursuant to sec. 26 (1) WpHG, with regard to changes to voting rights in previous fiscal years. As of the balance sheet date, the free float of INTERSHOP Communications AG comes to 68.79%.

AUTHORIZED CAPITAL

As of December 31, 2014, the Company had a total of EUR 7,500,000 in authorized capital (December 31, 2013: EUR 7,500,000). 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.

CONDITIONAL CAPITAL

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

(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 1,670 thousand (2013: EUR 3,057 thousand).

(8) INCOME TAX LIABILITIES

Income tax liabilities amounted to EUR 150 thousand (2013: EUR 72 thousand) and relate to domestic income taxes from prior years as well as foreign income taxes for 2014. With regard to deferred taxes, we refer to section „(21) Income taxes".

(9) OTHER LIABILITIES

Other liabilities consist only of current liabilities and comprise:

in EUR thousand	**Dec. 31, 2014**	**Dec. 31, 2013**
Liabilities to employees	1,028	890
Other VAT and wage tax liabilities	756	829
Liabilities from outstanding vacation entitlement	540	594
Liabilities to the Occupational Health and Safety Agency	132	158
Other liabilities relating to social security benefits	84	79
Miscellaneous other liabilities	327	390
	2,867	**2,940**

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 0 thousand (2013: EUR 58 thousand).
Other current provisions amounted to EUR 344 thousand (2013: EUR 347 thousand).

The following table shows the development of other provisions:

in EUR thousand	
Balance at January 1, 2014	**58**
Additions	0
Utilization	(58)
Reversal	0
Currency adjustments	0
Balance at December 31, 2014	**0**

Other current provisions:

in EUR thousand	Litigation risks	Other	Total
Balance at January 1, 2014	**50**	**297**	**347**
Additions	0	323	323
Utilization	(32)	(298)	(330)
Reversal	0	0	0
Currency adjustments	0	4	4
Balance at December 31, 2014	**18**	**326**	**344**

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 6,174 thousand (2013: EUR 6,318 thousand). Net revenues from services, maintenance, and other are composed of the following items:

in EUR thousand	2014	2013
Consulting/Training	22,986	25,775
Maintenance	7,493	8,306
Online marketing	3,232	4,417
Other revenues	6,290	8,739
	40,001	**47,237**

Other revenue includes the revenue from the full-service and TheBakery businesses. Full service income includes revenues from fixed price projects in the amount of EUR 192 thousand. This was measured based on the stage of completion of the project using the percentage of completion method. The costs of the project amounted to EUR 131 thousand. The fixed price projects result in a contribution to results of EUR 61 thousand.

Gross revenues of online marketing amounted to EUR 6,510 thousand (2013: EUR 8,200 thousand).

(13) MEDIA COSTS

Media costs are incurred solely in connection with the online marketing revenues. 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 cost of licenses in the amount of EUR 3,468 thousand (2013: EUR 2,880 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	2014	2013
Consulting/Training	16,088	19,549
Maintenance	1,754	1,470
Online marketing	1,760	2,842
Other cost of revenues	6,392	7,966
	25,994	**31,827**

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, with personnel expenses accounting for the majority of this item. The increase in research and development costs from EUR 3,463 thousand to EUR 5,113 thousand is mainly the result of higher expenditures for in-house development projects in the 2014 fiscal year. Please see section "Research and Development" in the Group Management Report.

(16) SALES AND MARKETING EXPENSES

Sales and marketing expenses consist mainly of personnel costs for sales and marketing employees, sales commissions, expenditures for sales partners, and costs associated with advertising and exhibitions for various trade shows. At EUR 11,872 thousand, sales and marketing expenses are at the level of the prior year (EUR 11,946 thousand). The share of sales and marketing expenses to total revenue was 26% (2013: 22%).

(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 administrative expenses declined by 2% from EUR 5,814 thousand to EUR 5,698 thousand.

(18) OTHER OPERATING INCOME

Other operating income is composed of the following items:

in EUR thousand	2014	2013
Income from the disposal of consolidated companies	1,017	0
Income from currency translation gains	230	79
Income from government grants	11	252
Miscellaneous	252	168
	1,510	**499**

Income from currency gains of EUR 230 thousand is attributable to financial instruments. Income from the disposal of consolidated companies relates to the disposal of SoQuero GmbH. Income from government contributions was paid out in 2014. These contributions relate to a research and development project that is supported by the Federal Ministry for Education and Research.

(19) OTHER OPERATING EXPENSES

Other operating expenses relate to the following items:

in EUR thousand	2014	2013
Expenses from loss of receivables/value adjustments	1,516	950
Currency translation losses	155	368
Other taxes	90	0
Miscellaneous	54	34
	1,815	**1,352**

Expenses from currency translation losses of EUR 155 thousand were attributable to financial instruments. Expenses from loss of receivables/value adjustments are due to the insolvency of a customer.

(20) INTEREST INCOME AND INTEREST EXPENSES

Interest income in the amount of EUR 37 thousand (2013: EUR 25 thousand) primarily includes interest on bank balances. Interest expenses amounted to EUR 31 thousand (2013: EUR 4 thousand) and are mainly due to back taxes.

(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. The calculation of deferred taxes for the domestic companies for December 31, 2014 was based on a corporate income tax rate of 15% (2013: 15%) plus the solidarity surcharge of 5.5% (2013: 5.5%) and an effective expected trade tax rate of 15.76% (2013: 14.70%).

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

in EUR thousand	2014	2013
Current taxes		
Abroad	243	120
Germany	186	0
Deferred taxes		
Abroad	(63)	0
Germany	7	0
	373	**120**

The Group tax rate of 31.584% applicable in fiscal year 2014 (2013: 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	2014	2013
IFRS pretax income	(6,269)	(3,207)
Corporate tax rate	31.584%	30.53%
Expected tax income	(1,980)	(979)
Effects of changes in tax rates and different rates of foreign taxation	34	(17)
Non-recognition of deferred taxes	2,067	1,077
Permanent effects, tax refunds	227	(7)
Taxes of prior years	27	0
Effects of changes in basis of consolidation and others	(2)	12
Income taxes	**373**	**120**

The components of the deferred tax assets were as follows:

in EUR thousand	2014	2013
Taxes on eligible loss carryforwards	2,393	2,499
Provisions/Liabilities	114	145
	2,507	**2,644**
Offset	(1,557)	(1,749)
Deferred tax assets after offset	**950**	**895**
Intangible assets	1,540	1,749
Inventories	17	0
	1,557	**1,749**
Offset	(1,557)	(1,749)
Deferred tax liabilities after offset	**0**	**0**
Net deferred tax assets	**950**	**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, 2014 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, 2014, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	2014	2013
U.S. Federal	101,654	89,260
U.S. State	92,160	76,596
German corporate income tax	182,658	177,059
German municipal trade tax	177,795	172,500
Other	424	0

U.S. federal and state net operating loss carryforwards expire in various fiscal periods through 2034. The increase is mainly the result of the currency translation and current losses. 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 2014. With regard to the remaining loss carryforwards, no deferred tax assets are entered for corporation tax purposes in the amount of EUR 175,082 thousand (previous year: EUR 174,124 thousand) nor for business tax purposes in the amount of EUR 170,218 thousand (previous year: EUR 169,568 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	2014	2013
Basis for calculating basic and diluted earnings per share (earnings after tax)	**(6,642)**	**(3,327)**

	2014	2013
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	**30,183**	**30,183**

	2014	2013
Calculation of earnings per share (basic/diluted)		
Basis for calculating basic/diluted earnings per share (in EUR thousand)	(6,642)	(3,327)
Weighted average number of shares (basic/diluted)	30,183	30,183
Earnings per share (basic/diluted) (in EUR)	**(0.22)**	**(0.11)**

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. If a basic result and diluted result are the same, this may be disclosed in one row as per IAS 33.6.

NOTES TO THE CASH FLOW STATEMENT

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

Cash inflow from operating activities amounted to EUR 387 thousand in 2014, compared to a cash outflow of EUR 4,131 thousand in 2013. The reduction in trade receivables was the main reason for the inflow of cash. In addition, increased non-cash impairment losses (2014: EUR 4,146 thousand; 2013: EUR 3,716 thousand) and reduced liabilities and provisions also had a positive effect on cash flow. Outflows from investment activities declined mainly due to deposits from the disposal of consolidated companies. This item in the amount of EUR 1,901 thousand is the result of the disposal of SoQuero GmbH. The amount paid was EUR 2,069 thousand less EUR 84 thousand for SoQuero GmbH's bank portfolio, and EUR 84 thousand in transaction costs. The payments for investments in intangible assets came to EUR 2,708 thousand (2013: EUR 2,506 thousand). The total net outflow for the 2014 fiscal year was EUR 1,031 thousand compared to a cash outflow of EUR 6,925 thousand in the prior year. On the balance sheet date, Intershop had cash and cash equivalents of EUR 6,358 thousand (December 31, 2013: EUR 7,389 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, 2014

in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	5,007	789	378	0	**6,174**
Consulting and training	10,741	8,180	4,065	0	**22,986**
Maintenance	6,036	925	532	0	**7,493**
Online Marketing	3,232	0	0	0	**3,232**
Other	4,435	899	956	0	**6,290**
Total net revenues from external customers	**29,451**	**10,793**	**5,931**	**0**	**46,175**
Intersegment revenues	723	60	266	(1,049)	**0**
Total net revenues	**30,174**	**10,853**	**6,197**	**(1,049)**	**46,175**
Cost of revenues	18,797	6,894	3,771	0	**29,462**
Gross profit	**10,654**	**3,899**	**2,160**	**0**	**16,713**
Operating expenses, operating income	14,667	5,379	2,942	0	**22,988**
Result from operating activities	**(4,013)**	**(1,480)**	**(782)**	**0**	**(6,275)**
Financial result					**6**
Earnings before tax					**(6,269)**
Income taxes					**(373)**
Earnings After Tax					**(6,642)**
Assets	16,128	5,916	3,236	0	**25,280**
Depreciation and amortization	2,645	970	531	0	**4,146**
Noncash expenses	977	358	196	0	**1,531**
Noncash income	649	238	130	0	**1,017**

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**	**5,864**	**(1,075)**	**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**

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, Intershop Communications LTD, Intershop Communications SARL, SoQuero GmbH (until September 30, 2014) as well as The Bakery GmbH in Europe. The segment "U.S.A." includes the sales activities of Intershop Communications Inc. mainly in North America as well as the sales activities of INTERSHOP Communications AG in this region. The segment "Asia/Pacific" includes the sales activities of the Group in that region, including the sales activities of INTERSHOP Communications Australia Pty Ltd and Intershop Communications Asia Limited. The segment "Consolidation" includes all transactions in the individual segments.

Notes to the content of the individual line items:

- 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.
- Noncash expenses in 2014 and 2013 include the value adjustments. Noncash income in 2014 includes the income from the disposal of subsidiary SoQuero GmbH. There was no significant noncash income in 2013.

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 20,635 thousand (2013: EUR 22,953 thousand). Revenues of EUR 25,540 thousand (2013: EUR 30,602 thousand) were recorded from external customers in other countries. EUR 10,717 thousand (2013: EUR 14,750 thousand) of these revenues was attributable to customers in the U.S. Total non-current assets excluding deferred taxes amounted to EUR 9,999 thousand (2013: EUR 12,217 thousand) in Germany and EUR 128 thousand (2013: EUR 83 thousand) in other countries. The Company does not have any assets relating to financial instruments associated with pensions or rights arising from insurance contracts. During the fiscal year, there were no relations with individual customers whose percentage of total sales was at least 10% of the group's total revenues. Revenue of EUR 8,090 thousand was generated with a single customer in the prior year. The proceeds were attributable to the „USA" 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, 2014	Dec.31, 2013
Due within 1 year	2,912	3,068
Due in 1 to 5 years	2,839	5,096
Due after more than 5 years	0	0
Total	**5,751**	**8,164**

The sum of future minimum payments arising from subleases amounted to EUR 441 thousand (2013: 334 TEUR) as of the balance sheet date. Rental expense of EUR 2,675 thousand (2013: EUR 2,662 thousand) was recognized in the income statement. Rental income amounted to EUR 701 thousand (2013: EUR 806 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. The contractual partner has filed a counter claim. The Company is defending itself against this and is of the opinion that the claims asserted by the contractual partner have no foundation based on the merits of the case and that the amount is also without justification. At this time, the proceedings have been suspended pursuant to sec. 240 ZPO due to the insolvency of the contractual partner. Accordingly, the receivables were fully removed from the books in 2014. A value adjustment was already applied to a portion of the receivables in the prior year.

In July 2014, an annulment and rescission lawsuit was brought against the Company by the shareholder GSI Commerce Solutions regarding the resolution of item 6 (special audit) which was adopted at the ordinary shareholders' meeting of June 12, 2014. The lawsuit is pending before the District Court of Gera and is currently being reviewed. The date for the conciliation judge, which was set for February 12, 2015, was canceled. A new date has not been set. At this time, the company assumes that the new date will be in the second quarter of 2015.

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, 2014**	**Dec. 31, 2013**	**as a% of previous year**
Equity	17,577	24,182	-27%
Trade accounts payable	1,670	3,057	-45%
Other liabilities	6,033	6,466	-7%
Equity ratio	70%	72%	

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

CATEGORIES OF FINANCIAL INSTRUMENT

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

in EUR thousand

Measurement	Categories	Dec. 31, 2014 Carrying amount	Dec. 31, 2013 Carrying amount
Measured at amortized cost			
ASSETS			
Other noncurrent assets	Loans and receivables	45	20
Trade receivables	Loans and receivables	6,737	12,555
Restricted cash	Loans and receivables	375	0
Cash and cash equivalents	Loans and receivables	6,358	7,389
Other receivables and other assets		733	716
LIABILITIES			
Trade payables	Financial liabilities measured at amortized cost	1,670	3,057
Other current liabilities		2,867	2,940
of which financial liabilities measured at amortized cost		150	93

Carrying amount aggregated by measurement category	2014	2013
Loans and receivables	13,515	19,964
Financial liabilities measured at amortized cost	1,820	3,150

Net gain/loss per measurement category	On interest		On valuation allowances	
	2014	2013	2014	2013
Loans and receivables	6	22	0	994

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, U.S. American banks and Australian banks in secure investments. There is no significant default risk here. The Company regularly monitors current and future returns. The maximum default risk relating to financial assets is their carrying amounts in the balance sheet.

LIQUIDITY RISK

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 6,358 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, 2013	Cash flow in 2014	Carrying amount at Dec. 31, 2014	Cash flow in 2015	Cash flow after 2015
Trade accounts payable	3,057	3,057	1,670	1,670	0
Other current liabilities	2,940	2,346	2,867	2,327	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	2014	2013	2014	2013
in USD	717	504	117	45
in AUD	0	0	0	0

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

	Earnings After Tax USD		Earnings After Tax AUD	
In EUR thousand	2014	2013	2014	2013
Change due to 10% appreciation of the euro	(13)	(42)	0	0
Change due to 10% depreciation of the euro	16	51	0	0

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 1,874 thousand (2013: EUR 3,042 thousand). Income includes revenue from consulting and maintenance revenue (in the prior year, also licenses revenue). The outstanding balance for receivables came to EUR 117 thousand as of December 31, 2014 (2013: EUR 174 thousand). Receivables include trade receivables, which were not yet due. In 2014 and 2013, 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 2014 the following members:

Last 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 2014:

Last 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

Total remuneration paid to the Management Board for its activities in fiscal year 2014 amounted to EUR 831 thousand (2013: EUR 823 thousand), of which EUR 736 thousand (2013: EUR 591 thousand) accounted for fixed remuneration and EUR 95 thousand (2013: EUR 232 thousand) for the variable components. In fiscal year 2014, members of the Supervisory Board were entitled to a total remuneration of EUR 150 thousand (2013: EUR 111 thousand, actual remuneration payable EUR 93 thousand due to relinquishment), which consists entirely of fixed compensation. 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, 2014, the following members of the company's executive bodies held Intershop ordinary bearer shares:

Last name	Function	Shares
Dr. Herbert May	Chairman of the Supervisory Board	18,000
Prof. Dr. Nikolaus Mohr	Vice Chairman of the Supervisory Board	15,000
Dr. Kai Hudetz	Member of the Supervisory Board	4,000
Jochen Moll	Spokesman of the Management Board	50,000
Ludwig Lutter	Member of the Board of Management	10,874
Dr. Jochen Wiechen	Member of the Board of Management	30,000

During fiscal year 2014, the members of the company's executive bodies made the following purchases of Intershop ordinary bearer shares:

Last name	Date	Type of transaction	Amount	Total value (EUR)
Jochen Moll	02/25/2014	Purchase	10,000	19,000
Jochen Moll	08/25/2014	Purchase	7,500	9,938
Dr. Jochen Wiechen	01/31/2014	Purchase	20,000	35,770
Prof. Dr. Nikolaus Mohr	08/19/2014	Purchase	15,000	17,920
Dr. Kai Hudetz	08/29/2014	Purchase	4,000	5,280

EMPLOYEES

During the fiscal year 2014, Intershop Group had an average of 499 full-time employees, of whom 496 were salaried employees and 3 members of the executive bodies (2013: 538 full-time employees, of whom 536 were salaried employees and 2 members of the executive bodies).

PERSONNEL EXPENSES AND COST OF MATERIALS

Employee-related expenses amounted to EUR 32,812 thousand (2013: EUR 33,395 thousand). Pension insurance contributions paid by the Company for statutory pension insurance schemes totaled EUR 1,861 thousand (2013: EUR 1,916 thousand). The cost of materials came to EUR 5,849 thousand (2013: EUR 7,956 thousand), of which EUR 5,702 thousand (2013: EUR 7,727 thousand) related to purchased services.

AUDITORS' FEES

In fiscal year 2014, the company incurred expenses for auditing services pursuant to sec. 285 no. 17 and sec. 314 (1) no. 9 HGB in the amount of EUR 108 thousand (2013: EUR 116 thousand), and EUR 0 for other assurance services and other services (2013: EUR 6 thousand and EUR 12 thousand respectively). Expenses for tax consulting services amounted to EUR 64 thousand (2013: EUR 16 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 3, 2014, 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, 2015

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, 2014. 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 4, 2015

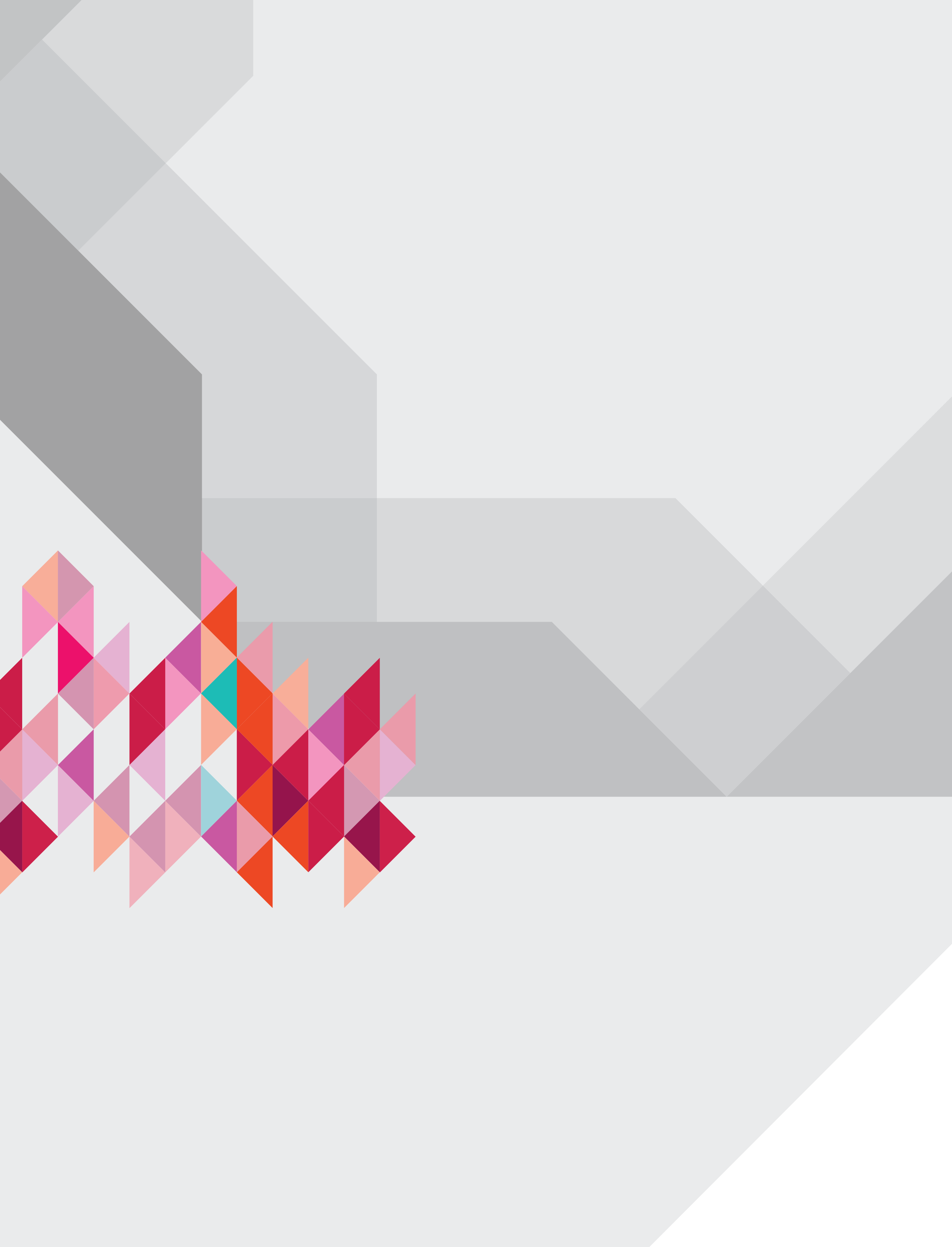
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Angelika Kraus)
Wirtschaftsprüferin
(German Public Auditor)

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


04

FINANCIAL STATEMENTS



BALANCE SHEET INTERSHOP COMMUNICATIONS AG

in EUR	December 31, 2014	December 31, 2013
ASSETS		
Fixed Assets		
Intangible assets		
Purchased software licenses	102,389	129,015
Property and equipment		
Other facilities, furniture, and equipment	545,231	809,988
Financial Assets		
Investments in affiliated companies	8,879,535	10,497,342
	9,527,155	**11,436,345**
Current Assets		
Inventories		
Work in process	135,274	0
Payments on account	3,143	0
	138,417	0
Receivables and other assets		
Accounts receivable	3,383,497	8,400,168
Receivables from affiliated companies	3,324,199	2,928,742
Receivables from companies in which participations are held	117,162	173,939
Other assets	233,978	51,249
	7,058,836	11,554,098
Cash-in-hand, bank balances	5,046,599	5,752,992
	12,243,852	**17,307,090**
Prepaid expenses	**341,719**	**482,693**
TOTAL ASSETS	**22,112,726**	**29,226,128**
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	(19,550,986)	(14,069,669)
	17,077,779	**22,559,096**
Accrued Liabilities		
Provisions for taxes	79,100	0
Other accrued liabilities	2,445,253	2,687,753
	2,524,353	**2,687,753**
Liabilities		
Accounts payable	299,334	1,055,161
Liabilities to affiliated companies	76	657,840
Other liabilities	723,884	838,193
thereof from taxes: EUR 480,073 (prior year: EUR 676,814)		
thereof from social security benefits: EUR 26,635 (prior year: EUR 35,893)		
	1,023,294	**2,551,193**
Deferred Charges	**1,487,300**	**1,428,086**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**22,112,726**	**29,226,128**

STATEMENT OF OPERATIONS OF INTERSHOP COMMUNICATIONS AG

in EUR	January 1 to December 31, 2014	2013
Revenues	31,668,660	41,959,075
Decrease or increase in inventories of work in progress	135,274	(1,468,818)
Other operating income	2,240,499	1,761,628
Cost of Materials		
Cost of purchased merchandise	(74,599)	(217,199)
Cost of purchased services	(2,777,949)	(5,843,024)
Personnel Costs		
Salaries	(20,121,134)	(20,942,665)
Social security contribution	(3,359,457)	(3,425,104)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(597,105)	(738,794)
Other operating expenses	(12,790,947)	(14,147,596)
Profit from profit transfer agreements	243,180	349,130
Other interest and similar income	144,155	107,302
thereof from affiliated companies EUR 134,224 (prior year: EUR 86,137)		
Interest and similar expenses	(30,605)	(1,485)
Result from ordinary activities	**(5,320,028)**	**(2,607,550)**
Taxes on income	(161,289)	0
Net loss for the year	**(5,481,317)**	**(2,607,550)**
Accumulated deficit carried forward	(14,069,669)	(11,462,119)
Accumulated Deficit	**(19,550,986)**	**(14,069,669)**

The annual financial statements of INTERSHOP Communications Aktiengesellschaft (Intershop), Jena, for fiscal year 2014 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. This tax provision was also adopted in commercial law in a simplified form due to its minor importance.

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, 2014	**1,803**	**3,880**	**46,069**	**51,752**
Additions	74	231	10	**315**
Disposals	0	(86)	(1,627)	**(1,713)**
Balance at December 31, 2014	**1,877**	**4,025**	**44,452**	**50,354**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2014	**1,674**	**3,070**	**35,572**	**40,316**
Additions	101	496	0	**597**
Disposals	0	(86)	0	**(86)**
Balance at December 31, 2014	**1,775**	**3,480**	**35,572**	**40,827**
Net carrying amount at December 31, 2013	**129**	**810**	**10,497**	**11,436**
Net carrying amount at December 31, 2014	**102**	**545**	**8.880**	**9.527**

Out of the financial assets, EUR 8,863 thousand are allocated to Intershop Communications Inc. 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 results that followed as well as after the current corporate planning, there are currently no indications for further write-downs with Intershop Communications Inc. The disposal of shares in affiliated companies is the result of the sale of SoQuero GmbH on September 30, 2014.

Receivables from affiliated companies in the amount of EUR 1,431 thousand (prior year: EUR 829 thousand) relate to Group financing and current goods and services.

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

Receivables of EUR 1,423 thousand from the receivables from affiliated companies that relate to Group financing have a remaining maturity of more than one year. All other receivables and other assets have a remaining maturity of up to one year, as in the prior year.

The share capital in the amount of EUR 30,183,484 consists of 30,183,484 no-par value bearer shares and has not changed from the prior year's balance sheet date.

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 14,070 thousand.

Other provisions primarily consist of outstanding invoices (EUR 618 thousand; prior year: EUR 779 thousand) and commissions (EUR 845 thousand; prior year: EUR 596 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	2014	2013
Germany	16,171	19,590
Rest of Europe	8,741	10,139
Rest of the world excluding Europe	6,757	12,230
	31,669	**41,959**

Revenues of EUR 4,543 thousand (prior year: EUR 4,507 thousand) relate to license revenues and EUR 27,126 thousand (prior year: EUR 37,452 thousand) to revenues from services (Consulting, Maintenance and Other).

Other operating income includes income from currency translation of EUR 113 thousand (prior year: EUR 75 thousand) as well as income from the disposal of the interest in SoQuero GmbH of EUR 441 thousand (prior year: EUR 0).

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 776 thousand (prior year: EUR 964 thousand). Other operating expenses include expenses of EUR 118 thousand (prior year: EUR 176 thousand) from currency translation. Other operating expenses also include loss of receivables of EUR 2,466 thousand due to insolvency of a customer which are recognized in profit and loss with EUR 1,510 thousand. The remaining amount was already adjusted in the prior year.

The income from profit transfer agreements is the result of the profit transfer agreement with SoQuero GmbH (since 2008), which was in place until the subsidiary was sold on September 30, 2014.

The taxes on income include EUR 79 thousand from prior years.

OTHER DISCLOSURES

Authorized capital

As of December 31, 2014, the Company had a total of EUR 7,500,000 in authorized capital (December 31, 2013: EUR 7,500,000). 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.

Conditional capital

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

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 information regarding shareholdings is based on the notifications according to sec. 21 (1) WpHG, which were made by the company pursuant to sec. 26 (1) WpHG, with regard to changes to voting rights in previous fiscal years. 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 4.2 million as of December 31, 2014, 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 398 employees (salaried employees only) during fiscal year 2014 (prior year: 417 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, Munich, Germany

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

The Management Board included the following persons:

JOCHEN MOLL
Spokesman and Member 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 2014 amounted to EUR 831 thousand (2013: EUR 823 thousand), of which EUR 736 thousand (2013: EUR 591 thousand) accounted for fixed remuneration and EUR 95 thousand (2013: EUR 232 thousand) for the variable components. In fiscal year 2014, members of the Supervisory Board were entitled to a total remuneration of EUR 150 thousand (2013: EUR 111 thousand, actual remuneration payable EUR 93 thousand due to relinquishment), which consists entirely of fixed compensation. 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, 2014, in addition to the parent company, the consolidated companies included the subsidiaries Intershop Communications, Inc., Intershop Communications Australia Pty Ltd, Intershop Communications Asia Limited, Intershop Communications Nordics AB, The Bakery GmbH, Intershop Communications Ventures GmbH, Intershop Communications SARL and Intershop Communications LTD.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2014:

	Interest in%	**Equity*** (in EUR thousand)	**Net loss**** (in EUR thousand)
Intershop Communications, Inc., San Francisco, USA	100	(1,489)	(1,234)
Intershop Communications Australia Pty Ltd, Melbourne, Australia	100	413	252
Intershop Communications Asia Limited, Hong Kong, China	100	34	17
Intershop Communications Nordics AB, Malmö, Sweden	100	23	0
The Bakery GmbH, Berlin, Germany	100	(3,725)	(433)
Intershop Communications Ventures GmbH, Jena, Germany	100	(2,282)	(29)
Intershop Communications SARL, Paris, France	100	(256)	(266)
Intershop Communications LTD, Romsey, United Kingdom	100	(163)	(158)

* Equity as of December 31, 2014 is translated at the exchange rate as of the reporting date

** Net profit/loss for fiscal year 2014 is translated at the average annual rate

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 3, 2014, 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 19,550,986 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, 2015

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, 2014. 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 4, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Angelika Kraus)
Wirtschaftsprüferin
(German Public Auditor)

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


05

REPORT OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE REPORT

During the 2014 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. The Management Board included the Supervisory Board in all business decisions of fundamental importance. The Management Board submitted regular, timely and comprehensive reports to the Supervisory Board regarding business developments, significant transactions and the current earnings situation, and provided extensive explanations and justifications regarding variances between actual business developments and the budgets that had been prepared. Working together, the Boards discussed suggestions regarding measures to be undertaken to improve the company's situation.

SUPERVISORY BOARD MEETINGS AND CONTENT

In fiscal year 2014, 16 meetings were held, with seven 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. The contents of these meetings focused on the company's current financial situation, in particular developments related to sales, result of operations and cash, together with the required decisions regarding adjustments to the strategic direction.

In the meetings on January 13, and January 28, 2014, discussions focused on strategic company developments and the budget for the 2014 fiscal year. At the meeting on March 11, 2014, the Supervisory Board approved the annual financial statements and the consolidated financial statements for 2013 in the presence of the auditors. Furthermore, the budget for 2014 was approved and risk management as well as the current risk report were discussed. In the meetings on February 12, April 30, June 11 and July 22, 2014 the Supervisory Board was concerned with the current and expected business figures. In the meetings on September 26, December 3 and December 9, 2014, the Board focused on the 2015 budget. The declaration of conformity for 2014 was also approved at the meeting on December 3, 2014. At the remaining meetings (March 25, April 9, July 10, August 7, August 26 and September 10, 2014), the Supervisory Board discussed and approved agreements subject to approval, and also concerned itself with personnel-related issues and discussed and reviewed strategic alternatives. In addition to the resolutions that were adopted at the meetings, the Board also adopted resolutions regarding agreements 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

Conflicts of interest by Supervisory Members in terms of para. 5.5 of the German Corporate Governance Code, which must be immediately disclosed to the Supervisory Board, and of which the Annual General Meeting must also be informed, did not occur during the 2014 fiscal year.
The new Declaration of Conformity with the German Corporate Governance Code was issued by the Management Board and Supervisory Board in December 2014. 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

There were no changes in personnel in the Supervisory Board and Management Board during the 2014 fiscal year.

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

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditor for the 2014 fiscal year elected at the Annual Stockholder's Meeting held on June 12, 2014 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, 2015. The annual financial statements of INTERSHOP Communications AG were thus adopted. Since the Company did not generate retained earnings during the 2014 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 commitment and performance, and would also like to thank the stockholders for their confidence during the 2014 fiscal year.

Jena, March 2015

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 June 2014. The recommendations of the German Corporate Governance Code were largely complied with in fiscal year 2014; 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 3, 2014:

Since the declaration of conformity dated December 5, 2013 to September 30, 2014, 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 13, 2013, and as of October 1, 2014 to the time of this declaration with the recommendations in the version dated June 24, 2014, 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) In the remuneration report for future fiscal years, remuneration of the Management Board will continue to be individualized and shown based on fixed and variable components in accordance with the applicable accounting standards under the German Commercial Code. In the opinion of the Management Board and the Supervisory Board there is no requirement for an additional breakdown of remuneration components and costs or reporting of the overall achievable variable remuneration pursuant to Code no. 4.2.5, since the statutory individualized data already offers sufficient information about the remuneration structure and amount, and the noting of merely a maximum and minimum amount of variable remuneration in the required form - without the context of the underlying remuneration provisions - is misleading and can thus lead to incorrect conclusions.

c) 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.

d) 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 19, 2015

INTERSHOP Communications AG

For the Management Board | For the Supervisory Board

Jochen Moll | Ludwig Lutter | Dr. Jochen Wiechen | Dr. Herbert May
Chairman of the Supervisory Board

INTERSHOP SHARES

Stock Market Data on Intershop Shares

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

Key Figures for Intershop Shares		2014	2013
Closing price*	in EUR	1.07	1.48
High*	in EUR	2.13	2.08
Low*	in EUR	1.02	1.03
Number of shares outstanding (as of Dec. 31)	in million shares	30.18	30.18
Market capitalization	in EUR million	32.30	44.67
Earnings per share	in EUR	(0.22)	(0.11)
Cashflow per share	in EUR	0.01	(0.14)
Carrying amount per share	in EUR	0.58	0.80
Average trading volume per day**	Number	31,039	47,664
Free float	in%	69	69

* Basis: Xetra
** Basis: Xetra/Frankfurt

intershop

FINANCIAL CALENDAR 2015

Date	Event
February 18, 2015	Release of Q4 and FY financials 2014
May 6, 2015	Release of Q1 financials 2015
August 5, 2015	Release of Q2 and 6-month financials 2015
November 4, 2015	Release of Q3 and 9-month financials 2015

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