INTERSHOP™

Group Management Report
for the Three Months Ended March 31, 2007

Group Management Report

Overall Economy and Industry

The European Commission is forecasting growth of 2.7 % for the countries of the EU in 2007. According to the Hauptverband des Deutschen Einzelhandels (HDE - the Central Association of German Retailers), e commerce sales in 2007 will amount to EUR 18.3 billion, which would represent an increase of around twelve percent in online trading over the previous year. The industry association BITKOM estimates that investments in software will grow by 5.7 % in 2007 and investments for IT-Services (Consulting, Maintainance) will grow by 4.9 %. According to current estimates gross domestic product increased by 0.5 % in Europe in the first quarter of 2007.

In the first quarter of 2007, Intershop's objective was to achieve greater penetration of existing markets and market segments and to access new regional markets and specialized market segments. The market for online marketing services is a major growth market. These market expectations were confirmed in the first quarter. Intershop recorded 46 % revenue growth in its online marketing business area as compared to the previous quarter.

Revenue Development

In the first quarter of 2007, Intershop's total revenues increased by 20 % year-on-year from EUR 5.1 million to EUR 6.1 million. License revenues declined from EUR 1.8 million to EUR 0.8 million. However, in Q1 2006, license revenues included EUR 1.4 million from the major order from the American technology company SUN Microsystems. The share of total revenues attributable to license revenues declined from 36 % to 13 %. Service, maintenance, and other revenues increased from EUR 3.3 million to EUR 5.3 million. Excluding the online marketing revenues, service revenues increased to EUR 3.8 million.

The following table shows revenue development by area (in EUR thousand):

Three months ended	March 31, 2007	March 31, 2006
Licenses	**817**	**1,833**
Maintenance	1,632	1,617
Consulting / Training	2,142	1,640
Online Marketing	1,490	0
Other revenues	48	7
Services, maintenance and other	**5,312**	**3,264**
	6,129	**5,097**

In March 2007, Intershop received a major service and maintenance order for the next three years from QUELLE's IT service provider ITELLIUM Systems & Service GmbH, Nuremberg, for the entire QUELLE Group. The order will generate total service and maintenance revenues of EUR 4.8 million. The revenues will be recognized in equal quarterly amounts in fiscal years 2007 through 2009.

Europa and North America remained Intershop's key revenue regions in the first quarter of 2007. Once again, Europe was the Company's primary market in the period under review, with a 83 % share of total revenues, compared with 64 % in Q1 2006. Intershop generated revenues of EUR 1.1 million in North America in the first quarter of 2007, or 17 % of the global total. In the first quarter of 2006, this region recorded revenues of EUR 1.8 million, or 36 -% of the global total.

Earnings Development

The cost of revenues in the first three months of the 2007 fiscal year was EUR 4.0 million, compared with EUR 2.4 million in the prior-year period. The cost of revenues in the first quarter of 2006 did not include costs for the new online marketing and full-service business areas.

Excluding the online marketing business area in Q1 2007 and the license revenues resulting from the major order with Sun in the first quarter of 2006, the gross profit margin on total revenues increased from 36 % to 43 %. The gross profit margin on license revenues rose slightly to 99 % as against 98 % in Q1 2006. The gross profit margin on service revenues (excluding online marketing but including services, maintenance, and other revenues) rose from 29 % in Q1 2006 to 31 % in Q1 2007.

Operating expenses fell from EUR 4.0 million in the first quarter of 2006 to EUR 3.4 million in Q1 2007. Sales and marketing expenses fell by 28 % from EUR 2.3 million to EUR 1.7 million. The figure for Q1 2006 includes the costs of the CeBIT 2006 trade fair in Hanover. Research and development expenses rose from EUR 0.7 million to EUR 1.0 million, due to the increase in the number of employees. General and administrative expenses remained constant at EUR 1.1 million in the first three months of fiscal year 2007 and in the comparable prior-year period.

Other operating income doubled year-on-year in Q1 2007, amounting to EUR 0.2 million. Other operating income in the first three months of the 2007 fiscal year includes government grants of EUR 0.2 million.

The cost of revenues and operating expenses include expenses from the employee stock option plans amounting to EUR 0.3 million in Q1 2007 and EUR 0.4 million in Q1 2006.

The depreciation and amortization expense was EUR 0.2 million in the first quarter of 2007, compared with EUR 0.1 million in the first quarter of 2006.

The loss from operating activities amounted to EUR 1.4 million in the first three months of fiscal year 2007 and EUR 1.3 million in Q1 2006. The negative financial result narrowed from EUR 0.2 million to EUR 0.1 million, mostly due to the reduction in the interest expense on the convertible bond.

In the first quarter of 2007, Intershop‘s net loss was EUR 1.4 million, representing a loss of EUR 0.07 per share. In Q1 2006, Intershop recorded a net loss of EUR 1.5 million, or EUR 0.07 per share.

Research and Development

Research and development expenses amounted to EUR 1.0 million in the period under review, compared with EUR 0.7 million in the first quarter of 2006. This corresponds to a 34 % increase. This change is due in particular to an increase in the workforce.

Organization

During the first quarter of 2007, the Company announced changes to the Management Board and Supervisory Board, which will take effect at the beginning of Q2 2007.

On February 28, 2007, Intershop announced that the Chairman of the Supervisory Board, Mr. Hans W. Gutsch, and Supervisory Board member Mr. Wolfgang Meyer resigned their positions effective March 31, 2007. On March 2, 2007, the Management Board of the Company applied to the Jena Local Court for Mr. Sven Heyrowsky and Mr. Peter Paul Krug to be appointed members of the Company‘s Supervisory Board effective April 1, 2007 until the conclusion of the next Annual Stockholders‘ Meeting. With its ruling on March 26, 2007, the Local Court approved the Management Board’s application.

On March 9, 2007, Intershop announced, that CEO Dr. Jürgen Schöttler agreed with the Supervisory Board to leave the Company with the expiration of his management contract on March 31, 2007.

Employees

Intershop employed 245 full-time equivalents as of March 31, 2007, compared with 247 as of December 31, 2006 and 219 as of March 31, 2006.

The following overview shows the breakdown of employees by department:

Employees by department (full-time equivalents)	March 31, 2007	March 31, 2006	December 31, 2006
Technical Departments (research and development and service functions)	174	144	166
Sales and Marketing departments	41	46	50
General and administrative departments	30	29	31
Total	**245**	**219**	**247**

92 % of Intershop's global workforce was employed in Germany as of March 31, 2007 (225 full-time equivalents; March 31, 2006: 203 full-time equivalents). The remaining 8 % belong to the U.S. branch (20 full-time equivalents; March 31, 2006: 16). As of December 31, 2006, 225 full-time equivalents were employed in Germany and 20 in the United States.

Presentation of Net Assets and Financial Position

Total assets declined from EUR 23.2 million as of December 31, 2006 to EUR 22.4 million as of March 31, 2007.

Current assets fell from EUR 12.7 million to EUR 13.3 million as of December 31, 2006. Trade receivables increased from EUR 3.1 million to EUR 5.7 million.

Cash and cash equivalents included in noncurrent and current assets fell to EUR 8.1 million as of March 31, 2007, as against EUR 11.2 million as of December 31, 2006. The amount of unrestricted cash included in cash and cash equivalents decreased from EUR 3.6 million to EUR 1.8 million. Restricted cash fell from EUR 7.5 million to EUR 6.3 million.

Equity fell from EUR 6.9 million as of December 31, 2006 to EUR 5.8 million in the first quarter of 2007. As of the reporting date, the equity ratio amounts to 26 %, as compared to 30 % as of December 31, 2006.

Noncurrent liabilities fell from EUR 4.2 million as of December 31, 2006 to EUR 3.4 million as of March 31, 2007, due to the reduction in other noncurrent liabilities from EUR 0.7 million to EUR 0 million.

Current liabilities rose from EUR 12.1 million to EUR 13.1 million. Provisions for restructuring fell from EUR 1.1 million to EUR 0 million. Other current liabilities rose from EUR 1.6 million to EUR 2.1 million, while deferred revenue increased by 64 % to EUR 3.7 million as of March 31, 2007.

Net cash used in operating activities amounted to EUR 3.1 million in the first quarter of 2007, compared with a cash inflow amounting to EUR 0.2 million in Q1 2006. Cash flows from operating activities included a cash outflow of EUR 1.1 million in the first quarter for the repayment of the contractual penalty to the landlord. Net cash provided by investing activities amounted to EUR 1.2 million in the first quarter of 2007, resulting from the reclassification of restricted cash to unrestricted cash. Overall, cash and cash equivalents declined by EUR 1.8 million in the first quarter.

Group Risks

In the first quarter of 2007, there were no significant changes to the risks described in detail on pages 14 to 16 of the 2006 Annual Report.

Events subsequent to the balance sheet date

On April 2, 2007, Intershop announced the appointment of Mr. Friedhelm Bischofs as its new Chairman of the Management Board. Mr. Bischof held executive positions at Hertie, Rewe and Spar Handels AG. Before joining Intershop, he was management consultant particularly in the fulfilment segment.

Mr. Michael Sauer, member of the Supervisory Board, was elected as the new Chairman of the Supervisory Board during the Supervisory Board meeting on April 2, 2007.

On April 27, 2007 Intershop announced the launch of a comprehensive restructuring program.

Effective immediately, the following restructuring measures will be implemented as part of this program:

- The sales management departments in Jena will be reduced from six to three, with the aim of making sales more efficient through faster decision-making processes and improved transparency in staff deployment, as well as reducing management staff costs.
- The sales locations in France, Italy, and Austria will be closed. With the exception of Germany, all European sales activities will focus on the successful sales office in Belgium.
- Sales and marketing staff costs will be reduced considerably.
- All contract projects in development and support will be clearly reduced.

The planned savings according to preliminary estimate resulting from all measures amount to approximately EUR 4.5 million per year. The Company anticipates that the effects of the cost-cutting measures will already have an impact in the third quarter of 2007.

Outlook

Intershop expects to generate a positive net result and positive cash flow in fiscal year 2007 due to significant cost reductions, particularly in sales and marketing, as well as further measures.

Consolidated Balance Sheet

in EUR thousand	March 31, 2007	December 31, 2006
ASSETS		
Noncurrent assets		
Intangible assets	6,006	6,175
Property, plant and equipment	496	531
Other noncurrent assets	97	97
Restricted cash	3,090	3,090
	9,689	**9,893**
Current assets		
Trade receivables	5,663	3,118
Other receivables and other assets	2,052	2,074
Restricted cash	3,196	4,439
Cash and cash equivalents	1,800	3,629
	12,711	**13,260**
TOTAL ASSETS	**22,400**	**23,153**
SHAREHOLDERS´ EQUITY AND LIABILITIES		
Shareholders´ equity		
Subscribed capital	21,596	21,504
Capital reserve	1,787	1,531
Other reserves	(17,542)	(16,129)
	5,841	**6,906**
Noncurrent liabilities		
Convertible bonds	2,836	2,716
Other noncurrent liabilities	0	719
Deferred tax liabilities	321	382
Deferred revenue	255	344
	3,412	**4,161**
Current liabilities		
Provisions for restructuring	0	1,055
Other current provisions	930	1,005
Trade accounts payable	6,386	6,205
Income tax liabilities	23	2
Other current liabilities	2,125	1,566
Deferred revenue	3,683	2,253
	13,147	**12,086**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES	**22,400**	**23,153**

Consolidated Income Statement

in EUR thousand	Three months ended March 31, 2007	2006
Revenues		
Licenses	817	1,833
Services, maintenance and other	5,312	3,264
	6,129	**5,097**
Cost of revenues		
Licenses	(9)	(42)
Services, maintenance and other	(4,028)	(2,313)
	(4,037)	**(2,355)**
Gross profit	**2,092**	**2,742**
Operating expenses, operating income		
Research and development	(971)	(725)
Sales and marketing	(1,663)	(2,305)
General and administrative	(1,036)	(1,113)
Other operating income	227	110
Other operating expenses	(6)	(2)
	(3,449)	**(4,035)**
Result from operating activities	**(1,357)**	**(1,293)**
Interest income	66	59
Interest expense	(148)	(253)
Financial result	**(82)**	**(194)**
Earnings before tax	**(1,439)**	**(1,487)**
Income taxes	**23**	**(2)**
Earnings after tax	**(1,416)**	**(1,489)**
Consolidated net loss	**(1,416)**	**(1,489)**
Earnings per share (EUR, basic)	(0,07)	(0,07)
Earnings per share (EUR, diluted)*	(0,07)	(0,07)
Weighted average shares outstanding (basic)	21,493	21,519
Weighted average shares outstanding (diluted)	24,122	24,148

** The diluted earnings per share were reduced to the lower undiluted earnings per share.*

Consolidated Statement of Cash Flows

in EUR thousand	Three months ended March 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	(1,439)	(1,487)
Adjustments to reconcile net loss to cash used in operating activities		
Financial result	82	194
Depreciation and amortization	241	74
Other noncash expenses and income	87	287
Allowances for doubtful accounts	73	58
(Gain) Loss on disposal of property and equipment	(7)	(15)
Changes in operating assets and liabilities		
Accounts receivable	(2,620)	(304)
Other assets	191	(28)
Liabilities and provisions	(1,125)	(147)
Deferred revenue	1,348	1,496
Net cash used in operating activities before income tax and interest	**(3,169)**	**128**
Interest received	69	53
Interest paid	(20)	(5)
Income taxes paid	(7)	(2)
Net cash used in operating activities	**(3,127)**	**174**
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	1,242	11
Proceeds on disposal of equipment	6	17
Purchases of property and equipment, net of capital leases	(33)	(29)
Net cash (used in) provided by investing activities	**1,215**	**(1)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for unregistered stock	92	0
Expenses of cash received for unregistered stock	(6)	0
Net cash provided by financing activities	**86**	**0**
Effect of change in exchange rates on cash	(3)	(14)
Net change in cash and cash equivalents	**(1,829)**	**159**
Cash and cash equivalents, beginning of period	3,629	7,279
Cash and cash equivalents, end of period	**1,800**	**7,438**

Consolidated Statement of Shareholders´ Equity

in EUR thousand	Common shares	Subscribed capital	Capital reserve	Other reserves			Total shareholders´ equity
				IFRS conversion reserve	Cumulative profit / loss	Cumulative currency differences	
Balance, January 1, 2007	**21,503,851**	**21,504**	**1,531**	**(93)**	**(18,027)**	**1,991**	**6,906**
Net loss					(1,416)		(1,416)
Foreign currency translation adjustments						3	3
Stock option expense			262				262
Issue of new shares	92.557	92	(6)				86
Balance, March 31, 2007	**21,596,408**	**21,596**	**1,787**	**(93)**	**(19,443)**	**1,994**	**5,841**
Balance, January 1, 2006	**17,662,052**	**17,662**	**54**	**(93)**	**(11,607)**	**2,256**	**8,272**
Net loss					(1,489)		(1,489)
Foreign currency translation adjustments						(2)	(2)
Stock option expense			359				359
Issue of new shares	3,200	3					3
Balance, March 31, 2006	**17,665,252**	**17,665**	**413**	**(93)**	**(13,096)**	**2,254**	**7,143**

Notes to the Consolidated Financial Statements as of March 31, 2007

General disclosures

The consolidated financial statements of Intershop Communications AG as of December 31, 2006 were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as well as the provisions required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). Accordingly, the Group's interim report as of March 31, 2007 was prepared in accordance with IAS 34, Interim Financial Reporting.

This interim report as of March 31, 2007 is unaudited and must be read in conjunction with the consolidated financial statements and the associated notes to the consolidated financial statements for fiscal year 2006. The consolidated financial statements and the notes to the consolidated financial statements are contained in the Company's Annual Report for the fiscal year ended December 31, 2006.

The 2006 Annual Report is available on the Company's website at http://www.intershop.com/intershop/investors/financials/.

Accounting principles (compliance statement)

The consolidated financial statements of Intershop Communications AG for 2005 were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date and with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

Financial reporting has been prepared in accordance with the Standards and Interpretations required to be applied and gives a true and fair view of the net assets, financial position, and results of operations of the Intershop Group.

Assets and liabilities are generally measured at historical cost. The stock option plans are measured at fair value. Convertible bonds are treated as compound financial instruments, consisting of a debt and an equity component. The debt component is carried at amortized cost using the effective interest rate method.

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.

Estimates and assumptions

Preparation of the consolidatedl financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Estimates are based on past experience and other knowledge of transactions to be accounted for. Actual results may differ from these estimates. As a result, estimates and the assumptions on which they are based are regularly reviewed and assessed for their potential effects on the Company's financial reporting.

In particular, estimates are required to recognize and measure provisions for restructuring, legal costs and litigation risks, and guarantee provisions, as well as to assess the need for and measurement of impairment losses and valuation allowances.

Provisions for restructuring are recognized and measured on the basis of financial estimates and data available at the balance sheet date. Other provisions are recognized and measured on the basis of an estimate of the probability of a future outflow of economic benefits, as well as on the basis of historical data and the circumstances known at the balance sheet date. The actual obligation may differ from the amounts of the provisions.

Basis of consolidation

There were no changes to Intershop Communications AG's basis of consolidation in the first quarter as against December 31, 2006. In addition to the parent company, the basis of consolidation therefore comprised the following companies as of March 31, 2007:

- Intershop Communications, Inc., San Francisco, U.S.A.
- Intershop Communications Ventures GmbH, Jena, Germany
- Intershop Communications s.r.o., Prague, Czech Republic
- IS Nordic AB, Stockholm, Sweden
- Intershop Communications Online Marketing GmbH, Frankfurt, Germany

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.

Accounting policies

The same accounting policies were used to prepare this interim report as for the consolidated financial statements for fiscal year 2006. The policies used are described in detail on pages 41 to 48 of the 2006 Annual Report.

Equity

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

The subscribed capital increased by EUR 92,557 as of March 31, 2007 to EUR 21,596,408 and is divided into 21,596,408 no-par value bearer shares. The change in subscribed capital amounting to EUR 92,557 reflects capital increases from authorized capital as a result of the exercise of employee stock options. The capital increase became legally effective upon entry into the commercial register on March 16, 2007.

As of March 31, 2007, the Company had authorized capital of EUR 40,369,040. Under the Articles of Association of Intershop Communications AG, the Management Board is entitled, with the approval of the Supervisory Board, to increase the Company's share capital by issuing new ordinary shares as follows:

- By up to a total of EUR 30,835,337 against cash or noncash contributions up to September 11, 2007 (Authorized Capital I). When increasing the share capital, the Management Board is authorized to disapply the stockholders' subscription rights under certain conditions with the approval of the Supervisory Board. There were no changes in Authorized Capital I in the first three months of fiscal year 2007.
- By up to a total of EUR 9,533,703 against cash contributions while disapplying the stockholders' subscription rights on the basis of the resolution adopted by the Anual Stockholders' Meeting on June 6, 2002 (Authorized Capital II). The authorization of the Management Board applies until September 11, 2007. 92,557 employee stock options were exercised and converted into Intershop ordinary bearer shares as part of the employee stock option plan in the first three months of 2007. As a result, Authorized Capital II was reduced from EUR 9,626,260 to EUR 9,533,703.

The conditional capital remained unchanged as of March 31, 2007 compared with December 31, 2006.

The Company's share capital was increased conditionally by up to EUR 21,602,758 in order to issue 21,602,758 shares. Due to capital reductions and options that have expired

or were not issued, however, a maximum of 3.219.373 shares may be issued in future from the conditional capital.

Intershop published the following notifications of voting rights in accordance with section 21(1) of the WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) in the first quarter of 2007:

On March 30, 2007, Mr. Sven Heyrowsky, Germany, informed us in accordance with section 21(1) of the WpHG that his share of the voting rights in Intershop Communications AG, Jena, Germany, ISIN: DE000A0EPUH1, WKN: A0EPUH, exceeded the 3% and 5% thresholds on March 30, 2007 and amounts to 6.98% (1,500,000 voting rights) as of that day. Of this, 4.65% (1,000,000 voting rights) is attributable to Mr. Sven Heyrowsky in accordance with section 22(1) sentence 1 no. 1 of the WpHG via ASP Holding GmbH and its wholly owned subsidiary heycom GmbH, which he controls, and 2.33% (500,000 voting rights) in accordance with section 22(1) sentence 1 no. 6 in connection with section 22(1) sentence 2 of the WpHG, which heycom GmbH is authorized to exercise as a proxy.

On March 30, 2007, ASP Holding GmbH, Salzburg, Austria, informed us in accordance with section 21(1) of the WpHG that its share of the voting rights in Intershop Communications AG, Jena, Germany, ISIN: DE000A0EPUH1, WKN: A0EPUH, exceeded the 3% and 5% thresholds on March 30, 2007 and amounts to 6.98% (1,500,000 voting rights) as of that day. Of this, 4.65% (1,000,000 voting rights) is attributable to ASP Holding GmbH in accordance with section 22(1) sentence 1 no. 1 of the WpHG via its wholly owned subsidiary heycom GmbH, and 2.33% (500,000 voting rights) in accordance with section 22(1) sentence 1 no. 6 in connection with section 22(1) sentence 2 of the WpHG, which heycom GmbH is authorized to exercise as a proxy.

On March 30, 2007, heycom GmbH, Garbsen, Germany, informed us in accordance with section 21(1) of the WpHG that its share of the voting rights in Intershop Communications AG, Jena, Germany, ISIN: DE000A0EPUH1, WKN: A0EPUH, exceeded the 3% and 5% thresholds on March 30, 2007 and amounts to 6.98% (1,500,000 voting rights) as of that day. Of this, 2.33% (500,000 voting rights) is attributable to heycom GmbH in accordance with section 22(1) sentence 1 no. 6 of the WpHG, which heycom GmbH is authorized to exercise as a proxy.

Stock option plans

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

Three months ended March 31,	**2007** Number of shares outstanding	**2007** Weighted average exercise price (Euro)	**2006** Number of shares outstanding	**2006** Weighted average exercise price (EUR)
Outstanding at beginning of period	5,302	1.43	453	18.38
Granted	115	1.68	3,991	1.02
Exercised	(93)	1.00	0	0
Forfeited	(137)	1.72	(59)	10.03
Outstanding at end of period	**5,187**	**1.44**	**4,385**	**2.68**
Exercisable options at end of period	1,440	1.91	318	21.97
Weighted average fair market value of options granted during the year	115	0.93	3,991	0.59

The following table summarizes information with respect to the stock options outstanding on March 31, 2006:

Range of exercise price	Number of options outstanding (EUR thousand)	Weighted average remaining contractual life (in years)	Weighted average exercise price (EUR)	Number exercisable on March 31, 2007 (EUR thousand)	Weighted average exercise price (EUR)
0.01 – 1.50	3,689	3.9	1.04	1,024	1.02
1.51 – 2.50	1,280	4.2	1.73	235	1.74
2.51 – 3.50	12	3.1	3.00	6	3.00
3.51 – 4.50	1	2.8	3.84	1	3.83
4.51 – 23.70	204	1.3	7.03	173	7.32
	5,187	**3.9**	**1.44**	**1,440**	**1.91**

The values of the options were calculated at the grant date using the Black-Scholes option pricing model on the basis of the following assumptions:

		Bandwidth from	– to
Expected term	in years	1.00	5.00
Risk-free interest rate	in %	2.71	3.88
Volatility	in %	79.00	109.78
Dividend yield	in %	0.00	0.00
Exercise price	in euros	1.00	7.65
Market price	in euros	1.00	7.65
Option value	in euros	0.56	4.62

The volatility of Intershop shares fluctuated between around 70 % and around 190 % over the past five years, although a trend towards lower volatility can be identified. For options granted before January 1, 2006, the expected volatility was determined by calculating the average historical volatilities of the Company's stock price for the last three years. For options granted from January 1, 2006 onwards, an expected volatility of 80 % was assumed, as the historical daily volatility in 2005 fluctuated in a corridor between around 80 % and around 100 %. Intershop considers an expected volatility of 80 % for the next few years to be appropriate.

In accordance with IFRS 2.53, only options that were granted after November 7, 2002 and were not exercisable before January 1, 2005, as well as all options granted in 2004, 2005, and 2006, were taken into account in the calculation of the expense incurred from option plans.

In first three months of 2007, the Company recognized expenses of EUR 262 thousand relating to the stock option plans. These expenses amounted to EUR 359 thousand in the first three months of 2006.

Convertible bond liabilities

Convertible bonds are regarded as composite financial instruments, consisting of a debt and an equity component. In subsequent periods, the debt component is measured at amortized cost using the effective interest method. The effective interest rate is 18.026% per year. The liabilities from the convertible bond amounted to EUR 2,836 thousand as of March 31, 2007.

The change as against December 31, 2005 was as follows (in EUR thousand):

Amortized cost as of December 31, 2006	2,716
Interest accrued on the convertible bond up to March 31, 2007	120
Debt component as of March 31, 2007	**2,836**

2,629,039 bonds arising from the convertible bond in circulation remained outstanding as of March 31, 2007; this figure is unchanged.

Between May 14 and June 20, 2007 (exercise period following the 2007 Annual Shareholders' Meeting), the convertible bonds can be converted into bearer voting ordinary shares of the Company pursuant to the convertible bond conditions.

Other financial liabilities

The Company has financial liabilities towards employees amounting to EUR 211 thousand from bonus payments dependent on them reaching set corporate targets. No corresponding provision needed to be recognized due to consolidated profit for the first quarter of 2007. The liabilities towards employees come into effect if the corresponding targets are obtained during the course of the current fiscal year.

Restructuring costs

There were no restructuring costs in Q1 2007 or Q1 2006.

The provisions for restructuring costs were reversed in full as of March 31, 2007.

in Euro thousand	Facility-related charges
Accrued restructuring costs as of December 31, 2006	**1,055**
Currency adjustments	0
Restructuring charges for the quarter ended March 31, 2007	0
Cash payments	(1,055)
Accrued restructuring costs as of March 31, 2007	**0**

The Intershop Group recognized a provision for facility-related charges amounting to EUR 1,055 thousand as of December 31, 2006. The provision relates to costs connected with the legal dispute with the landlord in connection with office space at the Company's headquarters in Jena. The Company repaid EUR 1,055 thousand to the landlord in February 2007 as a result of the judgment pronounced by the Jena Higher Regional Court. For detailed information on the legal dispute, see the section entitled „Litigation".

Other operating income

Other operating income includes government grants amounting to EUR 175 thousand. Of this, EUR 159 thousand refers to a grant from Thüringer Aufbaubank that has been applied for but not yet received. EUR 16 thousand was received from the Federal Ministry of Education and Research.

Earnings per share

The calculation of basic and diluted earnings per share is based on the following data (in EUR thousand):

Three months ended March 31,	2007	2006
Basis for calculating basic earnings per share (consolidated net loss for the year)	(1,416)	(1,489)
Dilutive effect of potential ordinary shares: interest on the convertible bond	120	247
Basis for calculating diluted earnings per share	**(1,296)**	**(1,242)**

The number of shares is calculated as follows:

Three months ended March 31,	2007	2006
Weighted average number of ordinary shares used to calculate basic earnings per share	21,493	21,519
Dilutive effect of potential ordinary shares: convertible bond	2,629	2,629
Weighted average number of ordinary shares used to calculate diluted earnings per share	**24,122**	**24,148**

The earnings per share is calculated as follows:

Three months ended March 31,	2007	2006
Calculation of earnings per share (basic)		
Consolidated net loss for the year (in EUR thousand)	(1,416)	(1,489)
Weighted average number of shares basic)	21,493	21,519
Earnings per share (basic) (in EUR)	**(0.07)**	**(0.07)**
Calculation of earnings per share (diluted)		
Basis for calculating diluted earnings per share	(1,296)	(1,242)
Weighted average number of shares (diluted)	24,122	24,148
Earnings per share (diluted) (in EUR)	(0.05)	(0.05)
Adjustment of earnings per share (diluted) (in EUR)	**(0.07)**	**(0.07)**

As the diluted earnings reduce the loss per share, an adjustment is made to the amount of basic earnings per share (antidilutive effect) in accordance with IAS 33 paragraph 43. In accordance with IAS 33.64 the calculation of the number of shares was adjusted retrospectively for the prior year.

Segment Reporting

Segment reporting as of March 31, 2007 in EUR thousand	Germany	U.S.A.	Rest of the world	Consolidation	Group
Revenues from external customers					
Licenses	807	10	0	0	817
Consulting and training	1,387	755	0	0	2,142
Maintenance	1,339	293	0	0	1,632
Online Marketing	1,490	0	0	0	1,490
Other	48	0	0	0	48
Total revenues from external customers	**5,071**	**1,058**	**0**	**0**	**6,129**
Intersegment revenues	218	0	0	(218)	0
Total revenues	5,289	1,058	0	(218)	6,129
Net profit / loss for the period	173	(1,495)	(2)	(92)	(1,416)
Net profit / loss for the period (adjusted)	(1,314)	(2)	(1)	(99)	(1,416)
Noncash income	0	0	0	0	0
Noncash expenses	382	0	0	0	382

Segment reporting as of March 31, 2006 in EUR thousand	Germany	U.S.A.	Rest of the world	Consolidation	Group
Revenues from external customers					
Licenses	366	1,467	0	0	1,833
Consulting and training	1,552	88	0	0	1,640
Maintenance	1.353	264	0	0	1,617
Other	7	0	0	0	7
Total revenues from external customers	**3,278**	**1,819**	**0**	**0**	**5,097**
Intersegment revenues	145		0	(145)	0
Total revenues	3,423	1,819	0	(145)	5,097
Net profit / loss for the period	(864)	(603)	(37)	15	(1,489)
Net profit / loss for the period (adjusted)	(2.308)	832	(15)	2	(1,489)
Noncash income	0	84	0	0	84
Noncash expenses	606	0	0	0	606

The segment reporting is prepared in accordance with IAS 14 (Segment Reporting). Segmentation reflects the Intershop Group's internal management and reporting. The Company has two direct sales units: Germany and the United States.

The regions are broken down as follows:

Regions in first quarter of 2007:
The „Germany“ segment comprises the Germany sales unit together with direct sales for Central Europe (Germany, Austria, Switzerland) and for northern Europe, the Benelux countries, France, the United Kingdom, and Italy. Direct sales in northern Europe, the Benelux countries, France, the United Kingdom, and Italy are generated via distributors. The „Rest of the world“ segment includes the subsidiaries in Prague, Czech Republic, and in Sweden; all two companies had no operating activities. The “Consolidation“ segment includes all transactions within the individual segments.

Regions in the first quarter of 2006:
The „Germany“ segment comprises the Germany sales unit together with direct sales for Central Europe (Germany, Austria, Switzerland) and for northern Europe, the Benelux countries, France, the United Kingdom, and Italy. Direct sales in northern Europe, the Benelux countries, France, the United Kingdom, and Italy are generated via distributors. The „Rest of the world“ segment includes the subsidiaries in Prague, Czech Republic, and in Sweden, and the subsidiary in Australia deconsolidated in 2006; all three companies had no operating activities in 2006. The “Consolidation“ segment includes all transactions within the individual segments.

Notes to the content of the individual line items:

Revenues from external customers represent revenues from the regions with third parties outside the Group.
Intersegment revenues include revenues from intersegment relationships.
The net profit/loss for the period (adjusted) is arrived at as follows: The net profit/loss for the period was adjusted for interest income and expense between group companies and income and expense from deconsolidation.
The „net profit/loss for the period“ segment variable is the consolidated net profit or loss as reported in the income statement.
Noncash income includes the reversal of provisions for restructuring and provisions for legal and litigation costs, as well as income from deconsolidation.
Noncash expenses include interest on the convertible bond and provisions for legal and litigation costs, provision for restructuring and expenses relating to the stock options plans.

Litigation

In the first three months of 2007, the following changes occurred with respect to the litigation described on pages 73 to 75 of the 2006 Annual Report:

The suspended action brought against the Company’s bank by the landlord concerning the release of portions of the rental guarantee was reopened by the landlord.

In addition, the action that had been suspended by court order brought against the Company by the landlord to vacate and surrender the entire rented property was reopened by the landlord.

In the action brought against the Company by the landlord concerning the payment of rent and ancillary costs, the independent expert has released his opinion, stating that faults (still) exist in the rental property. The parties now have the opportunity to comment on the expert opinion.

In the Company‘s legal dispute with the landlord concerning the payment of a contractual penalty, the Jena Higher Regional Court allowed the landlord’s appeal in a judgment of January 25, 2007.

As a result, the Company repaid the contractual penalty received amounting to EUR 929 thousand together with interest to the landlord in February 2007.

On March 7, the Company received notice of a partial claim by the landlord for payment of the disputed rent for the years 2004 to 2007. The Company believes that the claim is unfounded.

Furthermore, the landlord and the Company have initiated negotiations regarding the settlement offer proposed by the landlord.

Related party disclosures

Related parties in accordance with IAS 24 are companies or persons that control or are controlled by the Intershop Group, provided that they are not already included in the consolidated financial statements. Control exists if a shareholder holds more than half of the voting rights of Intershop Communications AG or has the power to influence the operating policies of the Intershop Group's management by virtue of provisions of the Articles of Association or contractual agreements.

The Intershop Group did not have any relationships with unconsolidated subsidiaries, joint ventures, or associates as of March 31, 2007.

Members of Intershop Communications AG's Supervisory Board are also members of supervisory boards of other companies, with which the Intershop Group has no business relationships.

Mr. Michael Sauer, member of the Supervisory Board, is the managing director of Music Store A.Sauer GmbH, with which Intershop has relations in the course of its ordinary business activities. All transactions with this company are conducted on arm's length terms.

Directors' holdings

As of March 31, 2007, the following members of the Company's executive bodies held direct or indirect Intershop Communications AG ordinary bearer shares or options to purchase such shares, as well as shares in the 2004/2008 zero-coupon convertible bond issued by the Company.

Name	Title Function	Shares held *	Stock options held*, **	Convertible bonds
Hans W. Gutsch	Chairman of the Supervisory Board	155,018	–	–
Michael Sauer	Member of the Supervisory Board	536,613	–	–
Wolfgang Meyer	Member of the Supervisory Board	–	–	–
Dr. Jürgen Schöttler	Chairman of the Management Board	111,519	253,333	–
Ralf Männlein	Member of the Management Board	50,000	123,333	50,000

* All information post 5:1 reverse stock split in 2002 and the 3:1 reverse stock split in 2005.

** The stock options were granted at the conditions of the 1999 stock option plan. Details on the 1999 stock option plan can be found in the annual report 2005 on page 42. Jürgen Schöttler's stock options have an average reverse stock split adjusted exercise price of EUR 3.59 per share, and Ralf Männlein's stock options have an average exercise price of EUR 2.06 per share.

Securities transactions subject to reporting requirements

In the first quarter of 2007, the members of the Company's executive bodies and related parties made the following purchases and sales of Intershop ordinary bearer shares or shares in the 2004/2008 zero-coupon convertible bond issued by the Company.

Name	Title, Function	Date	Type of security	Type of transaction	Amount	Total value (EUR)
Dr. Jürgen Schöttler	Chairman of the Management Board	January 10, 2007	Share	Lending**	50,000	0
Kölner Parkhaus und Parkplatz GmbH	Related to a member of the Supervisory Board*	January 12, 2007	Share	Purchase	37,901	72,928
Kölner Parkhaus und Parkplatz GmbH	Related to a member of the Supervisory Board*	January 17, 2007	Share	Purchase	19,000	44,080
music-store Artur Sauer GmbH	Related to a member of the Supervisory Board*	January 18, 2007	Share	Purchase	17,473	36,936
music-store Artur Sauer GmbH	Related to a member of the Supervisory Board*	January 12, 2007	Share	Purchase	12,527	26,683
music-store Artur Sauer GmbH	Related to a member of the Supervisory Board*	March 6, 2007	Share	Lending**	70,000	0
Kölner Parkhaus und Parkplatz GmbH	Related to a member of the Supervisory Board*	March 7, 2007	Share	Purchase	20,000	34,400

* Related to Supervisory Board member Mr. Michael Sauer

** Dr. Jürgen Schöttler and Michael Sauer lent the Company 50,000 and 70,000 Intershop ordinary bearer shares free of charge to cover requirements under the employee stock option plan. The Company returned the shares to Mr. Schöttler and Mr. Sauer as of March 31, 2007.

Intershop Shares

Intershop shares began the first quarter at EUR 1.55 on January 2, 2007, and closed at EUR 1.93 on March 30, 2007. They reached a high of EUR 2.35 in Q1 2007, and recorded a low of EUR 1.54. The average trading volume was around EUR 96 thousand.

Key figures for Interhop shares		**March 31, 2007**	**March 31, 2006**	**Dec. 31, 2006**
Closing price*	in EUR	1.93	1.43	1.58
Number of shares outstanding	Number (thousand)	21,596	17,665	21,504
Number of shares - diluted	Number (thousand)	24,225	24,110	24,133
Market capitalization	in EUR million	41.7	25.3	34.0
Market capitalization - diluted	in EUR million	46.8	34.5	38.1
Free float	in %	100	100	100
Shareholders´ equity	in EUR million	5.8	7.1	6.9
Earnings per share	in EUR	(0.07)	(0.07)	(0.34)**

* *in Xetra*
** *Year 2006*

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