INTERSHOP™

Group Management Report
For The Six Months Ended

June 30, 2008

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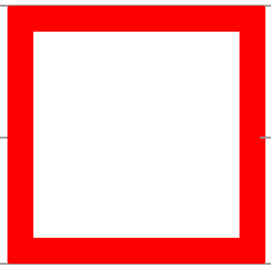

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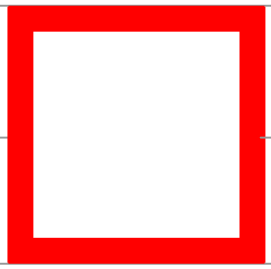
Group Management Report



Overall Economy and Industry

According to the spring forecast by the European Commission, economic growth in the European Union will drop from 2.8% in 2007 to 2% in 2008. The market for online marketing will continue to grow at an above-average rate in 2008. The Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (German Association for Information Technology, Telecommunications, and New Media – BITKOM) estimates that investments in software grew by 5.3% in 2007 and that investments in IT services (including consulting and maintenance) grew by 6.6%.

Revenue Development

Intershop's total net revenues rose by 9% from EUR 12.7 million in the first six months of 2007 to EUR 13.8 million in the first six months of 2008. License revenues decreased from EUR 2.9 million to EUR 2.0 million; however, the figure for the prior-year period included license revenues of EUR 1.4 million from a major order. Net revenues from services, maintenance, and other increased by 21%, from EUR 9.8 million to EUR 11.9 million. This increase is due mainly to the higher consulting and training revenues, which rose from EUR 5.4 million to EUR 7.0 million.

The following overview shows the development of net revenues (in EUR thousand):

Six months ended June 30,	2008	2007	Change
Licences	**1,961**	**2,890**	**-32%**
Maintenance	3,408	3,247	5%
Consulting / Training	7,034	5,403	30%
Online Marketing	1,175	1,056	11%
Other revenues	270	92	193%
Service, maintenance and other	**11,887**	**9,798**	**21%**
Net revenue total	**13,848**	**12,688**	**9%**

Gross revenues, which include media costs from online marketing, increased by 11%, from EUR 14.6 million to EUR 16.1 million. Gross revenues from online marketing rose from EUR 3.0 million to EUR 3.5 million.

In March 2008, Intershop and the Otto Group signed a wide-ranging master agreement covering a group license for Otto and its affiliated companies, as well as a package of services valued in the single-digit millions over three years.

Europe (including Asia-Pacific region) and North America remained Intershop's key revenue regions in the first quarter of 2008. Intershop's most important market in the first half of 2008 was once again Europe with revenues of EUR 11.8 million (first half of 2007: EUR 8.7 million or 68%), representing 85% of total revenues. Intershop generated revenues of EUR 3,0 million in North America in the first six months of 2008, or 15% of the global total (previous half: EUR 4.0 million or 32%).

Earnings Development

In the first six months of fiscal year 2008, Intershop generated a positive half-yearly result, reporting a profit for the period for four consecutive quarters for the first time since the Company was founded. Earnings before tax increased from a negative figure of EUR -3.2 million in the first half of 2007 to EUR 0.8 million in the first half of 2008.

The cost of revenues amounted to EUR 8.7 million in the first half of 2008, compared with EUR 6.8 million in the first half of 2007. The rise in the cost of revenues should be viewed in conjunction with the increase in revenues.

The gross profit margin on total net revenues declined from 46% to 37%, while the figure for license revenues remained unchanged at 98%. The gross margin on net service revenues fell from 31% to 27%. The margin in the online marketing business area increased from 12% to 26%.

Operating expenses and income decreased by 52% from EUR 8.8 million to EUR 4.3 million. The prior-year figure included restructuring costs of EUR 2.1 million. The restructuring measures implemented in the past fiscal year led to cost reductions, particularly in sales and marketing. Costs in these areas decreased by 43%, to EUR 1.9 million. General and administrative expenses were down from EUR 2.3 million to EUR 1.9 million. Other operating income totaled EUR 0.3 million in the first half of 2008 (prior-year period: EUR 0.4 million). Among other things, this figure included government grants of EUR 0.1 million in the first half of 2008 and EUR 0.3 million in the first half of 2007.

The cost of revenues and operating expenses include expenses from the employee stock option plans amounting to EUR 0.1 million in first six months of 2008 and EUR 0,5 million in the first six months of 2007.

The depreciation and amortization expense was EUR 0.2 million, compared with EUR 0.5 million in the prior-year period. This decrease was due mostly to the sharp drop in amortization relating to the intangible assets identified and measured in the course of purchase price allocation during the acquisition of SoQuero GmbH in late June 2006.

The result from operating activities (EBIT) improved from EUR -3.0 million to EUR +0.8 million. The EBIT margin improved from -24% to +6%.

Earnings after tax rose from EUR -3.1 million to EUR +0.6 million. In the first half of 2008, earnings per share were EUR 0.02. In the comparable prior-year period, Intershop reported a loss per share of EUR 0.12. Thanks to the profit generated in the first six months of fiscal year 2008, Intershop was able to sustain the positive earnings trend that began during the past fiscal year.

Research and Development

Research and development expenses declined from EUR 1.6 million in the first half year 2007 to EUR 0.7 million in the first half year 2008. This drop was due mainly to the initial capitalization of development costs in addition to the reduction in the number of employees. (For additional information, please see the section entitled “Accounting Policies” in the notes to the consolidated financial statements.)

Organisation

CEO Andreas Riedel stepped down from his position on the Management Board effective June 23, 2008 by agreement with the Supervisory Board. On June 23, 2008, the Supervisory Board appointed Henry Göttler as a member of the Management Board with immediate effect.

The Annual Stockholders' Meeting on June 24, 2008 elected Mr. Benedikt Wahler as the third new member of the Supervisory Board.

Employees

As of June 30, 2008, Intershop employed 247 full-time equivalents worldwide. The number of employees therefore increased by 6% from the 233 full-time employees recorded on December 31, 2007.

The following overview shows the breakdown of employees by department:

Employees by department (full-time equivalents)	June 30, 2008	June 30, 2007	Dec. 31, 2007
Technical Departments (research and development and service functions)	198	167	182
Sales and Marketing departments	21	31	22
General and administrative departments	28	31	29
Total	**247**	**229**	**233**

93% of Intershop's global workforce was employed in Germany as of June 30, 2008 (229 full-time equivalents; June 30, 2007: 207). The remaining 7% belong to the U.S. branch (18 full-time equivalents; June 30, 2007: 22). As of December 31, 2007, 211 full-time equivalents were employed in Germany and 22 in the United States.

Presentation of Net Assets and Financial Position

Total assets increased from EUR 23.2 million as of December 31, 2007 to EUR 25.2 million as of June 30, 2008.

Noncurrent assets rose from EUR 7.4 million to EUR 8.3 million. The rise was mainly the result of the increase in intangible assets from EUR 5.6 million to EUR 6.6 million. On the one hand, amortization of intangible assets declined significantly from the past fiscal year, since certain assets were written off in full as of December 31, 2007. On the other hand, the capitalization of software development expenses increased the cost of internally developed software.

Current assets rose from EUR 15.8 million to EUR 16.9 million. This item includes trade receivables, which increased from EUR 4.8 million to EUR 7.1 million.

Cash and cash equivalents included in noncurrent and current assets amounted to EUR 9.0 million, as against EUR 9.9 million as of December 31, 2007. The amount of unrestricted cash included in cash and cash equivalents increased from EUR 5.9 million to EUR 7.4 million. Restricted cash declined from EUR 3.9 million to EUR 1.6 million.

Intershop's equity increased from EUR 12.4 million as of December 31, 2007 to EUR 13.3 million as of June 30, 2008. The equity ratio was unchanged at 53%.

Current liabilities rose from EUR 10.6 million to EUR 11.8 million. Trade accounts payable dropped by 33% to EUR 2.2 million. Deferred revenue increased from EUR 1.8 million to EUR 4.0 million.

Net cash provided by operating activities amounted to EUR 1.3 million in the first six months of 2008, compared with a cash outflow of EUR 2.2 million in the first six months of 2007. Net cash provided by investing activities amounted to EUR 0.3 million as compared to EUR 1.2 million. In the first half of 2008, restricted cash in the amount of EUR 2.4 million was reclassified as unrestricted cash (first half 2007: EUR 1.2 million), and the second purchase price installment was paid for SoQuero GmbH, which was acquired in June 2006. Net cash provided by financing activities totaled EUR 0.3 million compared to EUR 0.1 million in the first half of 2008. Overall, cash and cash equivalents rose by EUR 1.5 million in the first half of 2008.

Group Risks

In the first six months of 2008, there were no significant changes to the risks described in detail on pages 14 to 17 of the 2007 Annual Report.

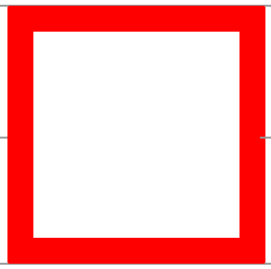
Events subsequent to the balance sheet date

On July 3, 2008, Intershop won its largest-ever online marketing order, which is worth EUR 2.5 million and has a term of 36 months. A German-based international specialized shipper, which has successfully used the Enfinity Suite 6 e-commerce software for several years, has now also opted to use Intershop's online marketing services. With this order, Intershop Communications Online Marketing GmbH has made a further significant contribution to the continued increase in consolidated revenue and earnings in the current fiscal year, as well as illustrating the synergies between Intershop's online marketing and its traditional e-commerce business.

Outlook

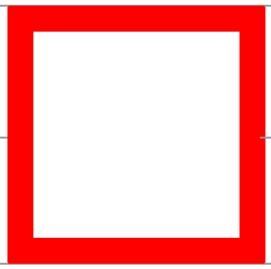
The results for the first six months of 2008 confirm the forecast that Intershop will generate a significant profit for 2008 as a whole.

Consolidated Balance Sheet



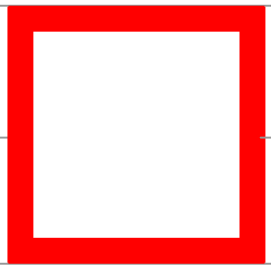
in EUR thousand	June 30, 2008	December 31, 2007
ASSETS		
Noncurrent assets		
Intangible assets	6,576	5,639
Property, plant and equipment	471	459
Other noncurrent assets	35	57
Restricted cash	1,213	1,213
	8,295	**7,368**
Current assets		
Trade receivables	7,068	4,760
Other receivables and other assets	1,976	2,353
Restricted cash	383	2,736
Cash and cash equivalents	7,440	5,949
	16,867	**15,798**
TOTAL ASSETS	**25,162**	**23,166**
SHAREHOLDERS´ EQUITY AND LIABILITIES		
Shareholders´ equity		
Subscribed capital	25,159	24,879
Capital reserve	5,734	5,678
Other reserves	(17,601)	(18,191)
	13,292	**12,366**
Noncurrent liabilities		
Other noncurrent provisions	32	50
Deferred tax liabilities	79	112
Deferred revenue	12	16
	123	**178**
Current liabilities		
Provisions for restructuring	0	28
Other current provisions	895	683
Convertible bonds	2,182	2,001
Trade accounts payable	2,214	3,294
Income tax liabilities	322	134
Other current liabilities	2,116	2,718
Deferred revenue	4,018	1,764
	11,747	**10,622**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES	**25,162**	**23,166**

Consolidated Income Statement



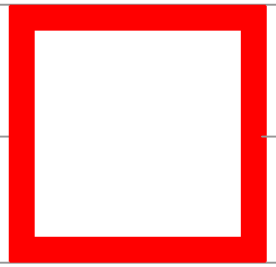
In EUR Thousand	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Gross Revenues				
Licenses	890	2,073	1,961	2,890
Services, maintenance and other	7,113	6,381	14,165	11,693
	8,003	**8,454**	**16,126**	**14,583**
Media costs	**(1,095)**	**(915)**	**(2,278)**	**(1,895)**
Nettoumsatzerlöse				
Licenses	890	2,073	1,961	2,890
Services, maintenance and other	6,018	5,466	11,887	9,798
	6,908	**7,539**	**13,848**	**12,688**
Cost of revenues				
Licenses	(14)	(53)	(46)	(62)
Services, maintenance and other	(4,207)	(3,730)	(8,678)	(6,778)
	(4,221)	**(3,783)**	**(8,724)**	**(6,840)**
Gross profit	**2,687**	**3,756**	**5,124**	**5,848**
Operating expenses, operating income				
Research and development	(360)	(678)	(663)	(1,649)
Sales and marketing	(1,030)	(1,606)	(1,876)	(3,269)
General and administrative	(914)	(1,228)	(1,908)	(2,264)
Restructuring costs	0	(2,085)	6	(2,085)
Other operating income	114	214	268	441
Other operating expenses	(73)	(16)	(115)	(22)
	(2,263)	**(5,399)**	**(4,288)**	**(8,848)**
Result from operating activities	**424**	**(1,643)**	**836**	**(3,000)**
Interest income	66	53	131	119
Interest expense	(95)	(142)	(189)	(290)
Financial result	**(29)**	**(89)**	**(58)**	**(171)**
Earnings before tax	**395**	**(1,732)**	**778**	**(3,171)**
Income taxes	**(109)**	**72**	**(193)**	**95**
Earnings after tax	**286**	**(1,660)**	**585**	**(3,076)**
Earnings per share (EUR, basic)	0,01	(0,07)	0,02	(0,12)
Earnings per share (EUR, diluted)	0,01	(0,07)	0,02	(0,12)
Weighted average shares outstanding (basic)	25.108	25.107	24.937	24.930
Weighted average shares outstanding (diluted)	28.349	26.737	28.178	26.560

Consolidated Statement of Cash Flows



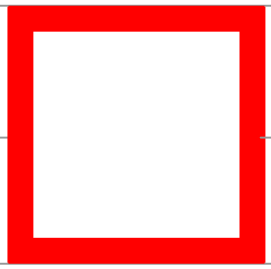
	Six months ended June 30,	
in EUR Thousand	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before tax	778	(3,171)
Adjustments to reconcile net profit/loss to cash used in operating activities		
Financial result	58	171
Depreciation and amortization	236	482
Other noncash expenses and income	62	790
Allowances for doubtful accounts	146	263
(Gain) Loss on disposal of property and equipment	(1)	(9)
Changes in operating assets and liabilities		
Accounts receivable	(2,455)	(2,367)
Other assets	401	(201)
Liabilities and provisions	(325)	1,030
Deferred revenue	2,249	723
Net cash used in operating activities before income tax and interest	**1,149**	**(2,289)**
Interest received	130	124
Interest paid	(1)	(26)
Income taxes paid	(3)	(7)
Net cash used in operating activities	**1,275**	**(2,198)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	2,353	1,241
Payments for investments in intangible assets	(1,046)	0
Proceeds on disposal of equipment	0	9
Purchases of property and equipment, net of capital leases	(143)	(86)
Acquisition of consolidated companies	(855)	0
Net cash (used in) provided by investing activities	**309**	**1,164**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for unregistered stock	336	92
Expenses of cash received for unregistered stock	(82)	(17)
Net cash provided by financing activities	**254**	**75**
Effect of change in exchange rates on cash	(347)	(5)
Net change in cash and cash equivalents	**1,491**	**(964)**
Cash and cash equivalents, beginning of period	5,949	3,629
Cash and cash equivalents, end of period	**7,440**	**2,665**

Consolidated Statement of Shareholders´ Equity



in EUR thousand				Other reserves				
	Common shares	Subscribed capital	Capital reserve	Conversion reserve	Cumulative profit/ loss	Cumulative currency differences	Treasury stock	Total share-holders´equity
Balance, January 1, 2008	**24,878,728**	**24,879**	**5,678**	**(93)**	**(20,060)**	**1,962**	**0**	**12,366**
Net profit/loss					585			585
Foreign currency translation adjustments						5		5
Stock option expense			68					68
Issue of new shares	279,969	280	(12)					268
Balance, June 30, 2008	**25,158,697**	**25,159**	**5,734**	**(93)**	**(19,475)**	**1,967**	**0**	**13,292**
Balance, January 1, 2007	**21,503,851**	**21,504**	**1,531**	**(93)**	**(18,027)**	**1,991**	**0**	**6,906**
Net profit/loss					(3,076)			(3,076)
Foreign currency translation adjustments						21		21
Stock option expense			473					473
Convertible bond	999,413	999	126					1,125
Issue of new shares	247,557	248	116					364
Purchase of common stock							(163)	(163)
Balance, June 30, 2007	**21,596,408**	**22,751**	**2,246**	**(93)**	**(21,103)**	**2,012**	**(163)**	**5,650**

Notes to the Consolidated Financial Statements as of June 30, 2008



General disclosures

The consolidated financial statements of Intershop Communications AG as of December 31, 2007 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 June 30, 2008 was prepared in accordance with IAS 34, *Interim Financial Reporting.*

This interim report as of June 30, 2008 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 2007. 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, 2007. The 2007 Annual Report is available on the Company's web site at http://www.intershop.com/intershop/investors/financial_reports/ .

Accounting principles (Compliance statement)

The consolidated financial statements of Intershop Communications AG for 2008 were prepared in accordance with the International Financial Reporting Standards (IFRSs) valid at the balance sheet date and with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

The International Accounting Standards Board (IASB) has also issued the Standards, Interpretations, and amendments to existing Standards whose application is not yet mandatory. The Company has decided not to adopt these Standards prior to their effective date. Please see pages 33 and 34 in the 2007 Annual Report.

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, and for determining the value of the options under the stock option plans as well as to assess the need for and measurement of impairment losses and valuation allowances. An estimate for the degree of completion of contracts for fixed-price projects is required when determining revenues for consulting services.

Provisions 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.

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

Basis of consolidation

There were no changes to Intershop Communications AG's basis of consolidation in the first six months of 2008 as against December 31, 2007. In addition to the parent company, the basis of consolidation therefore comprised the following companies as of March 31, 2008:

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

With the following exception, the same accounting policies were used to prepare this consolidated interim report as for the consolidated financial statements for fiscal year 2007. The policies used are described in detail on pages 38 to 46 of the 2007 Annual Report.

Software development costs

Development costs for newly developed (software) products are capitalized at cost in accordance with IAS 38 if a clear allocation of expenses is possible, and if both the technical feasibility and the marketability of the newly developed products are ensured. Capitalization of software development costs generally begins when the technological feasibility of the product is established; the Company defines this as the development of a prototype as well as the development of a beta version of the software. Intershop consolidated its different product lines, which had previously been developed separately, for the first time in Enfinity Suite 6.0. The business model was switched to the product life cycle model in the course of the reorganization of the Company and the change in its strategic direction in the past fiscal year. Starting in 2008, updates of Intershop’s standard software Enfinity will be issued regularly as annual releases, not at irregular intervals as has been the case to date. 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. This amount is amortized using the straight-line method over the planned useful life of the product beginning from the time of availability of the relevant software release to customers.

The treatment of development costs for establishing online shops for full-service e-commerce customers has not changed. Because the online shops are developed by Intershop and ownership remains with the Company, the development costs arising are capitalized.

Equity

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

The subscribed capital increased by EUR 279,969 as of June 30, 2008 to EUR 25,158,697 and is divided into 25,158,697 no-par value bearer shares. The change in subscribed capital amounting to EUR 279,969 reflects capital increases from authorized capital as a result of the exercise of employee stock options.

As of June 30, 2008, the Company had authorized capital of EUR 8,389,124. 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 7,038,000 against cash or noncash contributions (Authorized Capital I). The authorization of the Management Board applies until July 4, 2012. 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 six months of fiscal year 2008.
- By up to a total of EUR 1,351,124 against cash contributions while disapplying the stockholders' subscription rights on the basis of the resolution adopted by the Annual Stockholders' Meeting on May 9, 2007 (Authorized Capital II). The authorization of the Management Board applies until July 4, 2012. Capital increases in the amount of EUR 152,362 in the first quarter of 2008 and EUR 127,607 in the second quarter of the year were performed due to the exercise of employee options. Authorized Capital II decreased accordingly from EUR 1,631,093 as of December 31, 2007 to EUR 1,351,124 as of June 30, 2008.

The conditional capital remained unchanged as of June 30, 2008 compared with December 31, 2007. The Company's share capital was increased conditionally by up to EUR 10,555,603 in order to issue 10,555,603 shares. However, due to adjustments following the capital reductions and options that have expired or were not issued, a maximum of 2,219,960 shares may be issued in future from the conditional capital.

As of the interim reporting date, the changes to the Articles of Association relating to the Company's capital accounts, which were resolved by the Annual Stockholders' Meeting on June 24, 2008, had not been entered into the commercial register and were therefore not yet effective. The Annual Stockholders' Meeting resolved to reduce Conditional Capital I to EUR 159,584 and to abolish Conditional Capital II.

Stock option plans

Option activity under the plans was as follows:

Six months ended June 30,	2008		2007	
	Number of shares outstanding (in thousand)	Weighted average exercise price (EUR)	Number of shares outstanding (in thousand)	Weighted average exercise price (EUR)
Outstanding at beginning of period	4,216	1.68	5,302	1.43
Granted	70	2.98	226	1.88
Exercised	(308)	1.32	(225)	1.00
Forfeited	(390)	3.97	(461)	1.25
Outstanding at end of period	**3,588**	**1.48**	**4,842**	**1.38**
Exercisable options at end of period	1,718	1.56	1,567	1.59
Weighted average fair market value of options granted during the year	70	1.52	226	1.08

The weighted average share price for the exercised options amounted to EUR 2.86 on the exercise date.

The following table summarizes information with respect to the stock options outstanding on June 30, 2008:

Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable on June 30, 2008	Weighted average exercise price
	(in thousand)	(in years)	(EUR)	(in thousand)	(EUR)
1.00 – 1.50	2,179	2.6	1.01	1,128	1.02
1.51 – 2.50	1,103	3.0	1.73	424	1.74
2.51 – 3.50	161	4.2	2.91	24	2.88
3.51 – 4.50	3	4.1	3.61	1	3.60
4.51 – 7.80	142	0.3	5.08	141	5.08
	3,588	**2.7**	**1.48**	**1,718**	**1.56**

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 form/to	
Expected term	in years	1.00	5.00
Risk-free interest rate	in %	2.71	4.43
Expected Volatility	in %	70.00	109.78
Dividend yield	in %	0.00	0.00
Exercise price	in Euros	1.00	7.80
Market price	in Euros	1.00	7.80
Option value	in Euros	0.56	4.62

The volatility of Intershop shares declined noticeably in the period under review as a whole. 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 in fiscal year 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%. Volatility fell within a corridor of between 50% and 80% in fiscal year 2007. A volatility of 70% was therefore assumed for the options issued in 2007. Intershop considers an expected volatility of 70% 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 from 2004 to 2008, were taken into account in the calculation of the expense incurred from option plans.

In first six months of 2008, the Company recognized expenses of EUR 68 thousand relating to the stock option plans. These expenses amounted to EUR 473 thousand in the first six months of 2007.

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 2,182 thousand as of June 30, 2008. The change as against December 31, 2007 was as follows (in EUR thousand):

Amortized cost as of December 31, 2007	2,182
Accrued interest on the convertible bond up to June 30, 2008	181
Debt component as of March 31, 2008	**2,182**

1,629,626 bonds arising from the convertible bond in circulation remained outstanding as of June 30, 2008; this figure is unchanged.

Between November 10 and December 13, 2008 (exercise period at the end of the term), the convertible bonds can be converted into bearer voting ordinary shares of the Company pursuant to the convertible bond conditions.

Restructuring costs

In the first half of 2008, the restructuring measures under the restructuring program begun in April of the past fiscal year were completed in full.

The following tables give an overview of the restructuring charges and the changes in provisions for restructuring measures (in EUR thousand):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Employee Related Charges	0	711	(6)	711
Facility Related Charges	0	1,374	0	1,374
Total restructuring charges	**0**	**2,085**	**(6)**	**2,085**

	Employee related charges	Facility related charges	Total
Accrued restructuring costs at December 31, 2007	28	0	**28**
Restructuring charges from January 1 through June 30, 2008	(6)	0	**(6)**
Cash Payments	(21)	0	**(21)**
Currency Adjustments	(1)	0	**(1)**
Accrued restructuring costs at June 30, 2008	**0**	**0**	**0**

The provisions for employee-related charges primarily consist of expected future payments relating to the termination of employment contracts (including severance payments, social security contributions, and legal costs) and to distributor contracts.

Other operating income

Other operating income includes government grants amounting to EUR 139 thousand. EUR 104 thousand of this amount has already been received from Thüringer Aufbaubank. The remaining EUR 35 thousand relates to a grant from the German Federal Ministry of Education and Research that has been applied for but not yet received.

Earnings per share

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

	Three months ended June 30,		Six months ended June,	
	2008	2007	2008	2007
Basis for calculating basic earnings per share (Earnings after tax)	286	(1,660)	286	(3,076)
Dilutive effect of potential ordinary shares: interest on the convertible bond	92	125	181	245
Basis for calculating diluted earnings per share	378	(1,535)	766	(2,831)

The number of shares is calculated as follows:

	Three months ended June 30,		Six months ended June,	
	2008	2007	2008	2007
Weighted average number of ordinary shares used to calculate basic earnings per share	25,108	25,107	24,937	24,930
Dilutive effect of potential ordinary shares:				
Weighted average number of options outstanding	1,611	0	1,611	0
Weighted average number of convertible bond outstanding	1,630	1,630	1,630	1,630
Weighted average number of ordinary shares used to calculate diluted earnings per share	**28,349**	**26,737**	**28,178**	**26,560**

The earnings per share is calculated as follows:

	Three months ended June 30,		Six months ended June,	
	2008	2007	2008	2007
Calculation of earnings per share (basic)				
Earnings after tax (in EUR Thousand)	286	(1,660)	585	(3,076)
Weighted average number of shares (basic)	25,108	25,107	24,937	24,930
Earnings per share (basic) (in EUR)	**0.01**	**(0.07)**	**0.02**	**(0.12)**
Calculation of earnings per share (diluted)				
Basis for calculating diluted earnings per share (in EUR thousand)	378	(1,535)	766	(2,831)
Weighted average number of shares (diluted)	28,349	26,737	28,178	26,560
Earnings per share (diluted) (in EUR)	0.01	(0.06)	0.03	(0.11)
Adjustment of earnings per share (diluted) (in EUR)	**0.01**	**(0.07)**	**0.02**	**(0.12)**

In accordance with IAS 33.47, the stock options issued are included in the calculation of diluted earnings only if the average market price of Intershop ordinary shares during the quarter exceeds the exercise price of the stock options. As the diluted earnings reduce the loss per share or increase the earnings per share, an adjustment is made to the amount of basic earnings per share (antidilutive effect) in accordance with IAS 33.43. In accordance with IAS 33.64 the calculation of the number of shares was adjusted retrospectively for the prior year.

Segment Reporting

Three months ended June 30, 2008					
In EUR thousand	Europe	U.S.A	Rest of the world	Consoli-dation	Group
Net Revenues from external customers					
Licenses	890	0	0	0	**890**
Consulting and training	2,900	727	0	0	**3,627**
Maintenance	1,454	269	0	0	**1,723**
Online Marketing	540	0	0	0	**540**
Other	93	35	0	0	**128**
Total net revenues from external customers	**5,877**	**1,031**	**0**	**0**	**6,908**
Intersegment revenues	239	147	0	(386)	**0**
Total net revenues	**6,116**	**1,178**	**0**	**(386)**	**6,908**
Net profit/loss for the period	1,640	(1,325)	(3)	(26)	**286**
Net profit/loss for the period (adjusted)	3	290	(2)	(5)	**286**
Noncash income	163	0	0	0	**163**
Noncash expenses	92	0	0	0	**92**

Three months ended June 30, 2007					
In EUR thousand	Europe	U.S.A	Rest of the world	Consoli-dation	Group
Net Revenues from external customers					
Licenses	610	1,463	0	0	2,073
Consulting and training	2,001	1,260	0	0	3,261
Maintenance	1,361	254	0	0	1,615
Online Marketing	546	0	0	0	546
Other	44	0	0	0	44
Total net revenues from external customers	**5,477**	**2,977**	**0**	**0**	**7,539**
Intersegment revenues	610	0	0	(610)	0
Total net revenues	**6,087**	**2,977**	**0**	**(610)**	**7,539**
Net profit/loss for the period	(1,231)	(315)	64	(178)	(1,660)
Net profit/loss for the period (adjusted)	(2,735)	1,191	64	(180)	(1,660)
Noncash income	0	0	0	0	0
Noncash expenses	1,880	0	0	0	1,880

Six months ended June 30, 2008					
In EUR thousand	Europe	U.S.A	Rest of the world	Consoli-dation	Group
Net Revenues from external customers					
Licenses	1,895	66	0	0	1,961
Consulting and training	5,657	1,377	0	0	7,034
Maintenance	2,884	524	0	0	3,408
Online Marketing	1,175	0	0	0	1,175
Other	199	71	0	0	270
Total net revenues from external customers	**11,810**	**2,038**	**0**	**0**	**13,848**
Intersegment revenues	431	313	0	(744)	0
Total net revenues	**12,241**	**2,351**	**0**	**(744)**	**13,848**
Net profit/loss for the period	3,210	(2,567)	(6)	(52)	585
Net profit/loss for the period (adjusted)	73	548	(4)	(32)	585
Noncash income	168	1	0	0	169
Noncash expenses	412	0	0	0	412

Six months ended June 30, 2007					
In EUR thousand	Europe	U.S.A	Rest of the world	Consoli-dation	Group
Net Revenues from external customers					
Licenses	1,418	1,472	0	0	2,890
Consulting and training	3,388	2,015	0	0	5,403
Maintenance	2,700	547	0	0	3,247
Online Marketing	1,056	0	0	0	1,056
Other	92	0	0	0	92
Total net revenues from external customers	**10,549**	**4,034**	**0**	**0**	**12,688**
Intersegment revenues	828	0	0	(828)	0
Total net revenues	**11,377**	**4,034**	**0**	**(828)**	**12,688**
Net profit/loss for the period	(1,058)	(1,810)	62	(270)	(3,076)
Net profit/loss for the period (adjusted)	(4,049	1,189	62	(278)	(3,076)
Noncash income	0	0	0	0	0
Noncash expenses	2,262	0	0	0	2,262

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 direct sales units in Germany and in the United States.

The regions are broken down as follows:

Regions in first six months of 2008:

The “Europe” segment comprises sales by Intershop Communications AG, as well as by Intershop Communications Online Marketing GmbH, most of whose sales activities are in Europe and the Asia-Pacific region. The “U.S.A.” segment consists of sales by Intershop Communications Inc., which focus on North America. The “Rest of the world” segment includes the subsidiaries in Prague, Czech Republic, and in Sweden, which have no operating activities. The “Consolidation” segment includes all transactions within the individual segments.

Regions in first six months of 2007:

The “Europe” segment comprises sales by Intershop Communications AG, as well as by Intershop Communications Online Marketing GmbH, most of whose sales activities are in Europe. The “U.S.A.” segment consists of sales by Intershop Communications Inc., which focus on North America. The "Rest of the world" segment includes the subsidiaries in Prague, Czech Republic, and in Sweden, which have no operating activities. The “Consolidation" segment includes all transactions within the individual segments.

Notes to the content of the individual line items:

- Net 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" segment variable is the consolidated net profit or loss as reported in the income statement.
- 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.
- Noncash income includes the reversal of provisions for restructuring and provisions for legal and litigation costs.
- 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

The following changes with respect to the litigation described on pages 71 to 73 of the 2007 Annual Report occurred in the first six months of the 2008 fiscal year.

In fiscal year 2006, a claim was made against the Company by a contractual partner that had acquired standard software from the Company in 2004 and purchased services from the Company in 2005. The claim was for the reversal of the contracts, the repayment of the purchase price, and the payment of compensation amounting in total to EUR 732,499. The Company is also defending itself vigorously against these claims for repayment and compensation, and is of the opinion that the claims have no validity based on the merits of the case and that their amount is also without justification. Irrespective of this, the Company has insurance protection for part of the claim made. On May 30, 2008, a conciliation and main hearing took place before the Gera regional court. The regional court has scheduled a hearing for July 18, 2008 to pronounce a decision (an order on an evidentiary hearing).

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.

Related party disclosures

No changes occurred with respect to relationships with related parties as compared to December 31, 2007.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group 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.

Directors' holdings

As of June, 2008, 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 bond
Michael Sauer	Chairman of the Supervisory Board	920,413	0	0

Securities transactions subject to reporting requirements

In the first half of 2008, 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:

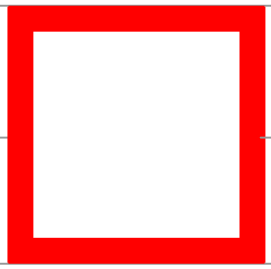
*

Supervisory Board:					
Michael Sauer*	February 6, 2008	Share	Lending**	90,000	0
	March 20, 2008	Share	Purchase	10,000	25,000
	June 12, 2008	Share	Purchase	30,000	75,600

* The securities transactions were executed by Kölner Parkhaus und Parkplatz GmbH, which are subject to the disclosure requirements as related parties of Mr. Sauer

** Mr. Michael Sauer lent the Company Intershop ordinary bearer shares free of charge to cover requirements under the employee stock option plan. The Company returned all shares on June 30, 2008.

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

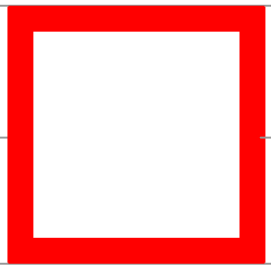
Intershop shares began the year at EUR 3.43 on January 2, 2008, and closed at EUR 2.21 on June, 2008. They reached a high of EUR 3.54 in first half of 2008, and recorded a low of EUR 2.12. The average trading volume was around 62,000 shares.

Key figures for Intershop shares		June 30, 2008	June 30, 2007	December 31, 2007
Closing price[1]	In EUR	2. 21	3.09	3.43
Number of shares outstanding	Number (thousand)	25,159	22,751	24,879
Number of shares – diluted	Number (thousand)	26,788	24,380	26,508
Market capitalization	In EUR million	55.6	70.3	85.3
Market capitalization – diluted	In EUR million	59.2	75.3	90.9
Free float	In %	85	94	91
Shareholder Equity	In Mio. EUR	13.3	5.7	12.4
Earnings per share	In EUR	0.02	(0.12)	(0.09)[2]

[1] In Xetra

[2] Year 2007

Contact



Investor Relations Contact

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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.