INTERSHOP™

ANNUAL REPORT 2009

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

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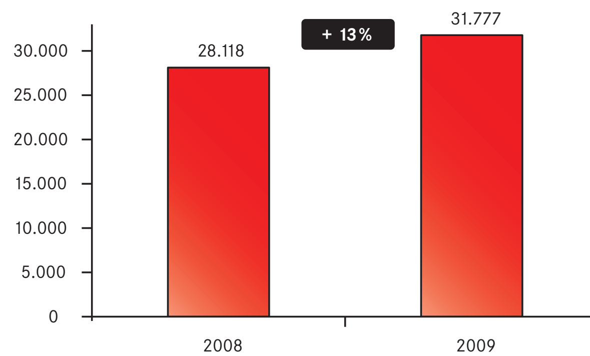
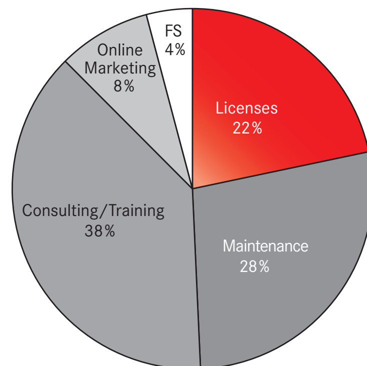
REVENUES

Revenues rose by 13% to EUR 31.8 million. The main reasons for the increase in revenues were important contracts with strategic customers and a large number of additional new customers.



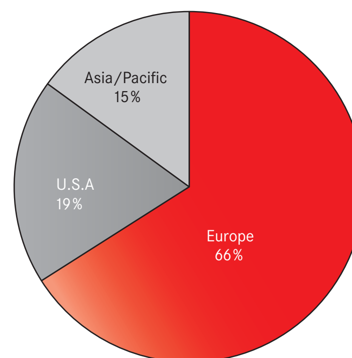


BREAKDOWN OF REVENUES

The share of net revenues accounted for by licenses increased sharply to 22% – up 7 percentage points on 2008. The Company's highest revenue generating area was again consulting (38%), followed by maintenance (28%). The share accounted for by the full-service area doubled to 4%.

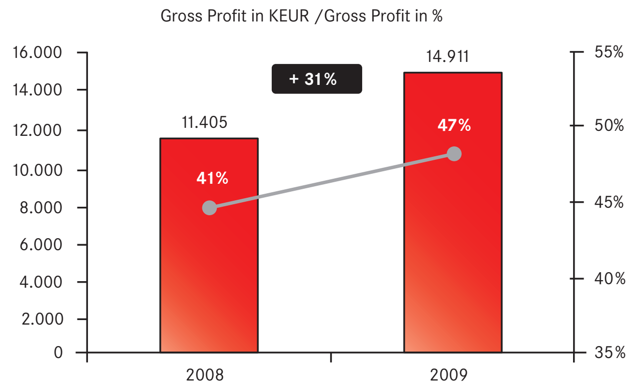
BREAKDOWN OF REVENUES BY REGION

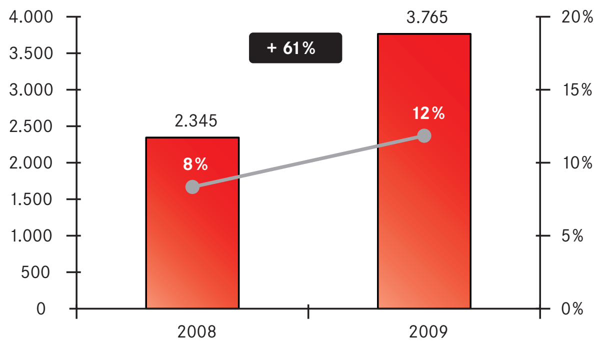
Europe accounted for the largest share of revenues (66%), followed by the United States (19%), and Asia-Pacific (15%). This means that Intershop generated a third of its net revenues outside Europe, its home market.



GROSS PROFIT

Gross profit rose considerably by 31% to EUR 14.9 million, corresponding to a rise in the gross margin from 41% in 2008 to 47% in 2009.



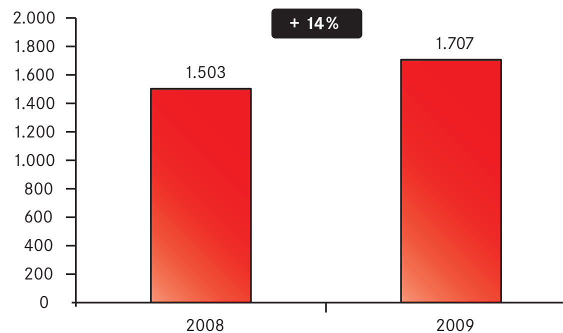


EBITDA

Earnings before interest, tax, depreciation, and amortization (EBITDA) increased by 61% to EUR 3.8 million. The EBITDA margin improved by 3.5 percentage points to 12%.

PROFIT FOR THE YEAR

Consolidated profit for the year increased by 14% to EUR 1.7 million.



Heinrich Göttler

Dr. Ludger Vogt

Peter Mark Droste

Dear stockholders and business partners,

Intershop continued on its growth path in fiscal year 2009 despite the difficult economic conditions. Revenues and earnings are up significantly – proof that we are heading in the right direction.

Although e-commerce was less affected by the economic turmoil than many other sectors, our business was also impacted by the crisis. Companies deferred investments in new software and services and some did not even survive the sharp economic downturn. Although the insolvency of our key client Quelle certainly has many causes, it made one thing very clear. For mail order specialists, the Internet is the sales channel of the future and those who moved over to online too late are falling by the wayside in a highly competitive market.

The fact that we exceeded our revenue forecast of 7 to 11% growth and generated sustained positive earnings despite the problems with Quelle proves the stability of our business model. A few years ago, the loss of a key client would have hit us hard. Today, we can compensate for such setbacks. Our operating result rose by 7 % in fiscal year 2009 to EUR 2.0 million. Earnings after tax for the period amounted to EUR 1.7 million, up 14 % year-on-year.

The significant rise in license revenues was a major triumph in fiscal year 2009. Our focus on boosting our marketing measures was rewarded. Licenses are particularly important as they are the basis for long-term growth in service and maintenance revenues. In addition, we signed our largest-ever service contract with Australian telecommunications group Telstra. This is also an important milestone, as the contract with this flagship company enhances our reputation and our market position in the entire Asia-Pacific region, where we see substantial additional potential for future business.

Our investments in research and development have increased substantially. Although this is at the expense of our margin, it paves the way for future growth. Our strategic goal is to offer our customers the best possible service along the entire e-commerce process chain. Under the slogan “Enable the Shop Manager”, we aim to support e-commerce managers in all activities from incoming goods deliveries to aftersales, either with our own innovative products or, where necessary, with the help of high-profile partners.

We are looking to the current year with confidence. Backed by our strong market position, our goal is to gain new strategic customers and further expand our profitability.

We hope that you will continue with us on our journey.

Sincerely,

Heinrich Göttler | Dr. Ludger Vogt | Peter Mark Droste

GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF INTERSHOP COMMUNICATIONS AG

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GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT OF INTERSHOP COMMUNICATIONS AG

INTERSHOP Communications Aktiengesellschaft closed fiscal year 2009, like the previous year, with positive after-tax earnings at both Group[1] and AG level[2]. In the previous year, the Company generated a profit for the first time and reported positive earnings after tax of EUR 1.5 million. Total earnings after tax in fiscal year 2009 amounted to EUR 1.7 million, up 14% on the previous year. This positive earnings development was mainly due to a rise in license revenues from EUR 4.1 million in 2008 to EUR 6.9 million in fiscal year 2009. Overall, the Group's net revenues rose by 13% to EUR 31.8 million, in excess of the original forecast for 2009 of a 7 to 11% rise. The Company's chief revenue driver was once again consulting, which generated EUR 12.1 million. In addition to the improvement in the license business, maintenance also recorded strong growth (22%) to EUR 8.8 million. The online marketing business at the Company's subsidiary SoQuero rose slightly, generating net revenues of EUR 2.7 million (+4%).

Goals for 2009 achieved

Intershop achieved the strategic, financial, and operating goals it had set for 2009 and has made further progress on its key corporate goal of expanding its range of services along the e-commerce process chain. The Company already offers its customers full-service outsourcing of online sales from shop design through to the delivery of the goods, which is handled by partner companies in the logistics sector. The pilot customer for Intershop's full-service e-commerce offering was the fashion company Mexx, which launched its online shop at the beginning of 2009. Intershop's full-service business was expanded over the course of the year with the acquisition of fashion company Rösch; additional customer contracts are pending.

Acquiring new customers, particularly strategic "platinum accounts", was also one of the Company's most important goals for 2009. Intershop recorded a number of successes in this area, expanding its customer relationship with pharmaceuticals group Merck, winning the largest-ever service contract in its history from Australian telecommunications group Telstra, and acquiring a major order from a global technology company in December 2009. This strong performance in the area of new orders more than compensated for the negative effects of the insolvency of key client Quelle Deutschland, which was announced in summer 2009.

Intershop's core product, the Enfinity standard e-commerce software, was enhanced as planned in fiscal year 2009 to include a large number of new features. The new modular Enfinity Suite 6.4 has been available since the end of January 2010. Key improvements relate to its flexibility in combination with other products, its extensibility, and the fact that it can be integrated into customers' existing IT environments even more easily and efficiently. The online marketing division expanded its product portfolio to include additional Feed Engine functions. This allows operators of online shops to maximize the performance of their product data marketing by significantly increasing the number of listings in price search engines and product portals. Another important project in 2009 was developing the core product of Intershop's new subsidiary, The Bakery, to the point of market readiness. The innovative software for integrating supplier data with Intershop's e-commerce platform was completed and launched on the market in November 2009.

Business Activities and Conditions

INTERSHOP Communications Aktiengesellschaft, which is domiciled in Jena, is the parent company of the Intershop Group. As at the reporting date, December 31, 2009, it directly held a 100% interest in Intershop Communications, Inc., San Francisco, U.S.A., Intershop Communications Australia Pty Ltd., Sydney, Australia, online marketing subsidiary SoQuero GmbH, Frankfurt, Germany, and additional non-operational former sales companies. Moreover, the Company has held a 60% interest in The Bakery GmbH, a Berlin software house, since February 2009.

Intershop is a global provider of integrated e-commerce solutions. Its range of services focuses on Intershop's e-commerce software, the world's first standard software for e-commerce, which was launched in 1996. Intershop's business comprises two main areas, the first being licenses and the second services, maintenance, and other. The latter area is broken down into consulting and training, maintenance, online

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

[2] the "AG" or "single entity"

marketing, other, and full service. In fiscal year 2009, 22% of net revenues were attributable to licenses and 78% to services, maintenance, and other (previous year: 15% and 85% respectively).
Intershop's business model encompasses the entire e-commerce process chain from the Enfinity Suite 6 standard software product through tailored online marketing down to the outsourcing of the entire value chain (full-service e-commerce). The Company's long-term goal is to support clients in all areas of the online sales process chain using its own services or with the involvement of partners, true to its motto of "Enable the Shop Manager". In order to achieve this aim, the Enfinity platform is being continuously enhanced and the Company's range of services systematically expanded and supplemented by in-house developments or acquisitions.
Intershop is one of the largest providers of e-commerce solutions worldwide. More than 300 customers market their products via up to 25 electronic sales channels at once with the help of Intershop's multichannel technology. Measured in terms of transactions per day, the Company has an extraordinarily powerful and scalable platform for online sales. In 2009, Intershop's software handled a record 85,000 orders per day as part of the closing-down sale at mail order specialist Quelle. Intershop operates in Europe, the United States, and in the Asia-Pacific region (mainly Australia). The Enfinity platform is used in more than 30 countries and is available in more than 20 different languages.

Overall Economy and Industry

Following its dramatic slump as a result of the financial crisis at the end of 2008 and the first months of 2009, the global economy has been back on the road to recovery since the middle of last year. According to estimates by the Kiel Institute for World Economics (IfW), the global economy contracted by 1.0% overall in 2009, the first decline since 1946. However, the slump was not as great as had been feared at the beginning of the year. Extensive measures designed to strengthen the banking sector and the expansionary fiscal and monetary policies of many industrialized nations succeeded in stabilizing the global financial system. The stimulus packages that were implemented across the world began to bear fruit and the Asian emerging economies in particular continued their dynamic growth. China's growth in 2009 is expected to be 8.6%, while India is set to record 6.8%. On the other hand, a significant fall is expected for the industrialized nations – by 2.5% in the United States and by 4.0% in the euro zone. According to calculations by the German Federal Statistical Office, German GDP fell by 5.0%. The recession in Germany is mainly due to a 17.3% slump in exports. Gross capital spending was also down 9% on 2008. These negative trends could not be counteracted by the slight rise in retail spending.
Compared to the macroeconomic trends, the performance in 2009 of the e-commerce sector – the area important for Intershop – was encouraging overall. The number of Internet users and the time they spend on the World Wide Web are steadily growing. Online sales in particular are becoming increasingly popular, despite the difficult economic times. The number of people in Germany who made online purchases in 2009 rose by 1.1 million year-on-year. Overall, they ordered goods worth EUR 15.5 billion, up over EUR 2 billion or 16% on 2008. According to the Bundesverband des Deutschen Versandhandels (bvh – German E-Commerce and Distance Selling Trade Association), this means that e-commerce sales accounted for more than half of total mail order and online sales transactions in Germany for the first time. In addition to goods, services such as flight tickets and rental car contracts worth EUR 6.2 billion (2008: EUR 5.9 billion) were ordered online. 2009 was another record year not just for online sales but also for Internet advertising. According to a survey by industry association BITKOM, revenues for advertising banners, pop-ups, and streaming ads rose by 17.8% compared with 2008 to EUR 1.5 billion, defying the general slump in advertising. In contrast, the German IT sector was unable to escape the impact of the general economic crisis and was hit by a reluctance to invest in 2009 following the growth seen in past years. According to BITKOM, investments in software fell by 2.7% in 2009 to EUR 14.6 billion (information correct as of October 2009).

Revenue Development

In fiscal year 2009, Intershop boosted its net revenues by 13% year-on-year to EUR 31.8 million. The Company therefore exceeded its forecast growth of 7 to 11% for 2009. The main reasons for the significant growth in revenues were our cooperation and contracts with strategic customers, known as platinum accounts. This was offset by lower than expected revenues from Quelle, a key client whose German unit had to file for insolvency in June 2009. The resulting drop in sales expected in 2010 will be compensated by newly acquired, and in some cases long-term, service contracts with major customers. Overall, Intershop won more than 70 new projects in 2009.
License revenues rose by a substantial 69 % to EUR 6.9 million, the highest they have been for six years. The rise is the result of the intensified sales focus on the licensing business, which forms the basis for long-term growth in service and maintenance revenues. The services, maintenance, and other area grew by 4 % in the fiscal year to EUR 24.9 million, with the consulting segment remaining the highest revenue-generating item, at EUR 12.1 million. Maintenance grew by 22 % to EUR 8.8 million and was the second-largest revenue-generating segment. Full service revenues also saw strong growth, up 138 % to EUR 1.3 million. In the online marketing segment, Intershop extended its business slightly, recording net revenues of EUR 2.7 million (+4 %) in 2009.
The following overview shows the development of net revenues:

in EUR thousand	2009	2008	Change
Licenses	6,897	4,083	69%
Services, maintenance and other	24,880	24,035	4%
Net revenues total	**31,777**	**28,118**	13%

Strategic Major Orders in 2009

In the past fiscal year, Intershop won a number of strategic contracts. In March, the Company announced that it had gained its first key customer in the full-service e-commerce area. Together with partners, it redesigned the online shop and all related processes for the international fashion company Mexx. The total order volume for Intershop over five years will be up to EUR 6.0 million. On June 30, Intershop announced the signing of its largest-ever service contract with Australian telecommunications group Telstra. The contract comprises services worth a total of AUD 22.6 million, the equivalent of roughly EUR 14.4 million, over a term of three years. It came about as the result of a past project for the Australian group. On the basis of its Enfinity software, Intershop developed a C-to-C platform in 2008 for auctions and classified ads for Telstra's subsidiary Sensis. This has become Australia's leading shopping platform in its category. The follow-up order covers various services for the Sensis Group's portals including operational support, maintenance, and testing. This is a highly strategic contract for Intershop, as it marks an important step towards expanding its market position in the Asia-Pacific region. Also in June, Intershop announced the launch of the Merck Chemicals portal. Intershop migrated the pharmaceuticals group's worldwide B-to-B platform to Enfinity and redesigned a large portion of its Internet presence. In August, Intershop reported a further major license order from Messe München International (MMI). In future, all MMI trade fair websites will be based on the Intershop platform. At the end of August, the Company announced the relaunch of the T-Home online shop. Germany's leading telecommunications group had commissioned Intershop to increase the efficiency of the T-Home online offering. In October, the receiver for the Arcandor Group announced that attempts to restructure ailing mail order specialist Quelle had failed. Quelle had been one of Intershop's most important customers in past years. Intershop gained another order at the end of October: Sunrise, Switzerland's second-largest telecommunications group, is revamping its online offering and migrating its e-commerce activities to Enfinity Suite 6.3. A major order from a global technology group in December meant the year ended on a high note. The total volume of the license and service order, which will run for six years, is in the mid-seven digit euro range.
Broken down by region, the largest share of revenues in 2009 was again generated in Europe (66 %), followed by the United States (19 %), and Asia-Pacific (15%). This means that Intershop generated a third of its net revenues outside Europe, its home market. In the prior-year period, the relevant figure was 30 % – 14 % in the United States and 16 % in Asia-Pacific. This trend reflects the progress made in internationalizing Intershop's business.

In fiscal year 2009, single-entity revenues in accordance with German commercial law rose by 1% year on year to EUR 23.5 million. The license revenues included in this figure fell by 2% from EUR 3.5 million to EUR 3.4 million. Revenues from services (consulting, maintenance, and other) increased by 2%, from EUR 19.8 million to EUR 20.1 million. In Germany, INTERSHOP Communications Aktiengesellschaft has branch offices in Stuttgart, Nuremberg and Hamburg. Its subsidiary SoQuero GmbH is located in Frankfurt am Main. Its subsidiary The Bakery GmbH is domiciled in Berlin.

Earnings Development

In fiscal year 2009, Intershop continued the trend towards sustained corporate profitability that it has demonstrated since 2006. The result from operating activities (EBIT) increased by 7% to EUR 2.0 million; earnings before interest, tax, depreciation, and amortization (EBITDA) rose by a substantial 61% to EUR 3.8 million. The EBITDA margin improved by 3.5 percentage points to 12%. At EUR 1.7 million, consolidated earnings after tax for the period were up 14% on the previous year's good result.
One of the key factors influencing positive earnings development is the rise in consolidated net revenues from EUR 28.1 million to EUR 31.8 million, whereas the cost of revenues remained largely constant. Gross profit in 2009 rose 31% to EUR 14.9 million; the gross margin was 47% after 41% in fiscal year 2008. A decline in the cost of revenues in the services, maintenance, and other area offset the rise in the licensing area, which was caused by the acquisition of OEM licenses.
Within operating expenses, the research and development item recorded a particularly strong increase. R&D expenses in 2009 amounted to EUR 4.3 million, following EUR 1.2 million in the previous year. The sharp rise was the result of higher staff costs due to a greater number of employees, including those at The Bakery – the Company's newly acquired equity interest – amortization of software development costs capitalized in the previous year, and greater expenses for third-party services (offshore employees) for development projects. Overall, The Bakery GmbH made a negative earnings contribution of EUR 1.0 million due to initial investments made in fiscal year 2009 that are mainly attributable to R&D. Sales and marketing expenses amounted to EUR 4.5 million, up 24% on the previous year. Higher staff costs and more extensive marketing measures to generate leads were the main drivers here. General and administrative expenses totaled EUR 3.9 million, up 11% compared with 2008. Here, too, the rise was the result of higher staff costs and consulting fees. In contrast, other operating expenses fell sharply by 47% to EUR 0.9 million. This is mainly due to currency translation losses in 2008 of more than EUR 0.6 million. Losses from currency translation differences in 2009 amounted to a mere EUR 0.1 million. Other operating income rose slightly from EUR 0.6 million to EUR 0.7 million. This item includes government grants amounting to EUR 0.2 million, among other things.
The financial result for fiscal year 2009 rose to EUR 0.1 million, compared with EUR –0.1 million in the previous year. At the end of 2008, Intershop redeemed a convertible bond, meaning that no significant interest expenses were incurred in 2009.
Overall, Intershop generated earnings before tax of EUR 2.1 million despite the expenses incurred in R&D in particular; this represents a rise of 22% as against the previous year. Consolidated earnings after tax for the period amounted to EUR 1.7 million and earnings per share (basic and diluted) to EUR 0.08 (previous year: EUR 0.06 basic and diluted).

The net income for the period for the AG in accordance with German commercial law amounted to EUR 2.0 million in fiscal year 2009, compared with EUR 1.2 million in the previous year. The cost of purchased services declined by 22% to EUR 3.4 million. In contrast, personnel costs rose by 14%, from EUR 11.8 million to EUR 13.4 million. Depreciation and amortization expense fell by 68% to EUR 1.3 million due to lower write-downs of current assets. Other operating expenses rose slightly by 2% to EUR 8.4 million. EUR 0.4 million of the other interest and similar income is attributable to affiliated companies, compared with EUR 6.4 million in 2008. The result from operating activities amounted to EUR 2.3 million (2008: EUR 1.8 million). The total accumulated deficit in accordance with German commercial law was EUR 9.6 million (previous year: EUR 11.6 million).

Research and Development

Research and development expenses primarily comprise staff costs for this area, including third-party services, and amortization of capitalized software development costs. The balance of the capitalization of software development costs and the amortization of development costs capitalized in 2008 amounted to approximately EUR 1.2 million. Capitalized software costs in the previous year amounted to EUR 2.1 million. In addition, research and development expenses contain advance costs of approximately EUR 0.9 million incurred by Intershop's newly acquired subsidiary, The Bakery. Overall, research and development costs rose from EUR 1.2 million to EUR 4.3 million.

Research and development in fiscal year 2009 focused on developing a new version of the Company's standard software Enfinity Suite 6.4, worldwide distribution of which started in January 2010. The new software version offers simplified integration of third-party software, additional sales promotion, improved product information management, and more cost-effective operation. In the area of online marketing, the Feed Engine was significantly expanded thanks to the integration of additional portals, expanded reporting functions, and a marketing-driven product content management system. An order management system was created in The Bakery subsidiary.

Intershop will continue to invest in R&D in the current fiscal year. The aim is to incorporate customer requests and ideas drawn from the market environment and from implementation and technology partners, along with innovations by Intershop's development and consulting team, into software development on an annual basis. Marketing of the new Enfinity version 6.5 will start at the beginning of 2011.

Management Board and Supervisory Board

Intershop strengthened its Management Board in fiscal year 2009 by adding a new member. In April 2009, the Company announced the appointment of Peter Mark Droste to the Board. Mr. Droste, who has decades of management experience in the international software and hardware industry, is responsible at Board level for the Mergers & Acquisitions (M&A), Marketing, PR, and IR functions as well as the Finance, Operations, Legal, and Human Resources departments.

The Supervisory Board appointed a new Chairman for itself in the wake of the Annual Stockholders' Meeting on June 19, 2009. Joachim Sperbel took over from the previous Chairman, Michael Sauer, who in turn took over Joachim Sperbel's position as Deputy Chairman.

The compensation of the Management Board and the Supervisory Board for fiscal year 2009 comprises fixed and variable components. For details of the compensation of the executive bodies, see the notes to the consolidated financial statements.

Employees

As of December 31, 2009, Intershop had 303 employees worldwide, a rise of 39 during the course of the year. 13 full-time employees alone are attributable to Intershop's new subsidiary, The Bakery.

Employees by department (full-time equivalents)

	Dec. 31, 2009	Dec. 31, 2008
Technical Departments		
(research and development and service functions)	**241**	202
Sales and Marketing departments	**32**	31
General and administrative departments	**30**	31
	303	**264**

The regional breakdown of employees remained unchanged as against the end of 2008. As of December 31, 2009, 94% (287 employees) worked in Europe and 6% (17 employees) in the branch in San Francisco, U.S.A.

INTERSHOP Communications Aktiengesellschaft (single entity) had 253 staff as of the balance sheet date (December 31, 2008: 221 employees).

Financial Position

Intershop again generated a positive operating cash flow in fiscal year 2009. Net cash provided by operating activities amounted to approximately EUR 0.8 million in fiscal year 2009, compared with net cash of approximately EUR 3.0 million in fiscal year 2008. The main cause of the decline in this item is the sharp increase in trade receivables, which relate in particular to the major license and service contract completed at the end of the year. Net cash used in investing activities amounted to EUR 2.8 million, compared with EUR 0.5 million in fiscal year 2008. In the previous year, restricted cash in the amount of some EUR 2.7 million was reclassified as unrestricted cash. This item declined to EUR 0.4 million in the past fiscal year. At EUR 0.2 million, cash flows from financing activities were positive due to the discontinuation of the convertible bond in fiscal year 2008. In 2009, there were three capital increases totaling EUR 0.12 million from Authorized Capital II due to the exercise of employee options. As a result, the Company received EUR 0.1 million, while costs amounted to EUR 0.02 million. The share capital increased in line with this. For details, please refer to the equity disclosures in the notes to the consolidated financial statements.
In total, Intershop had cash and cash equivalents of EUR 6.3 million as of December 31, 2009 (December 31, 2008: EUR 8.1 million).

Net Assets

Intershop's consolidated balance sheet as of December 31, 2009 continues to show a very strong financial position. The Company has no financial liabilities and its equity ratio is 64% (previous year: 66%). Total assets rose by 16% to EUR 28.7 million compared with December 31, 2008. The main reason for this rise was higher trade receivables of EUR 10.6 million (+84%). These were mostly due to the seven-figure license revenues recognized at the end of the year, but also to the acquisition of additional new and key customers during the reporting period. In addition, intangible assets rose by 26% to some EUR 9.5 million, mainly as a result of the capitalization of software development costs. Overall, noncurrent assets rose by 19% to approximately EUR 10.9 million. Current assets totaled EUR 17.9 million, up 14%. Cash and cash equivalents declined from EUR 9.3 million at the end of 2008 to EUR 7.2 million as of the reporting date, December 31, 2009. This included restricted cash of approximately EUR 0.9 million, down EUR 0.4 million.
Intershop's equity increased from EUR 16.3 million in the previous year to EUR 18.4 million, a rise of 13%. This was mainly due to a rise in reserves resulting from the positive consolidated earnings after tax recorded for the period. Noncurrent liabilities fell from EUR 1.2 million to EUR 0.8 million. Current liabilities rose 31% to around EUR 9.6 million. This significant rise mainly resulted from a 52% rise in trade accounts payable and a 34% rise in other liabilities. The latter increase is due among other things to a rise in liabilities to employees, particularly in relation to commissions and performance-related compensation.

As of December 31, 2009, the total assets of the single entity in the annual financial statements prepared in accordance with German commercial law amounted to EUR 29.5 million, corresponding to a 15% rise. Fixed assets increased by 1% to EUR 11.0 million and current assets rose by 26% to EUR 18.4 million. The rise in current assets is mainly due to increased receivables from affiliated companies (which rose from EUR 1.1 million to EUR 6.2 million). Equity rose 11%, from EUR 19.6 million to EUR 21.7 million. Trade accounts payable increased from EUR 0.7 million to EUR 2.2 million.

Risk Report

Risk management system

Intershop operates in a dynamic market characterized by continuous changes and a wide range of associated business environment risks. At the same time, the Company faces risks arising from operating policies, the Company's structure, and the organization of internal processes that could endanger the Company's goals. Intershop is committed to the goal of protecting the property of its stockholders and safeguarding its continued existence as the basis of its business activity. The Company aims to cover overall risk by maintaining sufficient equity at a confidence level of 99% in order to ensure a probability of default of no more than 1%.

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. 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. Once a year, the Company's risk manager, who is appointed by the Management Board, provides a detailed report on the Company's risk position. Above and beyond this, risk management organization is decentralized. The divisional managers in the individual business areas are responsible for identifying and mitigating the risks in their divisions. They promptly report any newly identified risks, or changes to existing risks, to the Management Board. In turn, the Management Board also obtains information about the Company's risk position as and when necessary. Flat hierarchies, short communication channels, and a culture of open communication ensure that important risk information reaches the Management Board without delay. In addition, central information systems help to provide the Management Board with direct, timely, and regular information on risks associated with the Company's development. In the case of significant risks and risks that pose a particular threat to the Company's continued existence, the divisional managers are required to provide the Management Board with immediate and detailed information. The Management Board informed 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 at least once a year, during which previously identified risks are reviewed, new risks are recorded, and the risk owners are defined. In financial control, a deviation analysis is performed so as to identify deviations from targets. This uses financial accounting and control software by SAP and customer relationship management (CRM) software by Siebel Systems.

All risks are assessed based on their probability of occurrence and, if possible, their impact. 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. It also distinguishes between preventive and reactive measures.

As part of its annual risk inventory of all areas of the Company, Intershop identified risks that may affect the Company's development.

Business environment and industry risks

Intershop is the European market leader in the very dynamic market for e-commerce solutions. This market is subject to constant changes due, for example, to technological advances, changes in companies' IT environments, or new strategies or behavior by online sales players. For example, new distribution models for software have become established in recent years that provide companies with e-commerce solutions on the basis of the software-as-a-service (SaaS) model. In this, the software is operated by a service provider and the customer accesses it via the Internet, without the need for their own extensive IT infrastructure. If it gains ground, this trend could lead to a selling price risk for Intershop, as the models are less expensive for companies. On the other hand, the models also have significant disadvantages, particularly with regard to safety aspects when handling customer data. Against this background, Intershop does not see any risk that the Company's licensed-based business model will be supplanted.

In general, risks could arise if the quality or functionality of Intershop's products were to be insufficient to meet customer requirements. If the Company failed to monitor target markets adequately, assess its competitors, and continue to roll out new, innovative product and solutions strategies, this could lead to the loss of (major) customers and make it more difficult to gain new customers. Intershop manages this risk in particular by continually optimizing its standard software, Enfinity, with a new and improved version being released every year since 2007. The risk of customers being lost is a general one. The Company currently has a broad customer base, meaning that losses of individual customers do not pose a threat to its continued existence and that this can be offset by new customers or follow-up orders from existing customers.

Strategic business risks

Intershop's key strategic goal is to develop the Company from a pure-play technology supplier into a full-service provider covering the entire e-commerce process chain. As Intershop cannot provide all services itself, it must rely on partners in order to supply its customers with this full-service e-commerce offering. This results in a quality assurance risk in relation to the services offered. For its full-service offering Intershop cooperates in all cases with established partners whose experience and expertise guarantee high-quality products and services, in line with the Company's philosophy. In addition to integrating partners, Intershop intends to round off its range of e-commerce solutions with smaller acquisitions. If such an M&A transaction were to fall through due to management taking the wrong decisions or problems integrating the target, the continuation of the Company's strategy could be compromised or impeded. When executing M&A transactions, Intershop relies on the experience of its management and, if necessary, external experts and consultants. This reduces the risk of such a transaction falling through.

The consulting services that Intershop mainly provides as part of projects are a major line of business for the Company where customer loyalty is a top priority. 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 by maintaining a strong customer focus and continuously monitoring customer satisfaction. It is therefore able to control the risks arising from projects.

Brand visibility also plays a central role for Intershop, as otherwise potential customers are unaware of the Company as a possible solutions partner. This is mainly the case in countries outside Europe, although Intershop also won new orders in the U.S.A. and the Asia-Pacific region in 2009. Intershop manages this risk through a wide variety of marketing measures to advertise and maintain the Intershop brand.

Performance risks

Intershop is unable to rule out the possibility of deviations from planned targets as a result of the inefficient organization of sales activities, failure to generate a sufficient number of new customers, or inappropriate marketing activities. This risk is countered through appropriate target models in sales, increased training measures, and weekly reporting on the status of current sales activities, on the basis of which the threat is considered small. 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.

Human resources risks

The work performed by employees and management personnel is key to the Company's success. A fall in motivation, reflected in turn in an increase in employee turnover, could have an adverse effect on the Company's operating result. Moreover, some positions are filled by key personnel, which involves additional risks. Intershop's good personnel management led to a continuous reduction in the Company's staff turnover rate. Intershop has also shown in the past that it is able to reduce the impact of personnel changes by maintaining a highly qualified workforce and an extensive network of external service providers, as a result of which this risk is considered small.

Information technology risks

As a software provider, Intershop is exposed to the risk of attacks on the software that may reduce its range of functions or availability to customers. Existing information security measures are enhanced on an ongoing basis so as to limit the risks associated with IT-supported integration. Intershop considers the probability in this area to be small.

The availability of third-party software that must meet market and customer requirements poses a further risk. If the third-party software used is not available in good time or is defective, this may affect the operating result. This challenge is addressed by signing long-term supply agreements with third-party software providers and continuously reviewing their quality. Intershop also has alternative providers in place.

Financial risks

As a result of continuously improving its equity structure, Intershop currently has sufficient liquidity and financial strength to allow it to bear risks. It is not exposed to any significant interest rate or credit risk at the present time, as it has no financial liabilities. Its activities abroad are exposed to currency risk in that revenues are generated in U.S. and Australian dollars. In the past year, measures were taken to hedge currency risks.
There is also the risk of nonpayment of receivables. In 2009, Intershop recognized defaults on receivables from its key customer Quelle Deutschland. The mail order specialist had to file for insolvency in June 2009 and announced in October 2009 that it would cease trading. Intershop obtained most of its receivables by negotiating with the receiver and by rendering services on the basis of advance payment; however, valuation allowances had to be charged on some receivables, which negatively influenced the results of operations and the liquidity situation. Intershop expects to offset the drop in sales due to the loss of Quelle in 2010 with other contracts.
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.

For further information, please refer to the section entitled “Financial risk” in the notes to the consolidated financial statements.

Other risks

In the full-service e-commerce business area, the agreements signed usually entail a revenue-based billing model. If the customer’s revenues remain low or in decline for a long period, this poses a risk to Intershop’s profitability. Intershop attempts to minimize this risk through contractual agreements on guaranteed minimum revenues.

Intershop’s newly formed subsidiary The Bakery GmbH, in which it holds a 60% equity interest, is in the start-up phase. The costs incurred are being financed by a loan granted by Intershop. If The Bakery fails to meet its revenue and earnings targets, it runs the risk of insolvency. This would result in a loss of planned revenues for Intershop. Intershop is mitigating this risk by increased sales activities, flanked by marketing measures.

The Company is a defendant in various legal proceedings arising from the normal course of business. The Company recognizes all legal costs associated with loss contingency as an expense as they are incurred. The Management Board does not currently expect that the Company will incur any major payment obligations resulting from current litigation. These risks are also hedged by insurance policies.

Licenses account for a substantial proportion of the Company’s total revenues. Due to the uncertainty with regard to the length of sales and implementation cycles, which depends heavily on Intershop’s customers, revenues may be subject to sharp fluctuations on a quarterly basis in particular. This applies all the more given that a small number of large orders often account for a substantial proportion of revenues. Since operating costs are largely dependent on the number of employees, and therefore can only be affected to a limited extent in the short term, fluctuations in revenues could lead to corresponding fluctuations in operating results.

In the software industry, a large proportion of license revenues is not recognized equally over a quarter, but frequently only towards the end of a quarter. This is because contracts are often not awarded until the last third of a quarter. As a result, uncertainty as to whether the forecast revenue target will be achieved usually persists until well into the quarter. The Company’s dependence on the license model was therefore reduced further and the focus on growth was transferred to other areas. Over the medium term, the Company plans to supplement or switch from the CPU-based model involving a one-time license payment to models that generate continuous revenues. One example of such a model is the sales commis-

sion model.
Intershop generates around half of its revenues from major customers. Therefore, there is a risk that the loss of one or more major customers may have an adverse effect on the Company's results of operations. Intershop considers this risk to be very small, however, as there are considerable time and financial barriers facing customers who consider switching. In addition, the risk is minimized through long-term agreements.

Changes to search engines' ranking algorithms may make it impossible to offer search engine optimization services. This may reduce online marketing revenues and have a correspondingly adverse effect on the results of operations. The Company considers this risk to be very small, however.

For the Company's headquarters in Jena, Intershop has signed a long-term lease that runs until 2013. Not all the leased space is currently required for operational purposes. Some of this space has therefore been sublet but, due to the market situation, without fully covering the costs. For the remaining vacant space and the losses from subletting, Intershop has already recognized provisions for realistic time periods. However, there is a risk that Intershop will fail to let the vacant space within these periods or that further losses will arise from subletting, affecting the results of operations.

Despite a global economic recovery, the economic outlook in 2010 is subject to a high degree of uncertainty, which also needs to be taken into account in the forecasts underlying corporate planning.

Opportunities

All market risks and uncertainties are directly associated with opportunities for Intershop. The following opportunities are among the most notable examples: Many companies require efficient sales and marketing channels in order to be able to withstand the pressures on costs and unit sales. Intershop's products and services for e-commerce and online marketing offer companies alternative solutions. Particularly given the financial market and economic crisis, Intershop may experience increased customer demand as a result of the pressure on many companies to rationalize their business.
In online marketing, changes to search algorithms may also increase customer demand for online marketing solutions and therefore revenues at Intershop's subsidiary SoQuero.
Customer satisfaction, which is of particular importance to Intershop, provides a further opportunity. Regular surveys and long-term customer loyalty to Intershop confirm customers' high level of satisfaction. This may result in follow-up projects.
Intershop's customer structure, with major customers accounting for a large proportion of total revenues, provides the opportunity to continue generating revenues from these major customers, as they will be less inclined to switch provider due to the financial and time barriers to switching.
Particularly given the uncertain macroeconomic situation, Intershop's strong financial standing and established market position offer the opportunity to selectively acquire companies so as to grow strategically along the e-commerce process chain.

Overall risk position

The overall risk position refers to the sum total of all the individual risks to which Intershop is exposed. No risks have been identified that, either in isolation or in combination with others, may threaten Intershop's continued existence.

Description of the key characteristics of the internal control and risk management system with regard to the consolidated financial reporting process

Intershop's internal control system includes the policies, procedures, and measures introduced by the Management Board to enable the organizational implementation of its decisions so as to ensure the effectiveness, cost-effectiveness, and propriety of financial reporting as well as adherence to the applicable legal provisions.

The Intershop Group is divided into three business 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.

Business procurement and approval processes including signing authorities and value limits are governed by a Global Authorization Policy introduced by the Management Board. The policy regulates three areas: the purchase of goods and services, quotations for and contracts with customers, and personnel issues. Defined processes must be adhered to before actions are performed. If, for example, goods or services are ordered or existing contracts amended or canceled, various authorizations in the form of signatures must be sought. The extent of the authorizations required depends on the type of contract involved and the volume of the order. Additionally, information on the effects on the budget, balance sheet and cash position are required and explanations of alternatives (e.g., quotations from other suppliers or service providers) must be provided. 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. Apart from the Global Authorization Policy, additional guidelines for various areas exist such as travel guidelines, cell phone guidelines, and Company car guidelines. Management Board meetings, which take place at least once a week, discuss and monitor topics such as third-party commissions, among other things.

Accounting transactions are reported in the single-entity financial statements of the relevant subsidiaries, with most items being entered using the SAP accounting system. With the exception of two subsidiaries, the parent company's central Finance department enters the data. Consolidation and the preparation of Intershop's consolidated financial statements are performed centrally by the parent company. The propriety of the data taken over during the preparatory consolidation of the single-entity financial statements is checked, with the principle of the separation of functions being applied. All consolidation adjustments are recorded and documented in a separate file. The Group's accounting policies take into account the requirements of the IFRSs, the Handelsgesetzbuch (HGB – German Commercial Code], and the German principles of proper accounting. When preparing the consolidated financial statements, internal controls are carried out to ensure the reliability of the single-entity financial statements used as a basis and of the consolidated financial statements. Impairment testing of cash generating units is performed centrally at Group level to ensure the use of uniform evaluation criteria. The preparation and compilation of the data used to prepare the notes to the financial statements and the management report is also performed at Group level.

Disclosures in Accordance with Section 289(4) HGB and Section 315(4) HGB Plus Explanatory Report

At the balance sheet date, the Company's subscribed capital amounted to EUR 26,309,094, composed of 26,309,094 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. There are no direct or indirect interests in the Company's share capital exceeding 10% of the voting rights. There are no shares with special rights conveying powers of control, especially rights of appointment to the Supervisory Board. As part of the employee stock option plans, employees do not have an interest in the capital without being able to exercise their control rights directly at the same time.

The appointment and dismissal of members of the Management Board is governed by sections 84 and 85 of the AktG and Article 6 of the Articles of Association of the Company. According to the Articles of 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 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. In addition, the Annual Stockholders' Meeting held on June 24, 2008 authorized the Management Board until November 30, 2009 to repurchase the Company's own shares.
The Company is not party to any material agreements that take effect in the event of a change of control following a takeover bid. In addition, the Company has not entered into any agreements with the members of the Management Board or with employees for compensation in the event of a takeover bid.

Corporate Governance Declaration in Accordance with Section 289a of the HGB

On March 30, 2010, Intershop's Management Board issued a Corporate Governance Declaration in accordance with section 289a of the HGB and published it on the Company's website at http://www.intershop.com/corporate-governance-declaration.html.

Events Subsequent to the Balance Sheet Date

On February 1, 2010 the Chairman of the Supervisory Board, Joachim Sperbel, resigned from his position effective March 31, 2010, prior to the end of his term of office. On February 18, 2010, the Management Board, at the request of shareholders, convened an Extraordinary Stockholders' Meeting to be held on March 29, 2010. The agenda comprised the premature removal of a Supervisory Board member, resolutions on the implementation of special investigations, and the election of new Supervisory Board members. Michael Sauer, the Deputy Chairman of the Supervisory Board, resigned from his position at the Extraordinary Stockholders' Meeting. The shareholders present elected Mr. Peter Georg von der Howen, an independent management consultant, as Mr. Sauer's successor. Furthermore, the shareholders elected Mr. Bernhard Wöbker, IT manager, as the successor to Joachim Sperbel, the outgoing previous Chairman of the Supervisory Board, effective April 1, 2010. Some 190 Intershop shareholders who hold approximately 38% of the share capital were represented at the Extraordinary Stockholders' Meeting.

On February 5, 2010, the Company's subscribed capital was increased by EUR 25,500 to EUR 26,334,594 due to the issue of shares from Authorized Capital II.

Report on Expected Developments

General conditions

The global economy has been growing again since mid-2009 following the recession triggered by the financial crisis. The Kiel Institute for World Economics expects the global economy to grow by 3.6% in 2010 and by 3.9% in 2011. As in 2009, however, the emerging economies will probably make the greatest contribution to this growth in the coming years. The Institute for World Economics only expects GDP in industrialized nations to rise by an average of 1.4% in 2010, with 1.2% forecast for Germany. The rise in Germany is expected to be due to both consumer spending, which is set to rise as a result of planned tax cuts, and a renewed increase in German exports following the slump last year.
Intershop's sector environment will continue to be very dynamic in 2010. The importance of the Internet for retailers is continuing to grow worldwide. Online sales in 2010 will not only profit from the expected economic recovery; they will also continue to grow in comparison with traditional sales channels. This

means that the outlook for Intershop remains positive. Within Germany, the Bundesverband des Deutschen Versandhandels (bvh – German E-Commerce and Distance Selling Trade Association) expects the sector as a whole to grow. The e-commerce business, where double-digit growth is expected, will continue to be the growth engine. Forecasts for the Internet advertising market are also positive. IT industry association BITKOM anticipates stable growth in Germany in 2010. According to a survey of 500 companies by the European Interactive Advertising Association (EIAA), companies in Europe will also continue to increase their spending on online advertising. The IT sector is likely to stabilize in 2010. BITKOM expects that the market volume will rise slightly by EUR 0.1 billion to EUR 142.1 billion. Revenues in the software segment are expected to remain on a par with the previous year at EUR 14.6 billion.

Outlook for the Company

Intershop is also looking to 2010 with confidence. The progress made in the past year on expanding the Company's range of services and the continuous improvement of its existing e-commerce offering encountered a positive response from the market, as can be seen from the successful acquisition of major new contracts from well-known customers. Master agreements – some of them stretching over several years – such as the one signed with Telstra provide planning security and strengthen Intershop's international market position. Today, the Company is already the market leader in Europe. It recorded a number of key successes in its continuing drive to penetrate the U.S. market and in Australia in 2009. The goal for 2010 is to consolidate the Company's position in these regions and to gain additional new customers. Smaller acquisitions to supplement its range of e-commerce services are also possible.

In the sales area, Intershop plans to continue its initiatives from the previous year. The focus here is on shop managers and their needs. Intershop's new slogan "Enable the Shop Manager" should be more than just a principle on paper; the goal is to make it a reality by providing tailored offerings along the e-commerce process chain. By continuously rounding off its portfolio with elements from the e-commerce process chain, Intershop is opening up a broader range of offerings, which offer the possibility of new earnings contributions.
Intershop's core product, the Enfinity standard e-commerce software product, will be enhanced in the current year as planned. Enfinity Suite 6.4 was released in January 2010. The follow-up version is scheduled to be released at the beginning of 2011. The Company also expects further growth to come from online marketing, and especially from its new Feed Engine, which allows shop operators to significantly improve product data marketing. A further element that we plan to use in the acquisition of new customers is the platform developed by our subsidiary, The Bakery, which was launched in November 2009.

Provided that the market forecasts for 2010 prove valid, Intershop expects overall organic revenue growth of 7 to 13% and consistently positive earnings in 2010. The Company will provide more specific details on earnings targets in the course of the year, as soon as a sufficient basis for planning is assured. The Company is also expecting additional revenue growth and a positive Group result in 2011.

Jena, March 31, 2010

The Management Board

Heinrich Göttler Dr. Ludger Vogt Peter Mark Droste

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Consolidated Balance Sheet

in EUR thousand	Note No.	December 31, 2009	December 31, 2008
ASSETS			
Noncurrent assets			
Intangible assets	(1)	9,504	7,526
Property, plant and equipment	(2)	571	467
Other noncurrent assets	(4)	22	34
Deferred tax assets	(21)	296	296
Restricted cash	(5)	475	837
		10,868	**9,160**
Current assets			
Trade receivables	(3)	10,569	5,713
Other receivables and other assets	(4)	607	1,531
Restricted cash	(5)	383	383
Cash and cash equivalents	(5)	6,314	8,082
		17,873	**15,709**
TOTAL ASSETS		**28,741**	**24,869**
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Subscribed capital	(6)	26,309	26,193
Capital reserve	(6.1)	6,728	6,579
Other reserves	(6.2)	(14,314)	(16,437)
		18,723	**16,335**
Minority interest	(6.3)	(327)	0
		18,396	**16,335**
Noncurrent liabilities			
Other noncurrent provisions	(10)	469	556
Deferred tax liabilities	(21)	10	58
Deferred revenue	(9)	307	623
		786	**1,237**
Current liabilities			
Other current provisions	(10)	552	703
Trade accounts payable	(7)	3,862	2,536
Income tax liabilities	(21)	1,054	664
Other current liabilities	(8)	1,861	1,394
Deferred revenue	(9)	2,230	2,000
		9,559	**7,297**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**28,741**	**24,869**

Consolidated Statement of Comprehensive Income

in EUR thousand	Note No.	January 1 to December 31, 2009	2008
Gross Revenues			
Licenses	(11)	6,897	4,083
Services, maintenance and other		28,792	28,528
		35,689	**32,611**
Media costs	(12)	**(3,912)**	**(4,493)**
Net Revenues	(11)		
Licenses		6,897	4,083
Services, maintenance and other		24,880	24,035
		31,777	**28,118**
Cost of revenues	(13)		
Licenses		(898)	(49)
Services, maintenance and other		(15,968)	(16,664)
		(16,866)	**(16,713)**
Gross profit		**14,911**	**11,405**
Operating expenses, operating income			
Research and development	(14)	(4,275)	(1,228)
Sales and marketing	(15)	(4,460)	(3,593)
General and administrative	(16)	(3,895)	(3,512)
Restructuring costs		0	6
Other operating income	(17)	668	580
Other operating expenses	(18)	(949)	(1,787)
		(12,911)	**(9,534)**
Result from operating activities		**2,000**	**1,871**
Interest income	(19)	138	272
Interest expense	(20)	(3)	(389)
Financial result		**135**	**(117)**
Earnings before tax		**2,135**	**1,754**
Income taxes	(21)	**(428)**	**(251)**
Earnings after tax		**1,707**	**1,503**
Other comprehensive income			
Exchange differences on translating foreign operations		34	251
Total comprehensive income		**1,741**	**1,754**
Earnings after tax attributable to:			
Shareholders of INTERSHOP Communications AG		**2,089**	**1,503**
Minority interests		(382)	0
Total comprehensive income attributable to:			
Shareholders of INTERSHOP Communications AG		**2,123**	**1,754**
Minority interests		(382)	0
Earnings per share (EUR, basic)	(22)	0.08	0.06
Earnings per share (EUR, diluted)	(22)	0.08	0.06
Weighted average shares outstanding (basic)		26,240	26,240
Weighted average shares outstanding (diluted)		26,929	27,528

in EUR thousand	Note No.	January 1 to December 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Earnings before tax		2,135	1,754
Adjustments to reconcile net profit/loss to cash used in operating activities			
Financial result		(135)	117
Depreciation and amortization		1,765	475
Other noncash expenses and income		161	390
Allowances for doubtful accounts		679	116
(Gain) Loss on disposal of property and equipment		0	(3)
Changes in operating assets and liabilities			
Accounts receivable		(5,534)	(953)
Other assets		75	548
Liabilities and provisions		1,598	(506)
Deferred revenue		(86)	842
Net cash provided by operating activities before income tax and interest		**658**	**2,780**
Interest received		138	272
Interest paid		(3)	(1)
Income taxes received		34	0
Income taxes paid		0	(10)
Net cash (used in) operating activities		**827**	**3,041**
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash		361	2,730
Payments for investments in intangible assets		(2,505)	(2,106)
Purchases of property and equipment, net of capital leases		(389)	(263)
Acquisition of consolidated companies		(254)	(855)
Net cash used in investing activities		**(2,787)**	**(494)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received for unregistered stock		128	446
Expenses of cash received for unregistered stock		(24)	(43)
Payments convertible bonds		0	(964)
Changes in the basis of consolidation		55	0
Net cash provided by/used in financing activities		**159**	**(561)**
Net cash provided by/used in financing activities		33	147
Net change in cash and cash equivalents		**(1,768)**	**2,133**
Cash and cash equivalents, beginning of period	(5)	8,082	5,949
Cash and cash equivalents, end of period		**6,314**	**8,082**

Consolidated Statement of Shareholders´ Equity

in EUR thousand	Common shares	Common shares	Capital reserve
Balance, January 1, 2009	**26,192,767**	**26,193**	**6,579**
Total comprehensive income			
Changes in the basis of consolidation			
Stock option expense			161
Issue of new shares	116,327	116	(12)
Balance, December 31, 2009	**26,309,094**	**26,309**	**6,728**
Balance, January 1, 2008	**24,878,728**	**24,879**	**5,678**
Total comprehensive income			
Stock option expense			399
Convertible bond	967,403	967	445
Issue of new shares	346,636	347	57
Balance, December 31, 2008	**26,192,767**	**26,193**	**6,579**

OTHER RESERVES					
Capital reserve	**Cumulative profit/loss**	**Cumulative currency differences**	**Equity attributable to shareholders of Intershop Communications AG**	**Minority interest**	**Total shareholders´ equity**
(93)	**(18,557)**	**2,213**	**16,335**	**0**	**16,335**
	2,089	34	2,123	(382)	1,741
			0	55	55
			161		161
			104		104
(93)	**(16,468)**	**2,247**	**18,723**	**(327)**	**18,396**
(93)	**(20,060)**	**1,962**	**12,366**	**0**	**12,366**
	1,503	251	1,754		1,754
			399		399
			1,412		1,412
			404		404
(93)	**(18,557)**	**2,213**	**16,335**	**0**	**16,335**

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General Disclosures

The Company

INTERSHOP Communications AG ("Intershop", the "Company", the "Intershop Group" or the "Group") is an Aktiengesellschaft (German stock corporation) under German law. The Company's registered office is at INTERSHOP Tower, Leutragraben 1 in 07740 Jena, Germany. The Company is listed on the German stock exchange in Frankfurt and is included in the Prime Standard. INTERSHOP Communications AG is entered in the commercial register of the Jena Local Court under number HRB 209419. Intershop develops and sells software solutions for the management of e-commerce transactions. The Company also offers all related services, provides a comprehensive range of online marketing services, and covers all aspects of online sales including fulfillment with its full-service e-commerce business area.

Going concern

As of December 31, 2009, the Company had cash and cash equivalents (including restricted cash) of EUR 7.2 million, compared with EUR 9.3 million as of December 31, 2008. Intershop again closed the fiscal year with a profit in 2009. Prior to fiscal year 2008 the Company had incurred losses. By December 31, 2009, it had an accumulated deficit of EUR 293.5 million. By December 31, 2009, it had an accumulated deficit of EUR 293.5 million. Unrestricted cash declined by EUR 1.8 million in 2009. At the balance sheet date, the Company had an equity ratio of 64% and no financial liabilities (in this context, financial liabilities are interest-bearing financial liabilities to the capital market or banks).
The Company anticipates that, taking into account its stable liquidity, the reorganization of its cost structure, and the fact that it expects further positive results of operations, it will be able to continue as a going concern in 2010 without external financing. Please refer to the statements in the group management report.

Accounting principles (compliance statement)

In fiscal year 2009, Intershop Communications AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and in accordance with the provisions required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code).
The consolidated financial statements of Intershop Communications AG for 2009 (January 1, 2009 to December 31, 2009) 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 following Accounting Standards and Interpretations were required to be applied for the first time beginning in fiscal year 2009:

- Amendments to IAS 1, Presentation of Financial Statements
- Amendment to IAS 23, Borrowing Costs, relating to the abolition of the option to capitalize borrowing costs
- IFRS 8, Operating Segments
- Amendments to IFRS 2, Share-based Payment, relating to clarifications and a more precise definition of vesting conditions for share-based payment agreements
- Amendments to IFRS 7, Financial Instruments: Disclosures, relating to enhanced disclosures for financial instruments
- Amendment to IFRS 1, First-time Adoption of IFRSs, and IAS 27, Consolidated and Separate Financial Statements, with regard to the determination of the cost of an investment in a subsidiary, jointly controlled entity, or associate
- Amendments to IAS 32, Financial Instruments: Presentation, and the resulting amendment to IAS 1, Presentation of Financial Statements, with regard to puttable financial instruments and obligations arising on liquidation

- The amendments to IFRIC 9, Reassessment of Embedded Derivatives, and IAS 39, Financial Instruments: Recognition and Measurement, clarify how embedded derivatives are to be treated if a hybrid contract is reclassified out of the “at fair value through profit or loss” category.
- Amendments to IFRIC 11 and IFRS 2 on group and treasury share transactions
- Amendments to IFRIC 14 and IAS 19 on the limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 13, Customer Loyalty Programs, addresses the recognition and measurement of award credits granted to customers when purchasing goods and services.
- Amendments under the improvements project issued in May 2008:

IFRS	Amendment
Amendment to IFRS 7	Presentation of finance costs
Amendment to IAS 1	Current/noncurrent classification of derivatives
Amendment to IAS 8	Binding nature of implementation guidance
Amendment to IAS 10	Dividends declared after the end of the reporting period
Amendment to IAS 16 and IAS 7	Sale of assets held for rental
Amendment to IAS 16	Recoverable amount
Amendment to IAS 18	Costs of originating a loan
Amendment to IAS 19	Various amendments
Amendment to IAS 20	Accounting for government loans with a below-market rate of interest
Amendment to IAS 23	Components of borrowing costs
Amendment to IAS 27	Measurement of subsidiaries held for sale in the separate financial statements of a parent
Amendment to IAS 28	Impairment of investments in associates in accordance with IAS 28
Amendment to IAS 28	Required disclosures when investments in associates and joint ventures are accounted for at fair value through profit or loss, and the resulting amendments to IAS 32 and IFRS 7
Amendment to IAS 29	Description of measurement basis in financial statements
Amendment to IAS 34	Earnings per share disclosures in interim financial reports
Amendment to IAS 36	Disclosure of estimates used to determine recoverable amount
Amendment to IAS 38	Advertising and promotional activities and applicable method of amortization
Amendment to IAS 39	Various amendments
Amendment to IAS 40	Property under construction or development for future use as investment property and inability to determine fair value
Amendment to IAS 41	Reference to “additional biological transformation” and discount rate for fair value calculations

The amendments to IAS 1 relate to the presentation of net assets, financial position, and results of operations in IFRS financial statements. The income statement, which is a separate component of the financial statements, is replaced by a statement of comprehensive income. Comprehensive income comprises the consolidated profit or loss (as previously presented in the income statement) as well as other income and expenses recognized outside profit or loss. Entities can choose to report these two components in a single statement or in two separate tables. Intershop presents its statement of comprehensive income in a single overview. Another change is the distinction between owner and non-owner changes in equity in the statement of changes in equity. IAS 1 also includes enhanced disclosure requirements for reclassification adjustments relating to components of other comprehensive income and related income tax effects. IFRS 8 supersedes the previous standard, IAS 14, Segment Reporting. IFRS 8 adapts the structure and content of segment reporting to reflect the reports regularly provided to internal chief operating decision makers. Additionally, disclosures on geographical areas and key customers are necessary. The requirements of IFRS 8 were implemented in Intershop's segment reporting and the prior-year figures were adjusted. The amendments to IFRS 7 stipulate enhanced disclosures on the fair value measurement of financial instruments and on liquidity risk. Moreover, a three-level hierarchy was introduced for fair value measurement. This resulted in enhanced disclosure requirements in the notes to Intershop's consolidated financial statements. All other Standards, Interpretations, and amendments listed above that were required to be applied for the first time did not have any material effect on the Company's net assets, financial position, and results of operations in the year under review.
The International Accounting Standards Board (IASB) has also issued the following Standards, Interpretations, and amendments to existing Standards whose application is not yet mandatory. The Company has decided not to adopt these Standards prior to their effective date:

Standards		**Required to be applied for fiscal years starting from**	**Adopted by the European Commission**
Amendment to IFRS 1	First-time Adoption of IFRSs	Jan. 1, 2010	Yes
Amendment to IFRS 1	Additional Exemptions for First-time Adopters	Jan. 1, 2010	No
Amendment to IFRS 2	Group Cash-settled Share-based Payment Transactions	Jan. 1, 2010	No
IFRS 3 (revised)	Business Combinations	July 1, 2009	Yes
Amendment to IFRS 5	Required disclosures on noncurrent assets (or disposal groups) classified as held for sale and discontinued operations	Jan. 1, 2010	No
IFRS 9	Financial Instruments: Classification and Measurement	Jan. 1, 2013	No
IAS 24 (revised)	Related Party Disclosures – revised definition of related parties	Jan. 1, 2011	No
IAS 27 (revised)	Consolidated and Separate Financial Statements	July 1, 2009	Yes
Amendment to IAS 32	Classification of Rights Issues	Feb. 1, 2010	Yes
Amendment to IAS 39	Eligible Hedged Items	July 1, 2009	Yes
IFRIC 12	Service Concession Arrangements	Mar. 30, 2009	Yes

Amendment to IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Jan. 1, 2011	No
IFRIC 15	Agreements for the Construction of Real Estate	Jan. 1, 2010	Yes
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 1, 2009	Yes
IFRIC 17	Distributions of Non-cash Assets to Owners	Nov. 1, 2009	No
IFRIC 18	Transfers of Assets from Customers	Nov. 1, 2009	No
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2009	No
Improvements to IFRSs (May 2008)			
Amendment to IFRS 5	Plan to sell the controlling interest in a subsidiary	July 1, 2009	Yes
Improvements to IFRSs (April 2009)			
Amendment to IFRS 2	Scope of IFRS 2 and revised IFRS 3	July 1, 2009	No
Amendment to IFRS 8	Disclosure of information about segment assets	Jan. 1, 2010	No
Amendment to IAS 1	Current/noncurrent classification of debt component of convertible instruments	Jan. 1, 2010	No
Amendment to IAS 7	Classification of expenditures on unrecognized assets	Jan. 1, 2010	No
Amendment to IAS 17	Classification of leases of land and buildings	Jan. 1, 2010	No
Amendment to Appendix to IAS 18	Determining whether an entity is acting as a principal or as an agent	n/a	No
Amendment to IAS 36	Unit of accounting for goodwill impairment test	Jan. 1, 2010	No
Amendment to IAS 38	Measuring the fair value of an intangible asset acquired in a business combination	July 1, 2009	No
Amendment to IAS 38	Additional consequential amendments arising from revised IFRS 3	July 1, 2009	No
Amendment to IAS 39	Treatment of loan prepayment penalties as closely related embedded derivatives	Jan. 1, 2010	No
Amendment to IAS 39	Cash flow hedge accounting	Jan. 1, 2010	No
Amendment to IAS 39	Scope exemption for business combination contracts	Jan. 1, 2010	No
Amendment to IFRIC 9	Scope of IFRIC 9 and revised IFRS 3	July 1, 2009	No
Amendment to IFRIC 16	Amendment to the restriction on the entity that can hold hedging instruments	July 1, 2009	No

The amendments to IFRS 9 relate to a new, less complex approach to classifying and measuring financial instruments. This approach reduces the number of measurement categories for asset-side financial instruments from four to two. It will lead to simpler disclosures in the notes to Intershop's consolidated financial statements. The amendment to IAS 24 fundamentally revises the definition of related parties. This could result in increased disclosures for Intershop in this area. The amendments to IFRS 3 on business combinations could affect the Company's net assets, financial position, and results of operations. The amendments to IFRS 2 on group cash-settled share-based payment transactions will not have any material effects. The concrete implications of the other Standards for Intershop's consolidated financial statements have yet to be established. The improvements projects could lead to effects on the Company's net assets, financial position, and results of operations.

Financial reporting for fiscal year 2009 has been prepared in accordance with the Standards and Interpretations required to be applied and gives a true and fair view of the net assets, financial position, and results of operations of the Intershop Group.
Assets and liabilities are generally measured at historical cost. The stock option plans are measured at fair value.
The consolidated financial statements have been prepared in euros. Unless stated otherwise, all amounts are given as thousands of euros (EUR thousand). Figures are rounded to the nearest thousand and totals may not sum due to rounding.
The fiscal year of Intershop Communications AG and its consolidated subsidiaries is the calendar year. The income statement has been prepared using the cost of sales method.

Estimates and assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Estimates are based on past experience and other knowledge of transactions to be accounted for. Actual results may differ from these estimates. As a result, estimates and the assumptions on which they are based are regularly reviewed and assessed for their potential effects on the Company's financial reporting.
In particular, estimates are required to recognize and measure provisions for legal costs and litigation risks, and guarantee provisions, and for determining the value of the options under the stock option plans as well as to assess the need for and measurement of impairment losses and valuation allowances. An estimate for the degree of completion of contracts for fixed-price projects is required when determining revenues for consulting services.
Provisions are recognized and measured on the basis of financial estimates and data, as well as on the basis of historical data and circumstances known at the balance sheet date. It must be probable that the obligation to a third party will have to be settled. The actual obligation may differ from the amounts of the provisions.
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".
Goodwill is tested for impairment using the test described in the section entitled „Impairment of assets."
Please refer to the "Revenues" section in the chapter entitled "Accounting Policies" for information on estimating revenues.

Basis of consolidation

In addition to the parent company, the basis of consolidation includes the following companies as of December 31, 2009:

- Intershop Communications, Inc., San Francisco, U.S.A.
- Intershop Communications Ventures GmbH, Jena, Germany
- Intershop Communications AB, Stockholm, Sweden
- SoQuero GmbH, Frankfurt, Germany
- The Bakery GmbH, Berlin, Germany

Intershop's subsidiary The Bakery GmbH was included in the consolidated financial statements for the first time in 2009. Intershop Communications s.r.o. in Prague was deconsolidated in 2009 and was included in the consolidated financial statements until the date of deconsolidation.

Intershop Communications s.r.o., Prague, Czech Republic

The Company's subsidiary in Prague, Intershop Communications s.r.o., had no operating activities and was liquidated in the year under review. It was deconsolidated after the liquidation balance sheet was prepared as of December 31, 2009.

Intershop Communications AB, Stockholm, Sweden

The Company's subsidiary in Sweden, Intershop Communications AB has not had operating activities since fiscal year 2003.

SoQuero GmbH, Frankfurt, Germany

Intershop Communications Online Marketing GmbH was renamed SoQuero GmbH in September 2009.
The cost of the subsidiary, which was acquired in June 2006, rose by EUR 44 thousand in 2009 from EUR 1,583 thousand to EUR 1,627 thousand due to a subsequent increase in the purchase price. The second purchase price installment was contingent on SoQuero GmbH generating a set EBIT figure in fiscal year 2007. As the actual EBIT exceeded the forecast, the purchase price rose in line with this. The higher purchase price increased goodwill by EUR 44 thousand, from EUR 711 thousand to EUR 755 thousand.

Intershop Communications Australia Pty Ltd

The Australian subsidiary, Intershop Communications Australia Pty Ltd, was newly formed and entered in the local commercial register on September 3, 2009. The cost of two Australian dollars represents the capital contribution. The company has a different fiscal year. It was not included in the consolidated financial statements for reasons of materiality.

The Bakery GmbH

Since February 5, 2009, Intershop has held a 60% interest in The Bakery GmbH, a newly established software house. This investment expands Intershop's expertise and development capacity in the field of supplier integration with online shops and Internet marketplaces. The shares acquired represent the same proportion of voting rights and are accounted for using the purchase method in accordance with IFRS 3. The total cost of EUR 210 thousand comprises the purchase price paid amounting to EUR 203 thousand and directly attributable transaction costs of EUR 7 thousand. Purchase price allocation resulted in goodwill from the future marketing of an electronic trading platform. The purchase price allocation is presented in the following table:

in EUR thousand	Carrying amount	Adjustments to fair value	Fair value
Assets acquired			
Property, plant and equipment	2	0	2
Other receivables and other assets	183	0	183
	185	**0**	**185**
Liabilities assumed			
Other current provisions	7	0	7
Trade accounts payable	39	0	39
	46	**0**	**46**
Net assets acquired	**139**	**0**	**139**
60% Intershop share			**83**
Cost			**210**
Goodwill			**127**

A total of EUR 209 thousand was spent on the purchase of the subsidiary, less the acquired cash and cash equivalents. The purchase price was paid in cash.
If The Bakery GmbH had been acquired on the first day of fiscal year 2009, there would not have been any changes to consolidated revenues. Consolidated profit would have fallen from EUR 1,707 thousand to EUR 1,670 thousand.

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2009:

	Interest in %	Currency	Nominal capital	Equity	Net loss
Intershop Communications, Inc., San Francisco, U.S.A	100	EUR	7,332,682	(2,848,865)	125,481,317
Intershop Communications Ventures GmbH, Jena, Germany	100	EUR	1,000,000	(2,540,961)	(126,327)
Intershop (UK) Ltd., London, United Kingdom	100	EUR	1,586	0	0
Intershop Communications AB, Stockholm, Sweden	100	EUR	11,437	14,866	(4,251)
Intershop Communications Hongkong Co. Ltd., Hong Kong, China	100	EUR	1,378	0	0
Intershop Communications Korea Co. Ltd., Seoul, Korea	100	EUR	50,940	0	0
Intershop Communications Taiwan, Taipeih, Taiwan	100	EUR	32,393	0	0
SoQuero GmbH, Frankfurt/Main, Germany	100	EUR	75,000	242,955	(39,059)
The Bakery GmbH, Berlin, Germany	60	EUR	200,000	(818,613)	(957,302)
Intershop Communications Australia Pty Ltd., Sydney, Australia	100	AUD	2	2	0

Intershop (UK) Ltd. was deconsolidated as of September 30, 2005 and is currently in liquidation. The carrying amount of the investment is EUR 0. Intershop Communications S.a.r.l. was deconsolidated as of October 21, 2003 and deleted from the commercial register on June 4, 2008.

Intershop Communications Hong Kong Co. Limited, Intershop Communications Singapore Pte. Limited, Intershop Communications Taiwan Co. Limited, Intershop Communications Korea Co. Limited

With effect from June 29, 2004, the Company disposed of its subsidiaries Intershop Communications Hong Kong Co. Limited, Intershop Communications Singapore Pte. Limited, Intershop Communications Taiwan Co. Limited and Intershop Communications Korea Co. Limited to the head of its operations in Asia, Mr. Felix Ko, by way of a management buyout. At this date, control over the operating activities passed to Mr. Felix Ko, with the result that these subsidiaries was deconsolidated as of this date. The shares of the subsidiary Intershop Communications Singapore Pte. Limited were removed from Intershop Communications AG as of June 30, 2007 because Intershop Communications Singapore Pte. Limited was deleted from the register of companies there in April 2007. The shares in the remaining three companies had not yet been transferred at the balance sheet date.

In accordance with section 264(3) of the HGB, the following subsidiary included in the consolidated financial statements are exempt from preparing and disclosing annual financial statements and management reports: SoQuero GmbH, Frankfurt/Main, Germany.

Consolidation methods

The consolidated financial statements of Intershop Communications AG include the consolidated results of the Company and all its German and foreign subsidiaries over whose financial and operating policies Intershop Communications AG exercises direct or indirect control. A company is included in the consolidated financial statements from the date on which control passes to the Intershop Group.

Subsidiaries:

Acquisition accounting for companies acquired from third parties is performed at the date of acquisition using the purchase method in accordance with IFRS 3, Business Combinations. Under this method, the cost of the acquisition is allocated to the (share of the) acquired assets, liabilities and contingent liabilities, which are measured at fair value at the acquisition date. The difference between the cost of the acquisition and the Group's interest in the acquiree's equity is allocated to the acquirer's share of the fair value of the acquired assets, liabilities, and contingent liabilities of the acquiree at the time of acquisition. Any excess from acquisition accounting is recognized as purchased goodwill. Any negative difference is immediately recognized as an expense.

In subsequent periods, hidden reserves and liabilities realized at the time of initial consolidation are carried, written down, or reversed according to the treatment of the corresponding assets and liabilities. In subsequent periods, purchased goodwill is tested for impairment at least once a year, and if impaired, written down to the lower recoverable amount. Deconsolidation usually occurs on the date of the subsidiary's liquidation or on the date when control passes to a third party.

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. In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the financial statements of subsidiaries outside the euro zone are translated into euros 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 income statement and are shown in "other operating income" or "other operating expenses." Currency gains and losses were EUR 191 thousands in 2009 and EUR -607 thousands in 2008.
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, 2009**	**Dec. 31, 2008**	**2009**	**2008**
United States	USD	1.43	1.41	1.39	1.48
Australia	AUD	1.60	2.04	1.78	1.73
New Zealand	NZD	2.00	2.44	2.22	2.07
Czech Republic	CZK	26.39	26.64	26.48	25.01

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 1.5 and 4 years.
Intangible assets with an indefinite useful life, such as goodwill, are measured at cost less accumulated impairment losses and tested for impairment both annually and when there are indications of impairment. Please refer to the section entitled "Impairment of assets".

Software development costs

Development costs for newly developed (software) products are capitalized at cost in accordance with IAS 38 if a clear allocation of expenses is possible, and if both the technical feasibility and the marketability of the newly developed products is ensured. Capitalization of software development costs generally begins when the technological feasibility of the product is established; the Company defines this as the development of a prototype as well as the development of a beta version of the software. Since 2008, updates of Intershop's standard software Enfinity have been issued regularly as annual releases. The capitalization requirements under IAS 38 have therefore been met since 2008 and the software development costs are capitalized. In the fiscal years prior to 2008, the costs were recognized directly as an expense in the income statement. 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 the product beginning from the time when the software release concerned is made available to customers. Research costs may not be capitalized in accordance with IAS 38 and are therefore recognized directly as an expense in the income statement.

Property, plant, and equipment

Property, plant, and equipment is measured at cost less accumulated depreciation, taking into account accumulated impairment losses and reversals of impairment losses. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation is based primarily on the following useful lives:

Computer equipment	3 years
Office furniture	13 years
Presentation equipment	8 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 before taxes 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 impairment losses were reported in 2008 and 2009. 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 2008 and 2009.
The goodwill impairment test is to be performed on a cash generating unit. 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, 2009: EUR 4,473 thousand), goodwill resulting from the acquisition of SoQuero GmbH relating to expected future positive cash flows based on long-term customer relationships (net carrying amount at December 31, 2009: EUR 755 thousand) and the goodwill resulting from the acquisition of an interest in The Bakery GmbH relating to expected future positive cash flows from the marketing of an electronic trading platform (net carrying amount as of December 31, 2009: EUR 0 thousand). The relevant cash-generating units for the goodwill resulting from the acquisition of SoQuero GmbH and The Bakery GmbH are the subsidiaries SoQuero GmbH and The Bakery GmbH respectively. For the goodwill representing the intellectual property incorporated in the software, the relevant cash-generating unit is the Intershop Group excluding the online marketing, full-service business areas and The Bakery GmbH. As a first step, the carrying amounts of the cash generating units are compared with their value in use. The total of the carrying amounts is also compared with the fair value of the Company. For this purpose, the fair value is derived from the Company's market capitalization. The impairment write-down required is determined in a second step, but only if the value in use or fair value is less than the carrying amount. To determine the value in use of the cash generating units, the net cash flows were calculated for 2010 to 2013 and a perpetual annuity was calculated for the period beginning 2014. A growth rate of zero was forecast for the perpetual annuity. The calculations are based on the corporate planning for the period from 2010 to 2013 approved by Intershop's management; this planning builds on a market forecast and reflects parameters including customer retention, market share, and sector growth. When determining the value in use, present values were calculated on the basis of a discount rate of 9.8% (weighted average cost of capital – WACC). The impairment loss on goodwill amounted to EUR 127 thousand in 2009 and related to the goodwill of The Bakery GmbH. For details, see "Intangible assets" in the chapter entitled "Notes to the Individual Balance Sheet Items". No impairment losses were reported in 2008. Impairment losses on goodwill are not reversed.

Leases

IAS 17 requires leases to be classified into financing leases and operating leases. Leases are classified as financing leases if the terms and conditions of the lease transfer substantially all risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Under a finance lease, the leased assets are capitalized at fair value on initial recognition and depreciated over their useful lives. Lease payments under an operating lease are expensed over the term of the lease using the straight-line method.

Financial instruments

Financial assets and financial liabilities, which include trade receivables and liabilities, cash and cash equivalents and restricted cash, are recognized in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Purchases or sales are usually accounted for at the trade date.

Financial instruments are recognized at fair value on acquisition. Financial instruments are recognized at fair value on acquisition and are subsequently measured on the basis of the following categories: a) financial assets and liabilities at fair value through profit or loss, classified as "held for trading" and "designated", b) held-to-maturity financial assets, c) loans and receivables, d) available-for-sale financial assets, and e) liabilities measured at amortized cost.

Financial assets are classified as **"at fair value through profit or loss"** if they have been acquired with the intention of being sold in the short term or are held for trading. Derivatives are classified as "held for trading" if they are not designated as being included in a hedging relationship. If their fair value is negative, this leads to a financial liability. In this category, financial assets are subsequently measured at fair value. Any gain or loss resulting from subsequent measurement is reported in the income statement under other operating income or expenses. **Held-to-maturity financial assets** are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity. Following initial recognition, they are measured at amortized cost. Gains and losses are reported in profit or loss for the period if the asset in question is derecognized or impaired. **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost using the effective interest method.

Available-for-sale financial assets are non-derivative financial assets that are either attributable to this category or have not been allocated to any of the other categories presented. They are subsequently measured at fair value, with any unrealized gains or losses being recognized directly in equity.
Following initial recognition, financial liabilities are generally measured at amortized cost using the effective interest method, with the exception of financial liabilities at fair value through profit or loss.
Currently, Intershop's financial assets are trade receivables and investments with no operating activities that are generally held for sale and are recognized at amortized cost. The former financial liability from the convertible bond was measured at amortized cost using the effective interest method. The interest is recognized in the income statement under "interest expense". Derivatives are also used to hedge currency risk that are not part of hedging relationships. As of the balance sheet date, Intershop did not hold any financial instruments that are classified as "held to maturity" or that are measured at fair value on initial recognition in accordance with IAS 39.

Trade receivables, other receivables and other assets

Trade receivables are reported at fair value, which usually corresponds to cost, at the date of recognition. They are subsequently measured at amortized cost net of any valuation allowances. Receivables from the sale of software licenses are recognized only when a contract has been signed with the customer, any right of return granted to the customer has expired, the software has been made available according to the contract, and it is more probable than not that the receivable will be collected.
Trade receivables are recognized at their principal amount, which equals fair value at the time of collection. Receivables with longer maturities (> 1 year) are discounted using market interest rates.
Other receivables and other assets are recognized at amortized cost. All identifiable risks of default are taken into account by deducting appropriate allowances.
The Company makes judgments as to its ability to collect outstanding receivables and recognizes allowances for the portion of receivables where collection becomes doubtful. Allowances are recognized based on a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, allowances are recognized at differing rates, based on the age of the receivable. In determining these percentages, Intershop analyzes its historical collection experience and current economic trends. If the historical data the Company uses to calculate the allowances recognized for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional allowances for doubtful accounts may be needed and the future results of operations could be materially affected.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, checks, and unrestricted deposits with banks that have an original maturity of up to 90 days and are recognized at nominal value.

Restricted cash

Restricted cash is reported separately (see section entitled "Liquid Funds").

Stock option plans

Stock option plans allow employees to acquire shares in the Company. In accordance with IFRS 2, they are accounted for at the fair value of the options issued; they are recognized in employee-related expenses, with a corresponding increase in equity. See section entitled "Equity" for further details.
Intershop has launched the following stock option plans:

1999 Stock Option Plan

With effect from June 21, 1999, the Company adopted a stock option plan (the 1999 Plan) for the issuance of shares to Management Board members, executives, and various employees. The options under the 1999 Plan vest ratably over a four-year period, beginning six months from the grant date; however, in accordance with the Aktiengesetz (German Stock Corporation Act), no options will be exercisable, even though a portion is vested, prior to the second anniversary of the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves. The exercise price of the

options is equal to 120% of the market price of the shares at the grant date, where the market price is determined to be the average closing price as quoted on the Prime Standard for the 10 trading days prior to the grant date. Options were last granted under the 1999 Plan in October 2007. The Conditional Capital I provided for this Plan was reduced at the Stockholders' Meeting on June 24, 2008 by way of a confirming amendment and may now only be used to service options for members of the Company's management. A maximum of 45,833 options may still be exercised under the 1999 stock option plan. These options belong solely to former members of the Company's Management Board. Please refer to the section entitled "Conditional capital" under "Equity."

2001 Stock Option Plan

As of January 1, 2001, the Company adopted a stock option plan (the 2001 Plan) for the issuance of shares to all employees. The options under the 2001 Plan vest ratably over a fifty-month period beginning from the grant date; however, in accordance with the Aktiengesetz, no options will be exercisable, even though a portion is vested, prior to the six months after the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised up to six months after the employee leaves the Company, but expire after this period. The exercise price of the options is the fair value at the grant date, defined as equivalent to the XETRA closing price on the Frankfurt Stock Exchange for voting shares of stock of the Company. Options were last granted under the 2001 Plan in spring 2008.

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.

For software license arrangements that do not require significant modification or customization of the underlying software, the Company recognizes the services performed as revenue when: (1) it enters into a legally binding arrangement with a customer for the license of software; (2) it delivers the products or performs the services; 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.

Intershop assesses whether fees are fixed or determinable at the time of sale and recognizes revenue if all other revenue recognition requirements are met. The Company's standard payment terms are net 30 days; however, terms may vary based on the country in which the agreement is executed. Payments that extend beyond the country's standard payment terms are generally deemed not to be fixed or determinable, and thereby do not satisfy the required criteria for revenue recognition. Revenues for these agreements are deferred and recognized upon cash payment by the customer.

Revenue for consulting services is generally recognized as the services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenue is deferred until the uncertainty is sufficiently resolved.

The determination of the amount of revenues to be recognized is partly based upon the use of estimates. The Company estimates, for example, the percentage of completion on contracts with fixed or "not to exceed" fees on a monthly basis, utilizing hours incurred to date as a percentage of total estimated hours to complete the project. This is used for fixed-price projects in the consulting area. If Intershop does not have a sufficient basis to measure progress towards completion, revenue is recognized when the Company receives final acceptance from the customer. When total cost estimates exceed revenues, Intershop recognizes a provision for the estimated losses immediately, based upon an average fully burdened daily rate applicable to the consulting 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.

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, and online marketing areas. In the online marketing area, however, the costs passed directly on to customers (media costs) are deducted directly from revenues.

Cost of debt

Interest expenses are recognized in the period in which they arise. Interest relating to the production of qualifying assets is generally capitalized.

Government grants

In accordance with IAS 20, government grants are only recognized when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. IAS 20 provides in principle for grants to be recognized as income over the periods in which the related costs are recognized. If all the conditions have been complied with, the Company reports non-repayable income subsidies as “other operating income”.

Income taxes

In accordance with IAS 12, deferred taxes are recognized for all temporary differences between the carrying amount of assets and liabilities in the IFRS balance sheet and their tax base at the balance sheet date using the balance sheet liability method. Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized.
Deferred taxes are measured at the tax rates that have been enacted or substantively enacted for the period in which an asset is realized or a liability settled. The effect of changes in the tax rate on deferred taxes is recognized as of the effective date of the legal changes. Deferred tax assets are recognized only if it is probable that taxable profit will be available against which they can be utilized in the future.

Operating segments

Since fiscal year 2009, the segments have been presented in accordance with IFRS 8, Operating Segments, which supersedes the previous Standard, IAS 14. The structure and content of segment reporting reflects the internal reports provided to management. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are regularly reviewed by management, and for which financial information is available. An operating segment becomes a reportable segment if it can be identified and exceeds certain quantitative thresholds. Expenses are generally allocated on the basis of the percentage revenue breakdown.

Earnings per share

The basic net loss per share is determined in accordance with IAS 33, Earnings per Share for all periods presented. Basic net loss per share is computed using the weighted average number of outstanding shares of common shares.
The diluted net loss per share is computed using the weighted average number of ordinary shares outstanding and, in the case of dilution, the ordinary shares outstanding and the potential number of ordinary shares from options and warrants to purchase such shares using the treasury stock method. In the case of convertible securities the “if-converted method” is used. The options exercised that result in shares subject to repurchase have been excluded in computing the number of weighted average shares outstanding for basic earnings per share purposes. All potential ordinary shares have been excluded from the computation of the diluted net loss per share for 2008 and 2009 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, 2008	**5,275**	**372**	**1,895**	**24,680**	**32,222**
Additions	7	2,106	0	0	2,113
Disposals	0	0	0	0	0
Currency translation differences	49	0	0	0	49
Balance at December 31, 2008	**5,331**	**2,478**	**1,895**	**24,680**	**34,384**
Additions	104	3,184	0	171	3,459
Disposals	0	0	0	0	0
Currency translation differences	(19)	0	0	0	(19)
Balance at December 31, 2009	**5,416**	**5,662**	**1,895**	**24,851**	**37,824**
Amortization, write-downs, and impairment losses					
Balance at January 1, 2008	**5,268**	**162**	**1,656**	**19,497**	**26,583**
Additions	3	145	75	0	223
Disposals	0	0	0	0	0
Currency translation differences	49	3	0	0	52
Balance at December 31, 2008	**5,320**	**310**	**1,731**	**19,497**	**26,858**
Additions	22	1,257	75	127	1,481
Disposals	0	0	0	0	0
Currency translation differences	(19)	0	0	0	(19)
Balance at December 31, 2009	**5,323**	**1,567**	**1,806**	**19,624**	**28,320**
Net carrying amount at December 31, 2008	**11**	**2,168**	**164**	**5,183**	**7,526**
Net carrying amount at December 31, 2009	**93**	**4,095**	**89**	**5,227**	**9,504**

Internally developed software relates to software identified and measured in the course of purchase price allocation during the acquisition of SoQuero GmbH, as well as to capitalized development costs for the creation of online shops for full-service customers and for the development of Intershop's Enfinity software. The other intangible assets include beneficial employment contracts with the management that were identified and measured in allocating the purchase price. The carrying amount of these assets is EUR 48 thousand. The remaining amortization period for the beneficial employment contracts is an half year. The remaining amortization period for the software is two years. Of the amortization, write-downs, and impairment losses on intangible assets recognized in profit or loss EUR 200 thousand is included in cost of revenues, EUR 1,135 thousand in research and development expenses, EUR 4 thousand in sales and marketing, EUR 14 thousand in general and administrative expenses, and EUR 127 thousand in other operating expenses. There are no intangible assets with indefinite useful lives.
Goodwill includes the goodwill of EUR 127 thousand that resulted from the acquisition of The Bakery GmbH and that was recognized for the future marketing of a newly developed sales platform (see the chapter entitled "Basis of consolidation" for details). The economic benefit of new software is difficult to calculate in the fast-moving software market, irrespective of the technical benefits. As revenues from the goodwill are not sufficiently assured, an impairment loss in the amount of the goodwill was charged in 2009. In the segment reporting, the impairment loss was attributed to the "Europe" segment.

(2) Property, plant, and equipment

in EUR thousand	Computer equiment	Office and operating equipment	Leasehold improve-ments	Total
Costs of purchase				
Balance at January 1, 2008	**8,086**	**1,387**	**272**	**9,745**
Additions	203	57	1	261
Disposals	(381)	(16)	0	(397)
Currency translation differences	15	1	0	16
Balance at December 31, 2008	**7,923**	**1,429**	**273**	**9,625**
Additions	191	196	0	387
Additions from acquisitions	0	2	0	
Disposals	(459)	(24)	0	(483)
Currency translation differences	(5)	(1)	0	(6)
Balance at December 31, 2009	**7,650**	**1,602**	**273**	**9,525**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2008	**7,793**	**1,362**	**131**	**9,286**
Additions	210	18	24	252
Disposals	(379)	(16)	0	(395)
Currency translation differences	14	1	0	15
Balance at December 31, 2008	**7,638**	**1,365**	**155**	**9,158**
Additions	206	54	25	285
Disposals	(459)	(24)	0	(483)
Currency translation differences	(5)	(1)	0	(6)
Balance at December 31, 2009	**7,380**	**1,394**	**180**	**8,954**
Net carrying amount at December 31, 2008	**285**	**64**	**118**	**467**
Net carrying amount at Decmber 31, 2009	**270**	**208**	**93**	**571**

Of the depreciation, write-downs, and impairment losses on property, plant, and equipment recognized in the income statement, EUR 168 thousand is included in cost of revenues, EUR 73 thousand in research and development expenses, EUR 12 thousand in sales and marketing expenses, and EUR 32 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 10,569 thousand (2008: EUR 5,713 thousand) and due within one year (current assets).
On average, settlement of receivables from(the sale of licenses and the performance of services is due within 30 days of invoicing. From the date the receivables become due, the statutory rate of interest (8% above prime) is charged on outstanding amounts.
The following table shows the time bands for receivables past due but not individually impaired:

in EUR thousand	**Dec. 31, 2009**	**Dec. 31, 2008**
Up to 30 days past due	1,667	2,446
31 to 60 days past due	478	163
61 to 90 days past due	58	206
	2,203	**2,815**

Specific allowances are recognized after 90 days. Allowances amounting to EUR 794 thousand (2008: EUR 322 thousand) have been recognized. As regards the other trade receivables due or not yet due at the balance sheet date, it is not expected that the customers will fail to fulfill their payment obligations.
Impairments changed as follows:

in EUR thousand	**2009**	**2008**
Balance at beginning of year	**322**	**389**
Impairment of receivables	68	(69)
Amounts written off due to uncollectibility	369	(77)
Amounts received during the fiscal year on receivables written off	35	79
Reversals of impairments	0	0
Balance at end of year	**794**	**322**

(4) Other receivables and other assets

Other noncurrent assets in the amount of EUR 22 thousand (2008: EUR 34 thousand) comprise rental security deposits.
Other current receivables and current assets include the following items:

in EUR thousand	**Dec. 31, 2009**	**Dec. 31, 2008**
Other tax receivables	118	157
Prepayments	172	135
Gross amount due from customers for contract work	49	134
Work in progress	0	699
Receivables from employees and former employees	105	237
Other	163	169
	607	**1,531**

The "gross amount due from customers for contract work" item comprises two orders with a total volume of EUR 402 thousand. In 2009, revenues of EUR 211 thousand were recognized from these projects. These were measured based on the stage of completion of the project using the percentage of completion method. The costs of the project amounted to EUR 227 thousand. These fixed-price projects generated a negative contribution to earnings of EUR 16 thousand in total for fiscal year 2009. Advance payments amounting to EUR 172 thousand were made, of which EUR 162 thousand was offset against construction contracts.

(5) Cash and cash equivalents

Cash and cash equivalents include current and noncurrent restricted cash as well as current cash and cash equivalents.

in EUR thousand	Dec. 31, 2009	Dec. 31,2008
Restricted cash – noncurrent	475	837
Restricted cash – current	383	383
	858	**1,220**
Cash and cash equivalents	6,314	8,082

The Company must provide a rental security deposit for the leased space at its headquarters in Jena for the period up to the end of the lease. The amount of the rental security deposit decreases automatically by a fixed amount at regular intervals. Collateral is provided in the form of a rental guarantee to the landlord. The Company only has to provide cash collateral of 50% of the respective amount of the rental guarantee to the guarantor. The cash released due to the reduction in the rental security deposit in 2010 is included in current unrestricted cash.
Noncurrent restricted cash comprises the amounts from 2011 to the end of the lease period.
Cash and cash equivalents include balances at various banks that are available at any time, as well as cash and checks.

(6) Equity

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

Subscribed capital

The subscribed capital amounts to EUR 26,309,094 and is divided into 26,309,094 no-par value bearer shares. Subscribed capital amounted to EUR 26,192,767 as of December 31, 2008. The changes in subscribed capital totaling EUR 116,327 reflect capital increases from Authorized Capital II.
Subscribed capital changed as follows:

in EUR thousand	2009	2008
Balance as of January 1,	**26,192,767**	**24,878,728**
Capital increases from conditional capital	0	1,034,070
Capital increases from authorized capital	116,327	279,969
Balance as of December 31,	**26,309,094**	**26,192,767**

As of the balance sheet date, the Company was not informed of any equity interests of over 10%.

Authorized capital

As of December 31, 2009, the Company had authorized capital of EUR 8,272,797. 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 to Authorized Capital I in fiscal year 2009.
- by up to a total of EUR 1,234,797 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. Due to the exercise of employee stock options, there were three capital increases in 2009 totaling EUR 116,327. Authorized Capital II decreased accordingly from EUR 1,351,124 as of December 31, 2008 to EUR 1,234,797 as of December 31, 2009.

Conditional capital

As of December 31, 2009, the Company's share capital had been increased conditionally by up to EUR 92,917 by issuing up to 92,917 shares. However, due to adjustments following the capital reductions and options that have expired or were not issued, a maximum of 45,833 shares may be issued in future from the conditional capital. The conditional capital is composed of the following:

- In order to grant Management Board stock options, EUR 92,917 (Conditional Capital I) is reserved for options in accordance with section 192(2) no. 3 of the Aktiengesetz (AktG – German Stock Corporation Act), although a maximum of 45,833 shares may be issued due to 30,556 options being surrendered and 16,528 options expiring. Conditional Capital I is reserved for settling options exercised under the 1999 stock option plan (see also the section entitled "1999 Stock Option Plan"). There were no changes to Conditional Capital I in fiscal year 2009.
- Conditional Capital II was abolished in fiscal year 2008.
- The Stockholders' Meeting on June 19, 2009 resolved to abolish the Conditional Capital III in the amount of EUR 733,184. This change was entered in the commercial register on October 6, 2009. Conditional Capital III served to grant exchange rights and/or to establish exchange obligations under the relevant exchange conditions for the holders of the convertible bonds issued by the Company in the period from June 13, 2001 to May 31, 2006 in accordance with a resolution by the Stockholders' Meeting. The term of the convertible bonds issued in 2004 on the basis of this expired authorization expired before the end of 2008. Exchange rights no longer exist.

Capital increases in fiscal year 2009

Employee stock options were exercised and exchanged for shares of the Company under the terms of the employee stock option plan. This led to capital increases from Authorized Capital II. These capital increases are presented in the following table:

Date of entry in commercial register	Amount (EUR)
April 1, 2009	45,868
October 6, 2009	51,750
December 14, 2009	18,709
	116,327

The Company received cash proceeds amounting to EUR 128 thousand from these capital increases; the costs amounted to EUR 24 thousand.

Stock option plans

Options issued under Intershop's stock option plans entitle employees to acquire shares of the Company The lock-up period is six months for the 2001 stock option plan, and two years for the 1999 stock option plan. Options expire if they are not exercised within five years (1999 and 2001 stock option plans) from the grant date. If an employee leaves the Company, the options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised up to six months after the employee leaves the Company, but expire after this period (2001 stock options plan). In addition, all options are withdrawn from employees if they leave the Company within the first six months of the grant date. As of January 1, 2006, the Company granted new options to employees and the Management Board under its stock option plans. Further grants of options were made during fiscal year 2006 on the appointment of new employees and for employees from the acquisition of SoQuero GmbH. Options were granted from the 1999 and 2001 stock option plans in fiscal year 2007 and from the 2001 stock option plan in fiscal year 2008. No options were granted during fiscal year 2009.

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

Year ended December 31,	**2009**	**2009**	**2008**	**2008**
	Number of shares outstanding	Weighted average exercise price	Number of shares outstanding	Weighted average exercise price
Outstanding at beginning of period	3,307	1.35	4,216	1.68
Granted	0	–	70	2.98
Exercised	(97)	1.00	(352)	1.32
Forfeited	(349)	2.07	(627)	3.74
Outstanding at end of period	**2,861**	**1.27**	**3,307**	**1.35**
Exercisable options at end of period	2,446	1.22	1,929	1.28
Weighted average fair market value of options granted during the year	–	–	70	1.46

The weighted average share price for the exercised options amounted to EUR 1.68 on the exercise date.

The following table summarizes information with respect to the stock options outstanding on December 31, 2009:

Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable on December 31, 2009	Weighted average exercise price
(in EUR)	(in thousand)	(in years)	(in EUR)	(in thousand)	(in EUR)
1.00–1.50	1,953	1.0	1.01	1,782	1.01
1.51–2.50	817	1.5	1.72	640	1.72
2.51–3.50	88	2.5	2.85	22	2.89
3.51–3.61	3	2.9	3.61	2	3.61
	2.861	**1.2**	**1.27**	**2,446**	**1.22**

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	4.43
Expected Volatility	in %	70.00	96.14
Dividend yield	in %	0.00	0.00
Exercise price	in EUR	1.00	3.61
Market price	in EUR	1.00	3.61
Option value	in EUR	0.56	3.37

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 and fiscal year 2008. A volatility of 70% was therefore assumed for the options issued in 2007 and 2008. 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 fiscal year 2009, the Company recognized expenses of EUR 161 thousand relating to the stock option plans. These expenses amounted to EUR 399 thousand in fiscal year 2008.
Liabilities from the stock option plans in the amount of EUR 30 thousand (2008: EUR 68 thousand) were reported as of the balance sheet date.

(6.1) Capital reserve

The capital reserve includes expense from stock options as well as amounts in excess of the par value generated from the issue of shares. In the previous fiscal year, the capital reserve also contained the equity component of the convertible bond. Please refer to the statement of changes in equity.

(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.

(6.3) Minority interests

Minority interests comprise the shares held by minorities in the equity of the consolidated subsidiary The Bakery GmbH. These minority interests amount to 40%.

(7)) Trade accounts payable

Trade accounts payable comprise unsettled liabilities relating to the delivery of goods and services. This item amounted to EUR 3,862 thousand in fiscal year 2009, compared with EUR 2,536 thousand in 2008.

(8) Other liabilities

Other liabilities consist only of current liabilities and comprise:

in EUR thousand	**Dec. 31, 2009**	**Dec. 31, 2008**
Liabilities from advance payments received for fixed-price projects	10	114
Other liabilities relating to social security benefits	30	26
Liabilities to employees	711	288
Other VAT and wage tax liabilities	410	432
Liabilities to the Occupational Health and Safety Agency	56	31
Liabilities from outstanding vacation entitlement	333	303
Derivative financial instruments with negative fair values	115	0
Miscellaneous other liabilities	196	200
	1,861	**1,394**

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

(9) 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.

(10) Other provisions

Other noncurrent provisions amounted to EUR 469 thousand (2008: EUR 556 thousand). These include provisions for the years 2011 to 2013 for vacant space and losses from subletting relating to the leased space at the Company's headquarters. These provisions were recognized at their discounted amount as of December 31, 2009, as they will not lead to an outflow of resources in 2010. For information on possible changes in these provisions, see the section entitled "Other risks" in the risk report contained in the Group management report.

The following table shows the development of other provisions:

Other noncurrent provisions:

in EUR thousand	
Balance at January 1, 2009	**556**
Additions	0
Utilization	0
Reversal	(87)
Currency adjustments	0
Balance at December 31, 2009	**469**

Other current provisions:

in EUR thousand	**Legal costs**	**Other**	**Total**
Balance at January 1, 2009	**35**	**668**	**703**
Additions	26	516	542
Additions from acquisitions	0	7	7
Utilization	0	(509)	(509)
Reversal	(35)	(156)	(191)
Currency adjustments	0	0	0
Balance at December 31, 2009	**26**	**526**	**552**

Miscellaneous other provisions relate to provisions for the Stockholders' Meeting, guarantee provisions, and provisions for 2010 for vacant space and losses from subletting relating to the leased space at the Company's headquarters.

Notes to the Individual Items of the Statement of Comprehensive Income

(11) 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 6,897 thousand (previous year: EUR 4,083 thousand).
Net revenues from services, maintenance, and other are composed of the following items:

in EUR thousand	**2009**	**2008**
Maintenance	8,764	7,189
Consulting	11,845	13,325
Training	304	414
Online Marketing	2,654	2,556
Other revenues	1,313	551
	24,880	**24,035**

Other revenues primarily include full-service income.
Gross revenues for online marketing amounted to EUR 6.566 thousand in 2009 (previous year: EUR 7,049 thousand).

(12) Media costs

Intershop plans and implements Internet advertising campaigns for its customers. It purchases advertising spots for its own account from various providers such as Google or Yahoo, in order to carry out these advertising campaigns. The costs for purchasing these advertising spots are usually passed on to the customers together with a fixed surcharge.

(13) Cost of revenues

The cost of revenues relating to licenses includes software license fees paid to third parties amounting to EUR 898 thousand (2008: EUR 49 thousand).

The cost of revenues relating to services, maintenance, and other are composed of the following items:

in EUR thousand	2009	2008
Maintenance	3,171	2,703
Consulting	8,586	10,130
Training	296	296
Full Service	1,764	1,595
Online Marketing	2,151	1,940
	15,968	**16,664**

The full-service area recorded start-up losses resulting from the establishment of this new business area.

(14) Research and development expenses

Research and development expenses comprise all expenses attributable to R&D activities, with personnel expenses, depreciation and amortization accounting for the majority of this item. The increase in research and development expenses from EUR 1,228 thousand to EUR 4,275 thousand is mainly attributable to the amortization of capitalized software development costs and higher personnel expenses. These relate to the increase in the workforce due to the acquisition of the subsidiary The Bakery, among other things.

(15) Sales and marketing expenses

Sales and marketing expenses principally comprise personnel expenses for sales and marketing staff, sales commissions, distributors' expenses, advertising, and exhibition costs for various trade fairs. Sales and marketing expenses rose by 24% from EUR 3,593 thousand in 2008 to EUR 4,460 thousand. This increase is due in particular to more extensive marketing measures such as additional trade fair appearances, including at CeBIT. The annual average number of employees in sales and marketing was up by 35%, leading to a rise in personnel expenses and sales commissions. However, the share of total net revenues accounted for by sales and marketing expenses remained almost unchanged at 14% (2008: 13%).

(16) 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, all legal expenses, and other consulting fees. General and administrative expenses rose by 11% from EUR 3,512 thousand in 2008 to EUR 3,895 thousand, primarily as a result of higher consulting fees and increased personnel expenses.

(17) Other operating income

Other operating income is composed of the following items:

in EUR thousand	2009	2008
Income from currency translation gains	254	35
Gain on disposal of items of property, plant, and equipment	1	1
Income from government grants	249	204
Miscellaneous	164	339
	668	**579**

Income from currency translation gains is attributable exclusively to financial instruments. Income from government grants was paid out in 2009. These grants relate to research and development projects supported by the Federal Ministry of Education and Research.

(18) Other operating expenses

Other operating expenses relate to the following items:

in EUR thousand	2009	2008
Currency translation losses	63	642
Losses on currency forwards	115	0
Miscellaneous	771	1,145
	949	**1,787**

Of the currency translation losses, EUR 52 thousand is attributable to financial instruments. The Miscellaneous item includes expenses of EUR 85 thousand (2008: EUR 801 thousand) for vacant space and losses from subletting relating to the leased space at the Company's headquarters for the years 2010 to 2013, as well as valuation allowances on receivables amounting to EUR 437 thousand (2008: EUR 0 thousand).

(19) Interest income

Interest income of EUR 138 thousand primarily includes interest on bank balances.

(20) Interest expense

Interest expense is composed of the following items:

in EUR thousand	2009	2008
Interest on the convertible bond	0	378
Other interest expense	3	11
	3	**389**

(21) Income taxes

The Company recognizes and measures income taxes using the balance sheet liability method in accordance with IAS 12. Deferred taxes are calculated at the respective national income tax rates. A corporate income tax rate of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% (previous year: 5.5%), as well as an effective trade tax rate of 13.83% (previous year: 14.52%), were used to calculate the deferred taxes of the German companies as of December 31, 2009.

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

in EUR thousand	2009	2008
Current taxes		
Abroad	141	10
Germany	323	591
Deferred taxes		
Abroad	0	0
Germany	(36)	(350)
	428	**251**

The Group tax rate of 29.65% applicable in fiscal year 2009 (previous year: 29.65%) was multiplied by IFRS earnings before taxes to calculate the expected tax expense.

The tax rate reconciliation contains the following details:

in EUR thousand	2009	2008
IFRS pretax income	2,135	1,754
Corporate tax rate	29.65%	29.65%
Expected income tax expense	633	520
Effects of prior years and currency translation differences and effects from differences in foreign tax rates	(211)	2,234
Effects from the change in non-recognition of deferred tax assets on loss carryforwards	(807)	(3,640)
Effects from permanent differences	769	1,163
Effects of changes in basis of consolidation and others	44	(26)
Income taxes	**428**	**251**

The components of the deferred tax assets were as follows:

in EUR thousand	2009	2008
Net operating loss carryforwards	115,499	152,036
Other	430	241
Valuation allowance or nonrecognition in accordance with IAS 12.34	(112,910)	(113,497)
	3,020	**38,780**
Offset	(2,733)	(38,484)
Deferred tax assets after offset	**296**	**296**
Intangible assets	1,388	666
Consolidation effects	918	37,661
Other	427	215
	2,733	**38,542**
Offset	(2,723)	(38,484)
Deferred tax liabilities after offset	**10**	**58**
Net deferred tax assets	**286**	**238**

As of December 31, 2009, other deferred tax assets relate to temporary differences in prepaid expenses and in provisions. Deferred tax liabilities are mainly due to valuation allowances on receivables in connection with consolidation.
Deferred taxes are also recognized for future tax reductions expected to result from loss carryforwards. Deferred taxes are recognized for temporary differences and 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. In accordance with IAS 12.24, deferred tax assets were only recognized as of December 2009 in the amount of taxable profit that will probably be available in the future.

For the year ended December 31, 2009, the Company had net loss carryforwards for tax reporting purposes in various tax jurisdictions as follows:

in EUR thousand	2009	2008
US Federal	85,063	89,282
US State	87,332	116,514
German corporate income tax	284,588	395,387
German municipal trade tax	276,505	387,136
Other	5,284	4,999

US federal and state net operating loss carryforwards expire in various periods through 2021. The German net operating loss carryforwards relate to corporate income tax and municipal trade tax and carry forward indefinitely. The reduction in the German loss carryforwards is attributable to the findings of the tax audit that was completed in 2009.

(22) Earnings per share

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

in EUR thousand	2009	2008
Basis for calculating basic earnings per share (earnings after tax attributable to Intershop shareholders)	**2,089**	**1,503**
Dilutive effect of potential ordinary shares: interest on the convertible bond	0	378
Basis for calculating diluted earnings per share	**2,089**	**1,881**

The number of shares is calculated as follows:

	2009	2008
Weighted average number of ordinary shares used to calculate basic earnings per share	**26,240**	**26,240**
Dilutive effect of potential ordinary shares:		
Weighted average number of options outstanding	689	1,288
Weighted average number of ordinary shares used to calculate diluted earnings per share	**26,929**	**27,528**

	2009	2008
Calculation of earnings per share (basic)		
Basis for calculating basic earnings per share (in EUR thousand)	2,089	1,503
Weighted average number of shares (basic)	26,240	26,240
Earnings per share (basic) (in EUR)	**0.08**	**0.06**
Calculation of earnings per share (diluted)		
Basis for calculating diluted earnings per share (in EUR thousand)	2,089	1,881
Weighted average number of shares (diluted)	26,929	27,528
Earnings per share (diluted) (in EUR)	**0.08**	**0.07**
Adjustment of earnings per share (diluted) (in EUR)	**0.08**	**0.06**

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

Notes to the Cash Flow Statement

Cash comprises exclusively the cash and cash equivalents reported in the balance sheet. Restricted cash was not included.

In the cash flow statement, cash flows are classified into net cash provided by / used in operating, investing, and financing activities.

Cash flows from operating activities are calculated on the basis of earnings before tax, adjusted for noncash income and expenses, and of the changes in operating assets and liabilities compared with last year's balance sheet.

Net cash provided by operating activities amounted to EUR 827 thousand in fiscal year 2009, compared with net cash provided by operating activities of EUR 3,041 thousand in fiscal year 2008. The main cause of the decline in this item is the sharp increase in trade receivables, which relate in particular to the major license and service contract completed at the end of the year (2009: EUR 5,534 thousand, 2008: EUR 953 thousand). Noncash depreciation and amortization rose from EUR 475 thousand to EUR 1,765 thousand. Other noncash expenses and income (2009: EUR 161 thousand; 2008: EUR 390 thousand) comprise the expenses for the stock option plans. Net cash used in investing activities amounted to EUR 2,787 thousand (2008: EUR 494 thousand). In the previous year, restricted cash in the amount of EUR 2,730 thousand was reclassified as unrestricted cash. This item declined to EUR 361 thousand in 2009. At EUR 159 thousand, cash flows from financing activities were positive in fiscal year 2009 due to the discontinuation of the convertible bond (previous year: EUR –561 thousand). In total, Intershop had cash and cash equivalents of EUR 6,314 thousand as of December 31, 2009 (December 31, 2008: EUR 8,082 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, 2009

in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	3,291	3,489	117	0	**6,897**
Consulting and training	8,365	1,600	2,184	0	**12,149**
Maintenance	5,659	752	2,353	0	**8,764**
Online Marketing	2,654	0	0	0	**2,654**
Other	938	305	70	0	**1,313**
Total net revenues from external customers	**20,907**	**6,146**	**4,724**	**0**	**31,777**
Intersegment revenues	421	719	0	(1,140)	**0**
Total net revenues	**21,328**	**6,865**	**4,724**	**(1,140)**	**31,777**
Cost of revenues	11,242	3,565	2,059	0	**16,866**
Gross profit	**9,665**	**2,581**	**2,665**	**0**	**14,911**
Operating expenses, operating income	8,956	2,232	1,723	0	**12,911**
Result from operating activities	**709**	**349**	**942**	**0**	**2,000**
Financial result					**(135)**
Earnings before tax					**2,135**
Income taxes					**428**
Earnings after tax					**1,707**
Assets	18,912	5,547	4,282	0	**28,741**
Depreciation and amortization	1,078	316	244	0	**1,638**
Noncash expenses	544	31	139	0	**714**

Segment reporting as of December 31, 2008

in EUR thousand	Europe	U.S.A	Asia/ Pacific	Consoli- dation	Group
Net revenues from external customers					
Licenses	2,438	651	994	0	**4,083**
Consulting and training	8,898	2,382	2,459	0	**13,739**
Maintenance	5,463	722	1,004	0	**7,189**
Online Marketing	2,556	0	0	0	**2,556**
Other	404	147	0	0	**551**
Total net revenues from external customers	**19,759**	**3,902**	**4,457**	**0**	**28,118**
Intersegment revenues	744	535	0	(1,279)	**0**
Total net revenues	**20,503**	**4,437**	**4,457**	**(1,279)**	**28,118**
Cost of revenues	12,311	2,053	2,349	0	**16,713**
Gross profit	**7,448**	**1,849**	**2,108**	**0**	**11,405**
Operating expenses, operating income	7,017	1,174	1,343	0	**9,534**
Result from operating activities	**431**	**675**	**765**	**0**	**1,871**
Financial result					**117**
Earnings before tax					**1,754**
Income taxes					**251**
Earnings after tax					**1,503**
Assets	17,458	3,457	3,954		**24,869**
Depreciation and amortization	334	66	75		**475**
Noncash expenses	546	108	123		**777**

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 operating segments generate their revenues by selling software licenses (licenses) and various services relating to these licenses. In turn, the latter are broken down into consulting and training, maintenance, online marketing, and other, with the latter consisting primarily of the Company's full-service offering.

The operating segments are broken down as follows:
The "Europe" segment comprises the sales activities of INTERSHOP Communications AG, SoQuero GmbH, and The Bakery GmbH in Europe. The "U.S.A." segment consists of sales by Intershop Communications Inc., which focus on North America. The "Asia-Pacific" segment includes the Company's sales in that region. 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 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, impairment losses, 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 include expenses relating to the stock option plans, valuation allowances (only in 2009), unrealized losses on hedging transactions (only in 2009), and interest on the convertible bond (only in 2008). No significant noncash income arose in the two fiscal years and this was therefore not reported separately.

All amounts reported in the "Group" column in the segment reporting reflect the Group figures from the statement of comprehensive income or the balance sheet. Adding together the amounts for the operating segments produces the Group figures.

The Company is domiciled in Germany. Revenues from external customers that were generated in Germany amounted to EUR 17,013 thousand in fiscal year 2009 and EUR 16,212 thousand in the previous year. Revenues of EUR 14,764 thousand (2008: EUR 11,906 thousand) were recorded from external customers in other countries. EUR 6,146 thousand (2008: EUR 3,902 thousand) of these revenues were attributable to customers in the U.S.A. and EUR 4,209 thousand (2008: EUR 4,288 thousand) to customers in Australia. Total noncurrent assets – excluding deferred taxes – amounted to EUR 10,549 thousand (2008: EUR 8,828 thousand) in Germany and EUR 319 thousand (2008: EUR 332 thousand) in other countries. The Company does not have any assets relating to financial instruments associated with pensions or rights arising from insurance contracts.

Revenues of EUR 3,652 thousand were generated with a single customer in fiscal year 2009. In the previous year, Intershop recorded revenues of EUR 4,225 thousand and EUR 3,456 thousand with two individual customers. The revenues were attributable to the "Europe", "U.S.A.", and "Asia/Pacific" segments.

Operating leases

Certain facilities, office equipment, and operating equipment are leased under operating leases. The minimum long-term lease payments relate mainly to rental obligations for the Company's headquarters in Jena.
The annual minimum lease payments as of December 31, 2009 are as follows:

in EUR thousand	Due within 1 year	Due in 1 to 5 years	Due after more than 5 years	Total
Minimum lease payments from operating leases	2,786	8,002	16	**10,804**

Total future minimum payments from subleases amounted to EUR 504 thousand as of the reporting date.
Rental expense of EUR 2,013 thousand was recognized in the income statement in 2009 and EUR 1,886 thousand in 2008. Rental income amounted to EUR 232 thousand in 2009 and EUR 163 thousand in 2008 and was offset in full against rental expenses in both years.

Litigation / contingent liabilities

The Company is a defendant in various legal proceedings arising from the normal course of business. A negative ruling in any such legal dispute, or in several or all such disputes, could have a material adverse effect on the Company's results of operations. The Company recognizes all legal costs associated with loss contingency as an expense as they are incurred.

In 2002, another software company brought a claim for damages of around EUR 5 million for the alleged violation of a license agreement. An out-of-court settlement was initially agreed, but the software company declined to finally accept the terms of the settlement. In 2004, the Munich Regional Court dismissed its claim for payment. However, the court ordered Intershop to provide information on the delivery of software owned by the other software company. The Company has since provided this information. Intershop believes that the other software company has no further claims. In addition, the other software company has told the Company that it will not actively further pursue legal action.

In fiscal year 2006, a claim was brought against the Company by a contractual partner that had acquired standard software from Intershop 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 scheduled a hearing for July 18, 2008 to pronounce a decision (an order on an evidentiary hearing). After postponing the pronouncement date on a number of occasions, the Regional Court issued an indicative ruling („Hinweisbeschluss"), on August 1, 2008. The Company stated its case to the Regional Court in a written pleading on October 6, 2008 and remains of the opinion that the claims have no validity based on the merits of the case and that their amount is also without justification. A further hearing is scheduled for mid-April 2010. Due to non-payment of services, the Company filed a counterclaim for EUR 252,416 in December 2008.

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 risk

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 indicator in this context is the equity ratio. The Group's overall strategy here is unchanged as against fiscal year 2008. The capital structure changed as follows:

in EUR thousand	December 31, 2009	December 31, 2008	as a % of previous year
Equity	18,396	16,335	13%
Trade accounts payable	3,862	2,536	52%
Other liabilities	6,483	5,998	8%
Equity ratio	64%	66%	-3%

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		December 31, 2009		December 31, 2008	
Measurement	**Categories**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Measured at amortized cost					
ASSETS					
Other noncurrent assets	Loans and receivables	22	22	34	34
Trade receivables	Loans and receivables	10,569	10,569	5,713	5,713
Restricted cash	Loans and receivables	858	858	1,220	1,220
Cash and cash equivalents	Loans and receivables	6,314	6,314	8,082	8,082
Other receivables and other assets		607		1,531	
of which gross amount due from customers for contract work		49	49	0	0
LIABILITIES					
Trade payables	Financial liabilities measured at amortized cost	3,862	3,862	2,536	2,536
Other current liabilities		1,861		1,394	
of which financial liabilities measured at amortized cost		79	79	79	79
of which derivative financial instruments held for trading		115	115	0	0

Carrying amount aggregated by measurement category	2009	2008
Loans and receivables	17,763	15,049
Financial liabilities measured at amortized cost	3,941	2,615
Financial liabilities held for trading	115	0

Net gain/loss per measurement category	On interest		On valuation allowances		Fair value changes	
	2009	2008	2009	2008	2009	2008
Loans and receivables	135	271	437	116	0	0
Financial liabilities measured at amortized cost	0	0	0	0	0	0
Financial liabilities held for trading	0	0	0	0	115	0

In fiscal year 2009, financial instruments to be recognized at fair value were classified using the following measurement levels in the fair value hierarchy.

in EUR thousand	Measurement level	2009	2008
Financial liabilities			
Derivatives with negative fair values (current)	2	115	0

The fair value of derivatives with negative fair values (currency forwards) is determined according to forward currency rates.
The contractual maturities of most of the existing financial instruments are within one year of the balance sheet date. The carrying amounts do not therefore differ significantly from the fair values.

Non-payment risks

The Company is exposed to a potential default risk mainly from its trade receivables. The Company performs ongoing creditworthiness checks on its customers. The default risk with regard to trade receivables is also mitigated by the fact that the Company has a broad customer base. In addition, the Company does not demand collateral for its receivables. In the case of larger contracts, this risk is reduced by agreements on advance payments or partial payments based on the stage of completion of the contract.
Appropriate allowances are also recognized. The Company's cash and cash equivalents are invested in secure investments with German banks. 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. The Company prepares a liquidity forecast based on a fixed planning horizon. This liquidity forecast enables the Company to manage its short- and medium-term liquidity situation. A long-term liquidity risk only exists if the Company is unable to continue generating sufficient cash from its business operations in fiscal year 2010 and subsequent years. In this case, the Company would be forced to consider an additional cash injection from the capital markets.

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, 2008	Cash flow in 2009	Carrying amount at Dec. 31, 2009	Cash-flow in 2010	Cash-flow after 2010
Other noncurrent liabilities	0	0	0	0	0
Trade accounts payable	2,536	2,536	3,902	3,902	0
Other current liabilities	1,394	1,091	1,861	1,413	0
of which derivatives with negative fair values	0	0	115	115	0

Interest rate risk

A 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. Currency forwards that serve to hedge the exchange rate for cash flows arising from revenues are entered into to hedge currency risks. The notional amount of the hedging transactions is AUD 2.7 million (previous year: AUD 0 million) for a one-year hedging period. An unrealized currency loss of EUR 115 thousand was recognized as an expense in the statement of comprehensive income.

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:

	Liabilities		Assets	
in EUR thousand	2009	2008	2009	2008
in USD	4,522	904	877	86
in AUD	733	414	366	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	2009	2008	2009	2008
Change due to 10% appreciation of the euro	(331)	(74)	(33)	(38)
Change due to 10% depreciation of the euro	405	91	41	46

Events subsequent to the balance sheet date

On February 1, 2010 the Chairman of the Supervisory Board, Joachim Sperbel, resigned from his position effective March 31, 2010, prior to the end of his term of office. An Extraordinary Stockholders' Meeting of the Company was held on March 29, 2010. For details, please refer to the section of the Group management report entitled "Events Subsequent to the Balance Sheet Date."

On February 5, 2010, the Company's subscribed capital was increased by EUR 25,500 to EUR 26,334,594 due to the issue of shares from Authorized Capital II.

On March 31, 2010, the Management Board of Intershop Communications AG authorized the submission of these IFRS consolidated financial statements to the Supervisory Board. The consolidated financial statements will be submitted to the electronic Bundesanzeiger (Federal Gazette) and published there. They will also be made available on the Company's website.

Related party disclosures

Related parties in accordance with IAS 24 are companies or persons that control or are controlled by the Intershop Group, or are under common control, provided that they are not already included in the consolidated financial statements or that they do not hold an interest in the Company that conveys significant influence. 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 the balance sheet date.
A member of the Supervisory Board of INTERSHOP Communications AG is also a member of the management at other companies. Intershop has relations with one of these companies in the course of its ordinary business activities. All transactions with the company in question are conducted on arm's length terms. Transactions relating to the exchange of goods and services with the company were conducted in the following amounts:

in EUR thousand	**2009**	**2008**
Income	963	360
Expenses	0	0
Receivables as of December 31,	132	114
Liabilities as of December 31,	0	0

In fiscal year 2009, the Company borrowed 100,000 Intershop ordinary bearer shares free of charge from the Deputy Chairman of the Supervisory Board to meet the requirements under the employee stock option plan. In fiscal year 2009, 39,550 of the shares borrowed in 2008 and 100,000 of the shares borrowed in 2009 were returned.

For information on the compensation of the members of the Supervisory Board and the Management Board, see the section entitled "Compensation of the members of the Management Board and the Supervisory Board."

Management Board

The Management Board comprised the following members:

Name	Function	Term of office
Heinrich Göttler	Member of the Management Board	Since June 23, 2008
Dr. Ludger Vogt	Member of the Management Board	Since December 1, 2008
Peter Mark Droste	Member of the Management Board	Since April 1, 2009

Supervisory Board

The Supervisory Board comprised the following members:

Name	Function	Term of office
Joachim Sperbel	Chairman of the Supervisory Board	May 9, 2007 – March 31, 2010 (Chairman since June 19, 2009)
Michael Sauer	Deputy Chairman of the Supervisory Board	November 1, 2006 – March 29, 2010 (Deputy Chairman since June 19, 2009)
Benedikt Wahler	Member of the Supervisory Board	Since June 24, 2008
Peter Georg Baron von der Howen	Member of the Supervisory Board	Since March 29, 2010

Compensation of the members of the Management Board and the Supervisory Board

Compensation 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 payable compensation depends on the Group's earnings for the year before interest and tax, adjusted for exceptional items. The variable compensation of the Management Board member appointed in 2009 depends on a number of quantitative and qualitative goals and is measured in accordance with the extent to which these goals are achieved.
The total compensation of the Management Board in fiscal year 2009 (excluding stock options and severance payments) amounted to EUR 579 thousand (2008: EUR 295 thousand), of which EUR 459 thousand (2008: EUR 240 thousand) related to fixed components (2009: EUR 429 thousand fixed salary, EUR 30 thousand additional benefits; 2008: EUR 227 thousand fixed salary, EUR 13 thousand additional benefits) and EUR 120 thousand (2008: EUR 55 thousand) to variable components. Mr. Droste waived his variable salary component for 2009 in the amount of EUR 113 thousand. The Management Board members appointed were not granted any new stock options. However, the two Management Board members appointed in 2008 may exercise the options exercisable up until their appointment to the Management Board while they are members of the Management Board. In 2008, 300,000 options expired due to the departure of a member of the Management Board.
The compensation was made up as follows:

	Fixed salary		Variable remuneration		Stock options expenses		Compensation		Total	
in EUR thousand	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Heinrich Göttler	167	95	60	37	–	–	0	–	**227**	**132**
Dr. Ludger Vogt	164	14	60	18	–	–	0	–	**224**	**32**
Peter Mark Droste	128	–	0	–	–	–	0	–	**128**	**-**
Members who stepped down from the Management Board in 2008	–	132	–	–	–	(160)	–	250	–	**222**
	459	**240**	**120**	**55**	**0**	**(160)**	**0**	**250**	**579**	**385**

Membership of the Management Board ends in the event of the Company's reorganization (merger, spin-off, 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 Supervisory Board reserves the right to make an appropriate voluntary bonus payment to one member of the Management Board in the event of the member's contract being terminated if the member concerned is not entitled to defined variable compensation. 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.

Compensation of the Supervisory Board

The total compensation of the Supervisory Board in fiscal year 2009 amounted to EUR 79 thousand (2008: EUR 79 thousand). The compensation of the Supervisory Board in 2008 comprises fixed and variable components. The fixed compensation consists of a component, stipulated by the Articles of Association, payable at the end of the fiscal year. The Chairman receives twice, and the Deputy Chairman one and a half times, the amount determined for the other members of the Supervisory Board. In addition, as stipulated by the Articles of Association, Supervisory Board members each receive performance-related compensation amounting to EUR 5 thousand per fiscal year if the Company reports a profit in its annual financial statements for the respective fiscal year. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.

The Supervisory Board received the following fixed and variable compensation.

	Fixed remuneration		Variable remuneration		Total	
in EUR thousand	2009	2008	2009	2008	2009	2008
Joachim Sperbel	25	19	5	5	**30**	**24**
Michael Sauer	24	30	5	5	**29**	**35**
Benedikt Wahler	15	8	5	3	**20**	**11**
Members who stepped down from the Supervisory Board in 2008	0	7	0	2	**0**	**9**
	64	**64**	**15**	**15**	**79**	**79**

Directors' holdings

As of December 31, 2009, the following members of the Company's executive bodies held direct and indirect Intershop Communications AG ordinary bearer shares:

Name	Function	Shares
Michael Sauer	Deputy Chairman of the Supervisory Board Member of the Management Board	1,092,413
Peter Mark Droste	Member of the Management Board	100,000

Securities transactions subject to reporting requirements

In fiscal year 2009, the members of the Company's executive bodies and their related parties executed the following securities transactions involving Intershop ordinary bearer shares that are subject to reporting requirements:

Name	Date	Type of security	Type of transaction	Amount	Total value (EUR)
Supervisory Board:					
Michael Sauer*	September 15, 2009	Share	Lending**	100,000	0

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

** Mr. Sauer lent the Company the shares free of charge to cover requirements under the employee stock option plan. The Company returned the shares to Mr. Sauer as of December 31, 2009.

Employees

The Intershop Group had an average of 291 full-time employees in fiscal year 2009, of whom 288 were salaried employees and 3 were members of the executive bodies.

Employee-related expenses amounted to EUR 17,594 thousand in 2009 and EUR 14,949 thousand in 2008. The pension insurance contributions paid by the Company to statutory pension insurance funds totaled EUR 1,093 thousand in 2008 and EUR 946 thousand in 2008.

Auditors' fees

In fiscal year 2009, the Company incurred expenses of EUR 165 thousand (2008: EUR 135 thousand) for audit services in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB, of EUR 17 thousand (2008: EUR 27 thousand) for other assurance services, and of EUR 39 thousand (2008: EUR 10 thousand) for other services. Expenses for tax consulting services amounted to EUR 61 thousand (2008: EUR 0 thousand).

Declaration of Conformity

The Company has issued a declaration of conformity as required by section 161 of the Aktiengesetz by the annual deadline on January 4, 2010, and made this declaration permanently available to its stockholders. Further information is available in the "Corporate Governance Declaration Including Corporate Governance Report" section.

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 31, 2010

The Management Board

Heinrich Göttler　　Dr. Ludger Vogt　　Peter Mark Droste

REPORT OF INDEPENDENT AUDITORS, GROUP

We have audited the consolidated financial statements prepared by INTERSHOP Communications Atiengesellschaft, Jena, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report, which is combined with the management report of the parent Company, for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the combined management report of the Company and the Group in accordance with the IFRSs, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report of the Company and the Group 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 of the Company and the Group 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 of the Company and the Group 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 of the Company and the Group. 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 supplementary 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 of the Company and the Group 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 31, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

(sgd. ppa. Heinrich Peters)
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL STATEMENTS INTERSHOP COMMUNICATIONS AG

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Balance Sheets Intershop Communications AG

in EUR	December 31, 2009	December 31, 2008
ASSETS		
Fixed Assets		
Intangible assets		
Software licenses	93,506	13,058
Property and equipment		
Other facilities, furniture, and equipment	456,978	429,668
Financial Assets		
Investments in affiliated companies	10,484,514	10,447,260
	11,034,998	**10,889,986**
Current Assets		
Inventories		
Work in process	210,879	832,459
Payments on account	3,089	0
	213,968	832,459
Receivables and other assets		
Accounts receivable	5,742,350	4,068,767
Receivables from affiliated companies	6,163,018	1,091,011
Other assets	358,249	520,82
	12,263,617	5,680,598
Cash-in-hand, bank balances	5,900,576	8,084,731
	18,378,161	**14,597,788**
Prepaid expenses	**123,956**	**107,464**
TOTAL ASSETS	**29,537,115**	**25,595,238**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Common stock		
Conditional capital: EUR 92,917 (previous year: EUR 826,101)	26,309,094	26,192,767
Capital surplus	5,055,512	5,043,472
Accumulated Deficit	(9,629,026)	(11,606,256)
	21,735,580	**19,629,983**
Accrued Liabilities		
Provisions for taxes	912,047	591,799
Other accrued liabilities	2,839,786	2,869,177
	3,751,833	**3,460,976**
Liabilities		
Advance payments received	172,380	114,000
Accounts payable	2,181,898	741,554
Other liabilities	457,396	441,944
thereof from taxes: EUR 296,131 (previous year: EUR 316,302)		
thereof from social security benefits: EUR 11,804 (previous year EUR 24,960)		
	2,811,674	**1,297,498**
Deferred Charges	**1,238,028**	**1,206,781**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**29,537,115**	**25,595,238**

Statement of Operations of INTERSHOP Communications AG

	January 1 to December 31,	
in EUR	2009	2008
Revenues	23,545,468	23,258,528
Increase in inventories of work in progress	(621,579)	(385,143)
Other operating income	5.731.444	878,279
Cost of Materials		
Cost of raw materials, consumables and supplies, and purchased merchandise	(123,132)	(119,918)
Cost of purchased services	(3,404,241)	(4,374,969)
Personnel Costs		
Salaries	(11,614,228)	(10,173,071)
Social security contribution	(1,835,663)	(1,591,640)
Depreciation and amortization		
of intangible fixed assets and property and equipment	(257,900)	(226,342)
of current assets to the extent it exceeds depreciation and amortization that is normal for the Company	(1,029,503)	(3,733,275)
Other operating expenses	(8,354,491)	(8,191,939)
Profit/loss from profit transfer agreements	(39,059)	68,863
Other interest and similar income	519,498	6,699,299
thereof from affiliated companies EUR 382,092 (previous year: EUR 6,430,857)		
Write-downs of long-term financial assets and securities classified as current assets	(216,506)	0
Interest and similar expenses	(1)	(321,839)
thereof on affiliated companies EUR 0 (previous year: EUR 0)		
Result from ordinary activities	**2,300,107**	**1,786,833**
Taxes on income	(320,248)	(591,799)
Other Taxes	(2,629)	0
Net income for the year	**1,977,230**	**1,195,034**
Accumulated deficit carried forward	(11,606,256)	(12,801,290)
Accumulated Deficit	**(9,629,026)**	**(11,606,256)**

NOTES TO THE FINANCIAL STATEMENTS INTERSHOP COMMUNICATIONS AKTIENGESELLSCHAFT

JENA, FOR FISCAL YEAR 2009

The annual financial statements were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act) in accordance with the principles applicable to large corporations.

Accounting Policies

The accounting policies applied to assets and liabilities were unchanged as against the previous year.

Intangible fixed assets and property and equipment are carried at cost, less depreciation and any required write-downs.

Financial assets are carried at cost, less necessary valuation allowances.

Inventories are measured at cost. In addition to direct materials and labor costs, they include an appropriate share of the necessary indirect materials and labor costs.

Cash is measured at its nominal value or at the mean spot rate.

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.

Other accrued liabilities cover all recognizable risks and are measured in the amount dictated by prudent business practice.

Liabilities are stated at their redemption amount.

Foreign currency receivables and liabilities are measured using the principle of lower of cost or market and the imparity principle, respectively. Receivables are translated at the lower of the transaction rate and the exchange rate at the balance sheet date. Liabilities are translated at the higher of the repayment rate and the exchange rate at the balance sheet date.

Explanations on the Annual Financial Statements

Balance Sheets

Fixed assets changed as follows:

in EUR	Intangible Assets Software licenses	Tangible Assets Other equipment, operating and office equipment	Financial Assets Shares in affiliated companies	Total
Costs of purchase				
Balance at January 1, 2009	**2,883,103**	**2,968,524**	**50,589,708**	**56,441,335**
Additions	101,703	264,051	253,760	**619,514**
Disposals	0	(462,743)	(6,747)	**(469,490)**
Balance at December 31, 2009	**2,984,806**	**2,769,832**	**50,836,721**	**56,591,359**
Depreciation, write-downs, and impairment losses				
Balance at January 1, 2009	**2,870,045**	**2,538,856**	**40,142,447**	**45,551,348**
Additions	21,255	236,645	216,506	**474,406**
Disposals	0	(462,647)	(6,746)	**(469,393)**
Balance at December 31, 2009	**2,891,300**	**2,312,854**	**40,352,207**	**45,556,361**
Net carrying amount at December 31, 2008	**13,058**	**429,668**	**10,447,260**	**10,889,986**
Net carrying amount at December 31, 2009	**93,506**	**456,978**	**10,484,514**	**11,034,998**

Effective January 1, 2003, Intershop Software Entwicklungs GmbH was merged with Intershop Communications AG. The merger entailed the transfer of goodwill with a carrying amount of EUR 0 to Intershop Communications AG. Since there was no longer a positive carrying amount, goodwill has not been shown in the balance sheet or in the statement of changes in fixed assets.

Receivables from affiliated companies (exclusively other assets) relate to Group financing and have a remaining maturity of up to one year.

All other assets have a remaining maturity of less than one year.

Cash and cash equivalents totaling EUR 858,102 (previous year: EUR 1,220,101) reported under cash-in-hand and bank balances have been assigned as security (restricted cash).

The share capital in the amount of EUR 26,309,094 consists of 26,309,094 no-par value bearer shares.

Authorized capital

As of December 31, 2009, the Company had authorized capital of EUR 8,272,797. 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 to Authorized Capital I in fiscal year 2009.
- by up to a total of EUR 1,234,797 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. Due to the exercise of employee stock options, there were three capital increases in 2009 totaling EUR 116,327. Authorized Capital II decreased accordingly from EUR 1,351,124 as of December 31, 2008 to EUR 1,234,797 as of December 31, 2009.

Conditional capital

As of December 31, 2009, the Company's share capital had been increased conditionally by up to EUR 92,917 by issuing up to 92,917 shares. However, due to adjustments following the capital reductions and options that have expired or were not issued, a maximum of 45,833 shares may be issued in future from the conditional capital. The conditional capital is composed of the following:

- In order to grant Management Board stock options, EUR 92,917 (Conditional Capital I) is reserved for options in accordance with section 192(2) no. 3 of the Aktiengesetz (AktG – German Stock Corporation Act), although a maximum of 45,833 shares may be issued due to 30,556 options being surrendered and 16,528 options expiring. Conditional Capital I is reserved for settling options exercised under the 1999 stock option plan (see also the section entitled "1999 Stock Option Plan"). There were no changes to Conditional Capital I in fiscal year 2009.
- Conditional Capital II was abolished in fiscal year 2008.
- The Stockholders' Meeting on June 19, 2009 resolved to abolish the Conditional Capital III in the amount of EUR 733,184. This change was entered in the commercial register on October 6, 2009. Conditional Capital III served to grant exchange rights and/or to establish exchange obligations under the relevant exchange conditions for the holders of the convertible bonds issued by the Company in the period from June 13, 2001 to May 31, 2006 in accordance with a resolution by the Stockholders' Meeting. The term of the convertible bonds issued in 2004 on the basis of this expired authorization expired before the end of 2008. Exchange rights no longer exist.

The number of options outstanding under the Company's stock option plans at the balance sheet date was 2,860,762.

The capital reserve developed as follows in fiscal year 2009 (in EUR):

Balance at December 31, 2008	**5,043,472**
Premium from the exercise of stock options	12,040
Balance at December 31, 2009	**5,055,512**

The accumulated deficit contains a loss carryforward from previous years in the amount of EUR 11,606,256.

Other accrued liabilities consist primarily of pending losses from ongoing obligations and executory contracts, litigation risks and fixed-price projects, year-end closing costs and the costs of the Annual Stockholders' Meeting, outstanding invoices, warranties, holiday entitlements, license fees, and commission.

Liabilities can be broken down as follows:

in EUR thousand	December 31, 2009		December 31, 2008	
		Of which with a remaining maturity of up to one year		Of which with a remaining maturity of up to one year
Advance payments received	172	172	114	114
Trade payables	2,182	2,182	741	741
Other liabilities	458	458	442	442
	2,812	**2,812**	**1,297**	**1,297**

Derivative financial instruments

In fiscal year 2009, currency hedging transactions were entered into to hedge Australian dollar transactions. The fair value of these currency forwards was determined at the balance sheet date on the basis of comparable transactions observable on the market. The relevant fair value is negative and was recognized as a provision in the amount of EUR 115 thousand. The contractual maturities of the financial instruments are within nine months of the balance sheet date.

Contingent liabilities and other financial liabilities

Financial obligations resulting from the lease for the Company's business premises amounted to EUR 9.9 million as of December 31, 2009; these are due ratably until the end of the lease period on November 14, 2013. The Company also has other financial liabilities amounting to EUR 590 thousand relating to other tenancy agreements and leases for vehicles and office equipment.

Profit transfer agreement

A profit transfer agreement was entered into with Intershop Communications Online Marketing GmbH, now SoQuero GmbH, in fiscal year 2008.

Statement of Operations

The following table shows a breakdown of revenues by region:
EUR 3,407,869 of revenues relates to license income and EUR 20,137,599 to income from services.

in EUR	
Germany	14,564,857
Rest of Europe	3,609,913
Rest of the world excluding Europe	5,370,698
	23,545,468

Other operating income (EUR 5,731,444) includes prior-period income of EUR 171,342 (previous year: EUR 53,159) and income of EUR 4,213,642 (previous year: EUR 0) from the reversal of impairment losses on loans granted to Intershop Communications Inc. that were written down in previous years due to expected uncollectibility.

Impairment losses on receivables from affiliated companies that exceed the normal levels of impairment losses were charged in the amount of EUR 1,029,503 (previous year: EUR 3,733,275).

EUR 382,092 of other interest and similar income relates to affiliated companies (previous year: EUR 6,430,857).

Other Disclosures

The Company had an average of 245 employees during the fiscal year 2009 (salaried employees only). The figure excludes an average of 8 employees with temporary leave of absence.

THE SUPERVISORY BOARD COMPRISED THE FOLLOWING MEMBERS:

Joachim Sperbel
(until March 31, 2010)
(Chairman since June 19, 2009, Deputy Chairman till June 19, 2009)
Independent management consultant

Michael Sauer
(until March 29, 2010)
(Deputy Chairman since June 19, 2009, Chairman till June 19, 2009)
Managing Director and Shareholder of Music Store A. Sauer GmbH
Managing Director and Shareholder of Kölner Parkhaus und Parkplatz GmbH
Partner in Rams-Sauer GbR
Partner in Gruhl-Sauer GbR

Benedikt Wahler
Investment adviser, Active Value Investors AG

Peter Georg Baron von der Howen
(since March 29, 2010)
Independent management consultant
Partner in DV-Ratio SMC GmbH

THE MANAGEMENT BOARD INCLUDED THE FOLLOWING PERSONS:

Heinrich Göttler
Member of the Management Board

Dr. Ludger Vogt
Member of the Management Board

Peter Mark Droste
(since April 1, 2009)
Member of the Management Board

Compensation of the members of the Management Board and the Supervisory Board

Compensation 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 payable compensation depends on the Group's earnings for the year before interest and tax, adjusted for exceptional items. The variable compensation of the Management Board member appointed in 2009 depends on a number of quantitative and qualitative goals and is measured in accordance with the extent to which these goals are achieved.
The total compensation of the Management Board in fiscal year 2009 (excluding severance payments) amounted to EUR 579 thousand (2008: EUR 295 thousand), of which EUR 459 thousand (2008: EUR 240 thousand) related to fixed components (2009: EUR 429 thousand fixed salary, EUR 30 thousand additional benefits; 2008: EUR 227 thousand fixed salary, EUR 13 thousand additional benefits) and EUR 120 thousand (2008: EUR 55 thousand) to variable components. Mr. Droste waived his variable salary component for 2009 in the amount of EUR 113 thousand. The Management Board members appointed were not granted any new stock options. However, the two Management Board members appointed in 2008 may exercise the options exercisable up until their appointment to the Management Board while

they are members of the Management Board. In 2008, 300,000 options expired due to the departure of a member of the Management Board.

The compensation was made up as follows:

	Fixed salary		Variable remuneration		Compensation		Total	
in EUR thousand	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Heinrich Göttler	167	95	60	37	0	-	**227**	**132**
Dr. Ludger Vogt	164	14	60	18	0	-	**224**	**32**
Peter Mark Droste	128	-	0	-	0	-	**128**	**0**
Members who stepped down from the Management Board in 2008	-	132	-	-	-	250	**-**	**382**
	459	**240**	**120**	**55**	**250**	**250**	**579**	**545**

Membership of the Management Board ends in the event of the Company's reorganization (merger, spin-off, 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 Supervisory Board reserves the right to make an appropriate voluntary bonus payment to one member of the Management Board in the event of the member's contract being terminated if the member concerned is not entitled to defined variable compensation. 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.

Compensation of the Supervisory Board

The total compensation of the Supervisory Board in fiscal year 2009 amounted to EUR 79 thousand (2008: EUR 79 thousand). The compensation of the Supervisory Board in 2008 comprises fixed and variable components. The fixed compensation consists of a component, stipulated by the Articles of Association, payable at the end of the fiscal year. The Chairman receives twice, and the Deputy Chairman one and a half times, the amount determined for the other members of the Supervisory Board. In addition, as stipulated by the Articles of Association, Supervisory Board members each receive performance-related compensation amounting to EUR 5 thousand per fiscal year if the Company reports a profit in its annual financial statements for the respective fiscal year. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.

The Supervisory Board received the following fixed and variable compensation.

	Fixed remuneration		Variable remuneration		Total	
in EUR thousand	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Joachim Sperbel	25	19	5	5	**30**	**24**
Michael Sauer	24	30	5	5	**29**	**35**
Benedikt Wahler	15	8	5	3	**20**	**11**
Members who stepped down from the Supervisory Board in 2008	0	7	0	2	**0**	**9**
	64	**64**	**15**	**15**	**79**	**79**

As of December 31, 2009, the Deputy Chairman of the Supervisory Board, Michael Sauer, directly and indirectly held 1,092,413 ordinary bearer shares of INTERSHOP Communications Aktiengesellschaft and the Management Board member Peter Mark Droste directly held 100,000 ordinary bearer shares.

As a listed company, Intershop Communications AG prepares consolidated financial statements in accordance with IFRS which, according to the provisions of section 315a of the German Commercial Code (HGB). The consolidated financial statements will be submitted in electronic form to the electronic Bundesanzeiger (Federal Gazette) and published there. These consolidated financial statements include the financial statements of the parent company and the following companies as of December 31, 2009:

Intershop Communications, Inc., San Francisco, USA
Intershop Communications Ventures GmbH, Jena, Germany
Intershop Communications AB, Stockholm, Sweden
SoQuero GmbH, Frankfurt/Main, Germany
The Bakery GmbH, Berlin, Germany

The following list shows the subsidiaries of Intershop Communications AG and the Company's respective interest as of December 31, 2009:

	Interest in %	Currency	Nominal capital	Equity	Net loss
Intershop Communications, Inc., San Francisco, U.S.A	100	EUR	7,332,682	(2,848,865)	125,481,317
Intershop Communications Ventures GmbH, Jena, Germany	100	EUR	1,000,000	(2,540,961)	(126,327)
Intershop (UK) Ltd., London, United Kingdom	100	EUR	1,586	0	0
Intershop Communications AB, Stockholm, Sweden	100	EUR	11,437	14,866	(4,251)
Intershop Communications Hongkong Co. Ltd., Hong Kong, China	100	EUR	1,378	0	0
Intershop Communications Korea Co. Ltd., Seoul, Korea	100	EUR	50,940	0	0
Intershop Communications Taiwan, Taipeih, Taiwan	100	EUR	32,393	0	0
SoQuero GmbH, Frankfurt/Main, Germany	100	EUR	75,000	242,955	(39,059)
The Bakery GmbH, Berlin, Germany	60	EUR	200,000	(818,613)	(957,302)
Intershop Communications Australia Pty Ltd., Sydney, Australia	100	AUD	2	2	0

The expenses for auditors' fees are included in the notes to the Company's consolidated financial statements.

Declaration of Conformity in accordance with section 161 of the German Stock Corporation Act

The Company issued a declaration of conformity as required by section 161 of the Aktiengesetz on January 4, 2010, and made this declaration publicly available on the Company's website at http://www.intershop.com/investors-corporate-governance.html .

Appropriation of net income/loss

The Management Board of Intershop Communications AG proposes to carry forward the accumulated deficit of EUR 9,629,026 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 31, 2010

The Management Board

Heinrich Göttler Dr. Ludger Vogt Peter Mark Droste

REPORT OF INDEPENDENT AUDITORS INTERSHOP COMMUNICATIONS AG

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 of the Company and the Group of INTERSHOP Communications Aktiengesellschaft, Jena, for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and 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 Section 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 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 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 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 31, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

(sgd. ppa. Heinrich Peters)
Wirtschaftsprüfer
(German Public Auditor)

REPORT OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE DECLARATION INCLUDING CORPORATE GOVERNANCE REPORT

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board continuously monitored the activities of the Management Board in accordance with the tasks imposed upon it by law and the Articles of Association, assured itself that corporate governance standards and legal requirements were implemented and observed throughout the Company, and assisted the Management Board in an advisory capacity. During the past year, the Supervisory Board devoted particular attention to the Company's strategic focus, and especially M&A issues, the current and future development of the Company's business and the consequences of this, corporate planning, and the internal control system. In advising the Management Board, it was particularly important to the Supervisory Board that the Company's business policy should increase the confidence of its shareholders and improve the Company's reputation on the capital market, thereby impacting positively on the share price as well.

Meetings and issues addressed

The Supervisory Board met a total of five times in Jena on January 29, 2009, April 20, 2009, June 18, 2009, September 8, 2009, and December 16, 2009. All members of the Supervisory Board attended all meetings in person. A number of telephone discussions and conference calls were also held between certain members of the Supervisory Board and the Management Board. The annual financial statements were approved by the Supervisory Board and thus adopted at the meeting on April 20, 2009. At its other meetings, the Supervisory Board discussed and, where appropriate, adopted resolutions in particular on operational and strategic issues in the individual business areas and the Intershop Group as a whole, as well as on current and expected business developments.

All transactions of importance to the Company were discussed in detail and carefully monitored by the Supervisory Board on the basis of the reports received from the Management Board. The Management Board submitted all transactions requiring approval under the by-laws governing its work to the Supervisory Board for approval. The Supervisory Board examined the proposed resolutions relating to these transactions and measures requiring approval in detail and took appropriate decisions.

In addition to its reports at the Supervisory Board meetings, the Management Board regularly informed the Chairman of the Supervisory Board about key current developments at the Company and the related measures required, as well as about the forecast for future quarters. The Chairman and the other members of the Supervisory Board maintained regular contact with the Management Board to discuss, analyze, and monitor current issues affecting the Company in depth.

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

Conflicts of interest

No conflicts of interest within the meaning of section 5.5 of the German Corporate Governance Code were disclosed for any of the Supervisory Board members during fiscal year 2009.

Personnel changes on the Supervisory Board and the Management Board

There were no changes in the composition of the Supervisory Board in fiscal year 2009. However, the functions were reorganized. Mr. Joachim Sperbel was elected the new Chairman of the Supervisory Board on June 19, 2009. The previous Chairman, Mr. Michael Sauer, was appointed Deputy Chairman of the Supervisory Board.

On April 21, 2009, Mr. Peter Mark Droste was appointed the new third member of the Management Board effective April 1, 2009, alongside the existing Management Board members Mr. Heinrich Göttler and Dr. Ludger Vogt. This enabled a reallocation of responsibilities within the Management Board, ensuring that the individual members focus more strongly on their core duties. Mr. Droste is the Management Board member responsible for Mergers and Acquisitions, Marketing, PR and IR, as well as the Finance, Operations, Legal, and Human Resources departments. Dr. Vogt looks after the Sales and Consulting areas. Mr. Göttler is responsible for the other areas, in particular Research and Development, Support, Full Service, and Online Marketing.

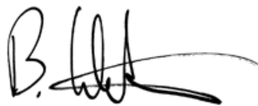
Financial Statements of Intershop Communications AG

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (auditors and tax consultants), which was elected by the Annual Stockholders' Meeting on June 19, 2009 as auditor for fiscal year 2009, thoroughly audited the accounts, the annual and consolidated financial statements, and the combined management report and group management report of INTERSHOP Communications AG and issued unqualified audit opinions. Following its own thorough examination, in particular after inspecting the auditor's reports and discussing in detail the focal points and material findings of the audit with the auditor, the Supervisory Board approved the findings of the audit, did not raise any objections about the financial statements, and at its meeting on April 26, 2010 approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of INTERSHOP Communications AG were thus adopted. There was no need to examine a proposal on the appropriation of net profit since, in spite of its positive operating result, the Company has yet to generate a net profit as a result of the existing accumulated deficit under German commercial law.

The Supervisory Board would like to thank all the members of the Management Board and all employees in the Intershop Group for their hard work and achievements in the past fiscal year. The contribution of each and every individual was behind Intershop's success in 2009. The Supervisory Board would especially like to thank Intershop's shareholders for the confidence they have shown in the Company.

Jena, April 2010

on behalf of the Supervisory Board



Bernhard Wöbker
Chairman of the Supervisory Board

CORPORATE GOVERNANCE DECLARATION INCLUDING CORPORATE GOVERNANCE REPORT

The activities of the Management Board and Supervisory Board are determined by the principles of responsible corporate governance. In this declaration, the Management Board reports on corporate governance in accordance with section 289a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) and section 3.10 of the German Corporate Governance Code.

Declaration of Conformity and Corporate Governance Report

Intershop welcomes the German Corporate Governance Code presented by the Government Commission and most recently updated in June 2009. The recommendations of the German Corporate Governance Code were largely complied with in fiscal year 2009; any departures were explained in the declaration. The Supervisory Board and the Management Board issued the following joint Declaration of Conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on January 4, 2010:

1. Since its last declaration of conformity, INTERSHOP Communications AG complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 6, 2008 between January 29, 2009 and August 4, 2009 and with the recommendations in the version dated June 18, 2009 ("Code") between August 5, 2009 and the present day, with the following exceptions:
   a) A D&O insurance policy was taken out for the Supervisory Board and the Management Board. To date, this has not provided for a deductible for the Management Board and Supervisory Board (section 3.8 para. 2 of the Code), as the D&O insurance policy taken out without a deductible was less expensive than the insurance contracts offered to the Company with a deductible.
   b) The Management Board did not have a Chairman or Spokesman (section 4.2.1). No Chairman or Spokesman was appointed because the Management Board members have equal status, work together on the basis of trust, and the by-laws include organizational precautions in this respect.
   c) No age limit was specified for Management Board members due to the limited term of the service contracts and the age of the Management Board members when first appointed (section 5.1.2 para. 2 sentence 3 of the Code).
   d) The 2008 consolidated financial statements were published 22 days after the deadline stated in the Code, but in accordance with the deadline laid down in section 62(3) of the Exchange Rules of the Frankfurt Stock Exchange and with section 37v(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and section 325(4) of the Handelsgesetzbuch (HGB – German Commercial Code) (section 7.1.2 of the Code), because internal capacity was limited and considerable additional work would therefore have been required in order to prepare them sooner.

2. Going forward, INTERSHOP Communications AG will comply with the recommendations of the Code with the following exceptions:
   a) No deductible is provided for under the existing D&O insurance policy (section 3.8 of the Code) up to the end of 2009, as this is when the current D&O insurance policy expires. From January 2010 onwards, it is still not intended to provide for a deductible for the Supervisory Board (section 3.8 of the Code), as a deductible would not make the insurance premium less expensive.
   b) For the reasons already stated above in 1. b), the Management Board will continue not to have a Chairman or Spokesman in future (section 4.2.1 of the Code).
   c) Given the age of the current Management Board members when first appointed and the limited term of their service contracts, there will continue to be no age limit for members of the Management Board (section 5.1.2 para. 2 sentence 3 of the Code).
   d) For the reasons already stated under 1. d), the 2009 consolidated financial statements will be published at the latest 30 days after the deadline stated in the Code, in accordance with the deadline laid down in section 62(3) of the Exchange Rules of the Frankfurt Stock Exchange and with section 37v(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and section 325(4) of the Handelsgesetzbuch (HGB – German Commercial Code) (section 7.1.2 of the Code).

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

Members of the Management Board and Supervisory Board

The Management Board comprised the following members:

Name	Function	Term of office
Heinrich Göttler	Member of the Management Board	Since June 23, 2008
Dr. Ludger Vogt	Member of the Management Board	Since December 1, 2008
Peter Mark Droste	Member of the Management Board	Since April 1, 2009

The Supervisory Board comprised the following members:

Name	Function	Term of office
Joachim Sperbel	Chairman of the Supervisory Board	May 9, 2007 – March 31, 2010 (Chairman since June 19, 2009)
Michael Sauer	Deputy Chairman of the Supervisory Board	November 1, 2006 – March 29, 2010 (Deputy Chairman since June 19, 2009)
Benedikt Wahler	Member of the Supervisory Board	Since June 24, 2008
Peter Georg Baron von der Howen	Member of the Supervisory Board	Since March 29, 2010
Bernhard Wöbker	Member of the Supervisory Board	Since April 01, 2010

Compensation of the members of the Management Board and Supervisory Board (Remuneration Report)

Compensation 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 payable compensation depends on the Group's earnings for the year before interest and tax, adjusted for exceptional items. The variable compensation of the Management Board member appointed in 2009 depends on a number of quantitative and qualitative goals and is measured in accordance with the extent to which these goals are achieved.
The total compensation of the Management Board in fiscal year 2009 (excluding stock options and severance payments) amounted to EUR 579 thousand (2008: EUR 295 thousand), of which EUR 459 thousand (2008: EUR 240 thousand) related to fixed components (2009: EUR 429 thousand fixed salary, EUR 30 thousand additional benefits; 2008: EUR 227 thousand fixed salary, EUR 13 thousand additional benefits) and EUR 120 thousand (2008: EUR 55 thousand) to variable components. Mr. Droste waived his variable salary component for 2009 in the amount of EUR 113 thousand. The Management Board members appointed were not granted any new stock options. However, the two Management Board members appointed in 2008 may exercise the options exercisable up until their appointment to the Management Board while they are members of the Management Board. In 2008, 300,000 options expired due to the departure of a member of the Management Board.

The compensation was made up as follows:

	Fixed salary		Variable remuneration		Stock options expenses		Compen-sation		Total	
in EUR thousand	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Heinrich Göttler	167	95	60	37	–	–	0	–	**227**	**132**
Dr. Ludger Vogt	164	14	60	18	–	–	0	–	**224**	**32**
Peter Mark Droste	128	–	0	–	–	–	0	–	**128**	**-**
Members who stepped down from the Management Board in 2008	–	132	–	–	–	(160)	–	250	–	**222**
	459	**240**	**120**	**55**	**0**	**(160)**	**0**	**250**	**579**	**385**

Membership of the Management Board ends in the event of the Company's reorganization (merger, spin-off, 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 Supervisory Board reserves the right to make an appropriate voluntary bonus payment to one member of the Management Board in the event of the member's contract being terminated if the member concerned is not entitled to defined variable compensation. 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.

Compensation of the Supervisory Board

The total compensation of the Supervisory Board in fiscal year 2009 amounted to EUR 79 thousand (2008: EUR 79 thousand). The compensation of the Supervisory Board in 2008 comprises fixed and variable components. The fixed compensation consists of a component, stipulated by the Articles of Association, payable at the end of the fiscal year. The Chairman receives twice, and the Deputy Chairman one and a half times, the amount determined for the other members of the Supervisory Board. In addition, as stipulated by the Articles of Association, Supervisory Board members each receive performance-related compensation amounting to EUR 5 thousand per fiscal year if the Company reports a profit in its annual financial statements for the respective fiscal year. Expenses incurred by the members of Supervisory Board in the performance of their duties are reimbursed by the Company.

The Supervisory Board received the following fixed and variable compensation.

	Fixed remuneration		Variable remuneration		Total	
in EUR thousand	2009	2008	2009	2008	2009	2008
Joachim Sperbel	25	19	5	5	**30**	**24**
Michael Sauer	24	30	5	5	**29**	**35**
Benedikt Wahler	15	8	5	3	**20**	**11**
stepped down from the Supervisory Board in 2008	0	7	0	2	**0**	**9**
	64	**64**	**15**	**15**	**79**	**79**

Directors' holdings and Securities transactions subject to reporting requirements

As of December 31, 2009, the following members of the Company's executive bodies held direct and indirect Intershop Communications AG ordinary bearer shares:.

Name	Function	Shares
Michael Sauer	Deputy Chairman of the Supervisory Board	1,092,413
Peter Mark Droste	Member of the Management Board	100,000

In fiscal year 2009, the members of the Company's executive bodies and their related parties executed the following securities transactions involving Intershop ordinary bearer shares that are subject to reporting requirements:

Name	Date	Type of security	Type of transaction	Amount	Total value (EUR)
Supervisory Board					
Michael Sauer*	September 15, 2009	Share	Lending**	100,000	0

* The securities transactions were executed by Kölner Parkhaus und Parkplatz GmbH, which is subject to the disclo sure requirements as a related party of Mr. Sauer.

** Mr. Sauer lent the Company the shares free of charge to cover requirements under the employee stock option plan. The Company returned the shares to Mr. Sauer as of December 31, 2009.

Stock option plans

Stock option plans allow employees to acquire shares in the Company. Intershop has the following Stock Options Plans:

1999 Stock Option Plan

With effect from June 21, 1999, the Company adopted a stock option plan (the 1999 Plan) for the issuance of shares to Management Board members, executives, and various employees. The options under the 1999 Plan vest ratably over a four-year period, beginning six months from the grant date; however, in accordance with the Aktiengesetz (German Stock Corporation Act), no options will be exercisable, even though a portion is vested, prior to the second anniversary of the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves. The exercise price of the options is equal to 120% of the market price of the shares at the grant date, where the market price is determined to be the average closing price as quoted on the Prime Standard for the 10 trading days prior to the grant date. Options were last granted under the 1999 Plan in October 2007. The Conditional Capital I provided for this Plan was reduced at the Stockholders' Meeting on June 24, 2008 by way of a confirming amendment and may now only be used to service options for members of the Company's management. A maximum of 45,833 options may still be exercised under the 1999 stock option plan. These options belong solely to former members of the Company's Management Board. Please refer to the section entitled "Conditional capital" under "Equity."

2001 Stock Option Plan

As of January 1, 2001, the Company adopted a stock option plan (the 2001 Plan) for the issuance of shares to all employees. The options under the 2001 Plan vest ratably over a fifty-month period beginning from the grant date; however, in accordance with the Aktiengesetz, no options will be exercisable, even though a portion is vested, prior to the six months after the grant date. The options expire if they are not exercised within five years of the grant date. If an employee leaves the Company, those options expire that are not exercisable up to the date on which the employee leaves; exercisable options may be exercised

up to six months after the employee leaves the Company, but expire after this period. The exercise price of the options is the fair value at the grant date, defined as equivalent to the XETRA closing price on the Frankfurt Stock Exchange for voting shares of stock of the Company. Options were last granted under the 2001 Plan in spring 2008.

As of December 31, 2009, the total number of options outstanding under both stock option plans was 2,860,762, of which 2,445,892 were exercisable.

Working practices of the Management Board and Supervisory Board

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. The number of members of the Management Board is determined by the Supervisory Board, which can also appoint a Chairman and Deputy Chairman of the Management Board. No Chairman or Deputy Chairman has been appointed because the three Management Board members have equal status, work together on the basis of trust, and the by-laws include organizational precautions in this respect.
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.
A directors' and officers' (D&O) insurance policy was taken out for all members of the Management Board and the Supervisory Board; for fiscal year 2009 this did not include a deductible. There will be a reasonable deductible for the Management Board from fiscal year 2010 onwards.

Jena, March 30, 2010

Management Board

Heinrich Göttler Dr. Ludger Vogt Peter Mark Droste

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		2009	2008
Closing price*	in EUR	1.69	1.56
High*	in EUR	1.99	3.54
Low*	in EUR	1.15	1.11
Number of shares outstanding (as of Dec. 31)	Number	26,309,094	26,192,767
Number of shares – diluted (as of Dec. 31)	Number	26,309,094	26,192.767
Market capitalization (as of Dec. 31)	in EUR million	44.5	40.9
Market capitalization (as of Dec. 31) – diluted	in EUR million	44.5	40.9
Free float	in %	86	85
Average trading volume per day*	Number	56,026	60,209
Shareholder Equity	in EUR million	18.4	16.3

*in Xetra

FINANCIAL CALENDAR 2010

DATE	EVENT
February 24, 2010	Release of Q4 / 2008 and FY 2009 financials
March 29, 2010	Extraordinary General Meeting
May 12, 2010	Release of Q1 / 2010 financials
July 2, 2010	Annual stockholders´ meeting 201
August 11, 2010	Release of Q2 / 2010 and 6-month financials
November 10, 2010	Release of Q3 / 2010 and 9-month financials

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