



**Group Management Report
For The Nine Months Ended**
September 30, 2010

Inhalt

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Letter to Our Stockholders

Dear stockholders and business partners,

We are delighted to once again present you with a very good quarterly result of Intershop Communications AG. In the first nine months of 2010 we have raised net revenues by 34% to EUR 27.7 million and generated a sound net profit of EUR 1.0 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at EUR 2.8 million and were thus significantly higher than the comparable prior-year period. This translates into a solid EBITDA margin of 10%, despite higher expenditures.

The first nine months were characterized namely not only by record revenues, but also by heavy spending in the area of research and development (R&D). These expenditures serve the continuous improvement of our Enfinity software and the enlargement of our performance spectrum along the e-commerce process chain. In the first nine months alone, Intershop hired 32 new employees, 29 of whom are working in R&D and service functions. On top of this, our new recruitment drive for skilled technicians was launched mid year to enlarge the teams at our German locations. These well-considered investments in the future are important measures that will keep us on course for growth in the long term.

The collaboration with our strategic partner and largest single stockholder GSI Commerce Inc. announced in the first half year is developing well. In the third quarter of 2010, GSI Commerce Inc. advanced to become Intershop's biggest customer. Less pleasing is the dispute about the composition of the Supervisory Board which again hit the headlines in recent weeks and will culminate in another Extraordinary Stockholders' Meeting on December 14, 2010.

We hope that the considerable effort and expense involved in staging such an event will prove worthwhile and that we will at last find an amicable and acceptable solution for our supervisory body.

Sincerely,



Peter Mark Droste



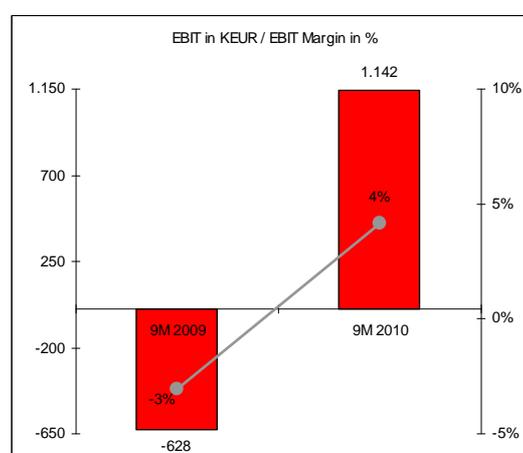
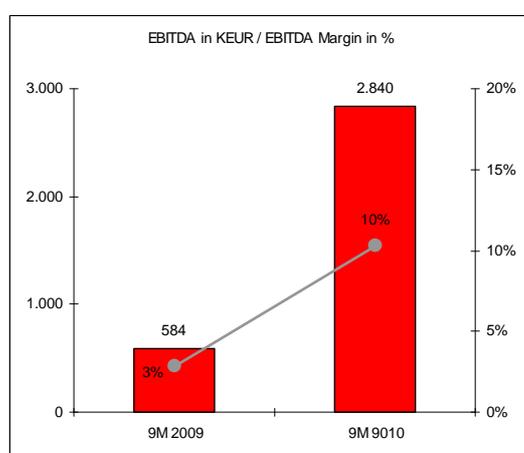
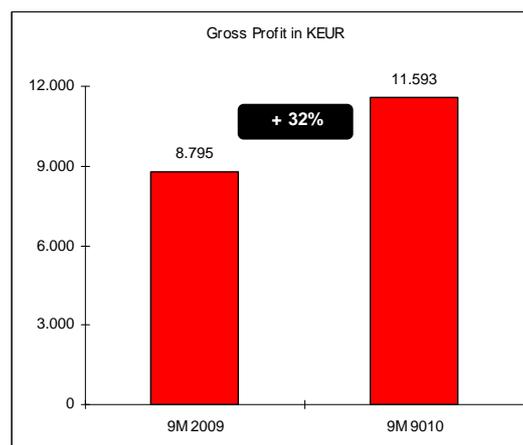
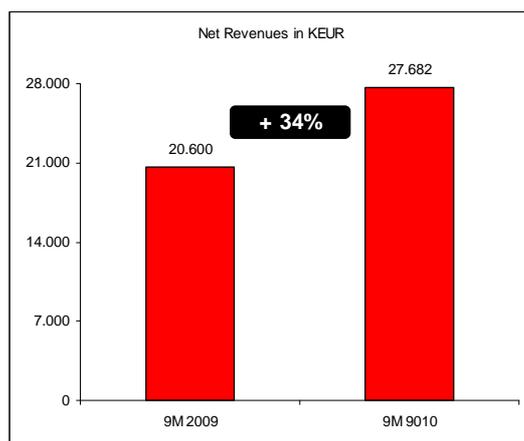
Heinrich Göttler



Dr. Ludger Vogt

Key Figures for the Group

| in EUR thousand | Q1 2010 | Q2 2010 | Q3 2010 | 9M 2010 | 9M 2009 |
|---------------------------------|---------|---------|---------|---------|---------|
| Net Revenues | 8,251 | 8,910 | 10,521 | 27,682 | 20,600 |
| Gross Profit | 3,632 | 3,698 | 4,263 | 11,593 | 8,795 |
| Gross Profit Margin | 44% | 42% | 41% | 42% | 43% |
| EBITDA | 652 | 893 | 1,295 | 2,840 | 584 |
| EBITDA Margin | 8% | 10% | 12% | 10% | 3% |
| EBIT | 91 | 329 | 722 | 1,142 | (628) |
| EBIT Margin | 1% | 4% | 7% | 4% | (3%) |
| Earnings After Tax | 77 | 318 | 611 | 1,006 | (469) |
| Earnings Per Share (EUR) | 0.01 | 0.01 | 0.02 | 0.04 | (0.01) |



Group Management Report

Overall Economy and Industry

The global economic recovery slowed in the third quarter, but the trend from the perspective of the year as a whole remains positive. The Kiel Institute for the World Economy (IfW) estimates that total world production will grow 4.7% in 2010. At 3.7%, the joint economic forecast of the leading German economic research institutes for global production growth is somewhat more cautious. The clear upswing in world trade that was particularly noticeable in the spring has lost some of its momentum. For the economists, developments in the second half year 2010 show that the structural problems of some highly developed economies revealed during the financial crisis have not yet been overcome. In the US, the high national deficit, the level of debt of private households and high unemployment is causing uncertainty about the further economic consolidation. The situation in the western European countries the United Kingdom, Spain and Ireland is similar and is dampening growth in the European Economic Area.

In Germany the upswing gathered pace in the current year and, according to the joint economic forecast, the anticipated growth of 3.5% will be higher than that recorded for 23 years. And this development is no longer driven entirely by exports. Domestic economic activity and the investments of German companies are also exhibiting a clear upward trend.

In the e-commerce sector, the mood changed little over the course of the year. The Internet market continues to report good growth rates. In Germany, the German Retail Federation (HDE) anticipates revenue from online retailing of EUR 23.7 billion in 2010. For the mail-order sector, the bvh (German E-Commerce and Distance Selling Trade Association) forecasts online retailing revenue of around EUR 17.8 billion, which represents a roughly 60% share of the total revenue of the sector. After the decline in 2009, the IT market is showing signs of returning to growth. According to forecasts of the hi-tech association BITKOM, revenue generated by software and IT services will increase in 2010 by 1.7% to EUR 46.7 billion.

Revenue Development

For Intershop, the quarterly comparison of the current fiscal year shows a significant growth in revenues for the third time in a row. Following EUR 8.3 million in the first and EUR 8.9 million in the second quarter, in the period from July to September 2010 the Company reported record quarterly revenues of EUR 10.5 million. Compared to the comparable prior-year period, the net revenues of the first nine months of 2010 of EUR 27.7 million represent an increase of 34%. Once again, the increase was driven by the strong consulting business which reported a 59% increase to EUR 14.5 million. The segments maintenance (+9% to EUR 7.1 million) and online marketing (+57% to EUR 2.9 million) also developed very well in the first nine months. The licenses segment was the only one to fall short of expectations, reporting revenues of EUR 1.9 million compared to EUR 2.4 million in the same period of the prior year. In this area, the Management Board anticipates significantly higher revenues in the fourth quarter compared to the quarterly figures reported since the beginning of the year.

The following table shows the development of net revenues by area (in EUR thousand):

| Nine months ended September 30, | 2010 | 2009 | Change |
|---------------------------------------|---------------|---------------|------------|
| Licences | 1,851 | 2,428 | -24% |
| Maintenance | 7,055 | 6,479 | 9% |
| Consulting / Training | 14,504 | 9,110 | 59% |
| Online Marketing | 2,904 | 1,844 | 57% |
| Other revenues | 1,368 | 739 | 85% |
| Service, maintenance and other | 25,831 | 18,172 | 42% |
| Net revenue total | 27,682 | 20,600 | 34% |

The Company's highest revenue-generating existing customers (Platinum Accounts) in the first nine months included the Australian telecommunications group Telstra, mail order business Otto and its subsidiaries, GSI Commerce, the technology group Mettler-Toledo as well as Deutsche Telekom. But new customers such as Hubert (USA), one of the world's leading specialist catering suppliers, or REWE Unterhaltungselektronik (Germany), the REWE group's multi-channel electronics specialist, also contributed strongly to growth.

The regional revenue breakdown underlines the successful internationalization of Intershop's business in the US and the Asia-Pacific region. In the first nine months of 2010, 24% of revenues were recorded in the US and 19% in the Asia-Pacific region. This compares year on year to shares of 10% and 16% respectively.

Earnings Development

In the first nine months, Intershop recorded a net profit of around EUR 1.0 million, despite higher expenditures, compared to EUR 469 thousand in the same period of the prior year. This positive development is due to the greatly improved gross profit that increased 32% to EUR 11.6 million. The year-on-year 29% rise in research and development expenses to EUR 3.7 million was due primarily to investments in product innovations and the resources needed for this. While sales and marketing expenses were 8% lower than the prior year, general and administrative expenses rose from EUR 3.0 million to EUR 3.9 million in the first nine months of 2010. This was due to higher advisory and personnel expenses. Operating expenses were pushed up by the costs of the Extraordinary Stockholders' Meeting held at the request of a group of stockholders in Jena on 29 March 2010.

The operating result (EBIT) amounted to EUR 1.1 million compared to EUR -628 thousand in the first nine months of the prior year. EBITDA improved continuously from quarter to quarter of the current fiscal year, reaching EUR 2.8 million in the reporting period, which is equivalent to an EBITDA margin of 10% (prior year: 3%) Earnings per share stood at EUR 0.04 compared to EUR -0.01 in the comparative period.

Research and Development

Research and development expenses increased from EUR 2.9 million in the first nine months of 2009 to EUR 3.7 million in the reporting period. As mentioned above, the increase stems from increased spending on product development and higher amortization of software.

Research and development work continued to focus on the further development of the Intershop software based on the Enfinity Suite. A new release is scheduled to go to market in 2011. As part of its strategic innovation initiative, Intershop also constantly

identifies new trends and invests in new solutions. Since the end of September, for instance, the Company has offered the Mobile Connector which allows the use of mobile channels for online sales and automatically adapts the Online-Shop for every type of end device, be it Smartphone, Tablet-PC or play station. According to the Mobile Marketing Association (MMA), 13% of the German population already uses their mobile phones for purchases via the Internet. Other innovation drivers include social commerce and cloud solutions for online trade which Intershop is developing with its partner Easynet Global Services.

Management Board and Supervisory Board

In the first nine months of 2010 there were several changes in the Company's Supervisory Board.

The former board chairman, Joachim Sperbel, retired from his office as of March 31, 2010. At the Extraordinary Stockholders' Meeting on March 29, 2010 Michael Sauer stepped down as member of the Supervisory Board with immediate effect. The Stockholders' Meeting elected IT manager Bernhard Wöbker and management consultant Peter Georg Baron von der Howen to succeed Mr. Sperbel and Mr. Sauer.

Benedikt Wahler resigned as a member of the Supervisory Board effective May 31, 2010. Jim MacIntyre, head of e-commerce technology at GSI Commerce, was appointed as a new member of the Supervisory Board by the Jena local court on May 20, 2010.

In response to the call for an Extraordinary Stockholders' Meeting by GSI Commerce, the chairman of the Supervisory Board Bernhard Wöbker and the Supervisory Board member Peter Georg Baron von der Howen resigned from their offices as of September 30, 2010. GSI Commerce had demanded that an Extraordinary Stockholders' Meeting be convened with only one agenda point: to vote out the two members of the Supervisory Board. The motion was withdrawn after the resignation of Mr. Wöbker and Mr. von der Howen.

In the meantime, on October 19, 2010 Jena local court appointed the former BMW management board member Günter Lorenz and Dr. Herbert May, former management board member of Deutsche Telekom AG, as new members of the body.

Employees

During the year, Intershop raised its headcount significantly. As of 30 September 2010, Intershop had 335 employees, of whom 313 work in Germany, 19 in the US and 3 in the Asia-Pacific region. In the first nine months of 2010 along, Intershop already hired 32 new people. In August Intershop launched its new recruiting initiative. After years of consolidation, the Company is growing constantly and needs to adjust its headcount to the new growth forecast. The increase in employees was mainly attributable to research and development departments and the service functions.

The following overview shows the breakdown of full-time employees by business area:

| Employees by department (full-time equivalents) | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|---|-------------------|------------------|-------------------|
| Technical Departments (research and development and service functions) | 270 | 241 | 226 |
| Sales and Marketing departments | 30 | 32 | 31 |
| General and administrative departments | 35 | 30 | 30 |
| Total | 335 | 303 | 287 |

Net Assets and Financial Position

As of September 30, 2010, Intershop's net assets and financial position were very sound. Cash and cash equivalents have increased significantly, the equity ratio has risen and the Company still has no financial liabilities.

Total assets as of the interim reporting date increased to EUR 33.7 million compared to EUR 28.7 million as of the end of 2009. This was mainly due to the capital increases in the first half year which generated additional cash and cash equivalents.

As of September 30, 2010, the Company's share capital amounted to EUR 29,119,803 compared to EUR 26,309,094 as of December 31, 2009. In the second quarter, the Company carried out two capital increases from Authorized Capital I. In the first capital increase 559,555 new shares were issued, that is 2.1% of the share capital. These were purchased by the new strategic partner GSI Commerce. The capital increase was entered in the Jena commercial register on May 7, 2010. Intershop received cash and cash equivalents of just under EUR 1 million. In the second capital increase 1,925,342 new shares, or 7.1% of the share capital, were issued for a price of EUR 1.42 per share. The gross issue proceeds received by the Company amounted to around EUR 2.7 million. The capital increase included a subscription right for the shareholders at a ratio of 14:1. In total, subscription rights for around 1.3 million shares were exercised by the existing shareholders. That is an exercise rate of 68.6%. The remaining shares were subscribed by the strategic partner of the Company, GSI Commerce, Inc. The capital increase took effect upon its entry in the commercial register at Jena local court on June 3, 2010.

On the assets side, current assets increased markedly from EUR 17.9 million (December 31, 2009) to EUR 23.4 million. The 30% decrease in trade receivables to EUR 7.4 million is counterbalanced by an increase in cash and cash equivalents from EUR 6.3 million on December 31, 2009 to EUR 14.2 million as of the reporting date. The increase stems above all from cash received from operating activities (operating cash flow) of EUR 6.0 million and the issue proceeds from the capital increases. Noncurrent assets decreased by 5% to EUR 10.3 million.

On the equity and liabilities side of the balance sheet, equity increased from EUR 18.4 million to EUR 23.0 million, corresponding to an equity ratio of 68% on the interim reporting date. The increase in equity stems primarily from the aforementioned capital increases.

Noncurrent liabilities increased from EUR 0.8 million to EUR 2.9 million, mainly due to the deferred revenue of EUR 2.5 million. Current liabilities amounted to EUR 7.8 million as of September 30, 2010 compared to EUR 9.6 million at year-end 2009.

Group Risks

For information on the Company's risks, please refer to the detailed explanations in the 2009 Annual Report. Intershop's risk position has not changed significantly as against the risks mentioned there.

Events subsequent to the balance sheet date

On October 19, 2010 Jena local court appointed two new Supervisory Board members of Intershop Communications AG. The new members are the former BMW management board member Günter Lorenz and Dr. Herbert May, former management board member of Deutsche Telekom AG. They were appointed until the next Annual Stockholders' Meeting of Intershop Communications AG.

On October 22, 2010 Intershop announced the receipt of a petition from GSI Commerce Solutions Inc. to convene an Extraordinary Stockholders' Meeting in accordance with Sec. 122 (1) AktG (German Stock Corporation Act). The stockholder has the necessary quorum of 5% of the share capital.

In calling for an Extraordinary Stockholders' Meeting, GSI Commerce is demanding the election of two new Supervisory Board members to replace the Supervisory Board members appointed by the court, Günter Lorenz and Dr. Herbert May, whose appointment would end after the Extraordinary Stockholders' Meeting.

The Management Board has agreed to the petition of GSI Commerce and on November 3 convened the Extraordinary Stockholders' Meeting for December 14 of this year.

Outlook

The Institute for the World Economy (Ifa) does not see in the present slowing of economic recovery a return to a recessionary phase. For 2011, the Institute anticipates an increase in global economic output of 3.6% compared to 4.7% this year. For the European Economic Area the experts are forecasting an increase in gross domestic product of 1.2% in 2011 compared to 2.6% in 2010. Overall, the dependence of the global economy on the industrial countries will be reduced, while the influence of the large threshold countries China, India and Brazil will increase. In these countries, significantly higher growth rates in economic output are also forecast for 2011.

The trend towards substituting or supplementing store-based retailers with an Internet sales channel continues and remains the main growth driver of Intershop's business model. According to the Forrester study "Western European Online Retail Forecast, 2009-2014", by 2014 the online trade in Western Europe will already be turning over EUR 114 billion. This compares to spending in 2009 of EUR 68 million. It represents a growth rate of 11% per year (not including travel and car sales). In Germany, market researchers expect similar annual growth of 9% to EUR 27.2 billion in 2014. According to the study, the three top categories by revenue will then be consumer electronics, clothing and automotive parts. The share of mobile and social commerce will also continue to rise in the next few years. A study on smartphone usage commissioned jointly by the Otto Group and Google states that in 2012 almost one in four Germans will own a smartphone and use it to make regular online purchases.

With its innovation initiative, Intershop tracks down trends in online trade at an early stage and is continuously expanding its extensive performance spectrum along the e-commerce process chain. In addition, the standard software Enfinity Suite is added to and improved year for year. The new release will go to market in 2011 and significantly increase the functionalities for the Shop Manager.

The nine-month figures are proof that Intershop remains firmly on track for growth in the current year. This is being achieved both on the back of increased business with the Platinum customers and the partnership with GSI Commerce in the US. For the entire year 2010, the Management Board confirms its forecast of revenue growth of around 20% and a positive operating result.

Consolidated Balance Sheet

| in EUR thousand | September 30, 2010 | December 31, 2009 |
|---|--------------------|-------------------|
| ASSETS | | |
| Noncurrent assets | | |
| Intangible assets | 8,867 | 9,504 |
| Property, plant and equipment | 652 | 571 |
| Other noncurrent assets | 28 | 22 |
| Deferred tax assets | 296 | 296 |
| Restricted cash | 476 | 475 |
| | 10,319 | 10,868 |
| Current assets | | |
| Trade receivables | 7,428 | 10,569 |
| Other receivables and other assets | 1,421 | 607 |
| Restricted cash | 383 | 383 |
| Cash and cash equivalents | 14,188 | 6,314 |
| | 23,420 | 17,873 |
| TOTAL ASSETS | 33,739 | 28,741 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholders' equity | | |
| Subscribed capital | 29,120 | 26,309 |
| Capital reserve | 7,465 | 6,728 |
| Other reserves | (13,549) | (14,314) |
| | 23,036 | 18,723 |
| Minority interest | 0 | (327) |
| | 23,036 | 18,396 |
| Noncurrent liabilities | | |
| Other noncurrent provisions | 469 | 469 |
| Deferred tax liabilities | 0 | 10 |
| Deferred revenue | 2,453 | 307 |
| | 2,922 | 786 |
| Current liabilities | | |
| Other current provisions | 378 | 552 |
| Trade accounts payable | 3,263 | 3,862 |
| Income tax liabilities | 0 | 1,054 |
| Other current liabilities | 2,075 | 1,861 |
| Deferred revenue | 2,065 | 2,230 |
| | 7,781 | 9,559 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 33,739 | 28,741 |

Consolidated Statement of Comprehensive Statement

| | Three months ended Sept. 30, | | Nine months ended Sept. 30, | |
|--|------------------------------|----------------|-----------------------------|-----------------|
| in EUR thousand | 2010 | 2009 | 2010 | 2009 |
| Gross Revenues | | | | |
| Licenses | 618 | 787 | 1,851 | 2,428 |
| Services, maintenance and other | 11,002 | 7,114 | 29,131 | 21,026 |
| | 11,620 | 7,901 | 30,982 | 23,454 |
| Media costs | (1,099) | (898) | (3,300) | (2,854) |
| Nettoumsatzerlöse | | | | |
| Licenses | 618 | 787 | 1,851 | 2,428 |
| Services, maintenance and other | 9,903 | 6,216 | 25,831 | 18,172 |
| | 10,521 | 7,003 | 27,682 | 20,600 |
| Cost of revenues | | | | |
| Licenses | 0 | (10) | (23) | (26) |
| Services, maintenance and other | (6,258) | (4,189) | (16,066) | (11,779) |
| | (6,258) | (4,199) | (16,089) | (11,805) |
| Gross profit | 4,253 | 2,804 | 11,593 | 8,795 |
| Operating expenses, operating income | | | | |
| Research and development | (1,188) | (1,034) | (3,722) | (2,879) |
| Sales and marketing | (996) | (1,088) | (2,893) | (3,154) |
| General and administrative | (1,220) | (858) | (3,875) | (2,997) |
| Other operating income | 235 | 101 | 720 | 504 |
| Other operating expenses | (372) | (859) | (681) | (897) |
| | (3,541) | (3,738) | (10,451) | (9,423) |
| Result from operating activities | 722 | (934) | 1,142 | (628) |
| Interest income | 6 | 15 | 20 | 128 |
| Interest expense | (7) | 0 | (22) | 0 |
| Financial result | (1) | 15 | (2) | 128 |
| Earnings before tax | 721 | (919) | 1,140 | (500) |
| Income taxes | (110) | 10 | (134) | 31 |
| Earnings after tax | 611 | (909) | 1,006 | (469) |
| Other comprehensive income | | | | |
| Exchange differences on translating foreign operations | (376) | 20 | 86 | (15) |
| Total comprehensive income | 235 | (889) | 1,092 | (484) |
| Earnings after tax attributable to: | | | | |
| Shareholders of INTERSHOP Communications AG | 611 | (797) | 1,006 | (203) |
| Minority interests | 0 | (112) | 0 | (266) |
| Total comprehensive income attributable to: | | | | |
| Shareholders of INTERSHOP Communications AG | 235 | (777) | 1,092 | (218) |
| Minority interests | 0 | (112) | 0 | (266) |
| Earnings per share (EUR, basic) | 0.02 | (0.03) | 0.04 | (0.01) |
| Earnings per share (EUR, diluted) | 0.02 | (0.03) | 0.04 | (0.01) |
| Weighted average shares outstanding (basic) | 28,954 | 28,954 | 27,226 | 27,226 |
| Weighted average shares outstanding (diluted) | 29,622 | 29,656 | 27,894 | 27,928 |

Consolidated Statement of Cash Flows

| | January 1 to September 30, | |
|--|----------------------------|----------------|
| in EUR thousand | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Earnings before tax | 1,140 | (500) |
| <i>Adjustments to reconcile net profit/loss to cash used in operating activities</i> | | |
| Financial result | 2 | (128) |
| Depreciation and amortization | 1,698 | 1,212 |
| Other noncash expenses and income | 39 | 137 |
| Allowances for doubtful accounts | 148 | 1,118 |
| (Gain) Loss on disposal of property and equipment | | |
| <i>Changes in operating assets and liabilities</i> | 2,993 | (2,217) |
| Accounts receivable | (819) | (247) |
| Other assets | (1,163) | (214) |
| Liabilities and provisions | 1,982 | 189 |
| Net cash (used in) operating activities before income tax and interest | 6,020 | (650) |
| Interest received | 20 | 128 |
| Interest paid | (22) | 0 |
| Income taxes paid | (597) | 31 |
| Net cash (used in) operating activities | 5,421 | (491) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for investments in intangible assets | (833) | (1,816) |
| Purchases of property and equipment, net of capital leases | (309) | (334) |
| Acquisition of consolidated companies | 0 | (254) |
| Net cash used in investing activities | (1,142) | (2,404) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received for unregistered stock | 4,035 | 57 |
| Expenses of cash received for unregistered stock | (527) | (17) |
| Changes in the basis of consolidation | 0 | 55 |
| Net cash provided by/used in financing activities | 3,508 | 95 |
| Effect of change in exchange rates on cash | 87 | (15) |
| Net change in cash and cash equivalents | 7,874 | (2,815) |
| Cash and cash equivalents, beginning of period | 6,314 | 8,082 |
| Cash and cash equivalents, end of period | 14,188 | 5,267 |

Consolidated Statement of Shareholders' Equity

| in EUR thousand | | | | Other reserves | | | Equity attributable to shareholders of Intershop Communications AG | Minority interest | Total shareholders' equity |
|---------------------------------------|-------------------|--------------------|-----------------|--------------------|-------------------------|---------------------------------|--|-------------------|----------------------------|
| | Common shares | Subscribed capital | Capital reserve | Conversion reserve | Cumulative profit/ loss | Cumulative currency differences | | | |
| Balance, January 1, 2010 | 26,309,094 | 26,309 | 6,728 | (93) | (16,468) | 2,247 | 18,723 | (327) | 18,396 |
| Total comprehensive income | | | | | 1,006 | 86 | 1,092 | | 1,092 |
| Acquired minority interest | | | | | (327) | | (327) | 327 | 0 |
| Stock option expense | | | 39 | | | | 39 | | 39 |
| Issue of new shares | 2,810,709 | 2,811 | 698 | | | | 3,509 | | 3,509 |
| Balance, September 30, 2010 | 29,119,803 | 29,120 | 7,465 | (93) | (15,789) | 2,333 | 23,036 | 0 | 23,036 |
| Balance, January 1, 2009 | 26,192,767 | 26,193 | 6,579 | (93) | (18,557) | 2,213 | 16,335 | 0 | 16,335 |
| Total comprehensive income | | | | | (203) | (15) | (218) | (266) | 484 |
| Changes in the basis of consolidation | | | | | | | 0 | 55 | 55 |
| Stock option expense | | | 137 | | | | 137 | | 137 |
| Issue of new shares | 45,868 | 46 | (6) | | | | 40 | | 40 |
| Balance, September 30, 2009 | 26,238,635 | 26,239 | 6,710 | (93) | (18,760) | 2,198 | 16,294 | (211) | 16,083 |

Notes to the Consolidated Financial Statements as of September 30, 2010

General disclosures

The consolidated financial statements of Intershop Communications AG as of December 31, 2009 were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as well as the provisions required to be applied under section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). Accordingly, the Group's interim report as of September 30, 2010 was prepared in accordance with IAS 34, *Interim Financial Reporting*.

This interim report as of September 30, 2010 is unaudited and must be read in conjunction with the consolidated financial statements and the associated notes to the consolidated financial statements for fiscal year 2009. The consolidated financial statements and the notes to the consolidated financial statements are contained in the Company's Annual Report for the fiscal year ended December 31, 2009. The 2009 Annual Report is available on the Company's web site at <http://www.intershop.com/investors-financial-reports.html>.

Accounting principles (Compliance statement)

The interim consolidated financial statements of Intershop Communications AG 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 interim 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.

Basis of consolidation

The basis of consolidation of the companies included in the consolidated financial statements of Intershop Communications AG changed in the first nine months of the fiscal year 2010 compared to December 31, 2009. The Company Intershop Communications Australia Pty Ltd in Sydney was included in the basis of consolidation for the first time in the third quarter of 2010. In addition to the parent company, the basis of consolidation therefore comprised the following companies as of September 30, 2010:

- Intershop Communications Inc., San Francisco, U.S.A.
- Intershop Communications Ventures GmbH, Jena, Germany
- Intershop Communications AB, Stockholm, Sweden
- SoQuero GmbH, Frankfurt/Main, Germany
- The Bakery GmbH, Berlin, Germany
- Intershop Communications Australia Pty Ltd, Sydney, Australia

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.

The Bakery GmbH

Intershop acquired the remaining 40% of the shares in The Bakery GmbH as of June 29, 2010 for a purchase price of EUR 3. The directly attributable transaction costs amounted to EUR 1 thousand. Intershop thus now holds a 100% interest in The Bakery GmbH.

Intershop Communications Australia Pty Ltd

The subsidiary in Australia was founded in 2009 and entered in the commercial register there on September 3, 2009. Prior to that, it was not included in the consolidation due to immateriality. The company now has employees and has been included in the basis of consolidation of the parent company since the third quarter of 2010.

Accounting policies

The same accounting policies were used to prepare this interim report as for the consolidated financial statements for fiscal year 2009. The policies used are described in detail on pages 43 to 49 of the 2009 Annual Report.

Equity

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

The subscribed capital increased by EUR 2,810,709 as of September 30, 2010 to EUR 29,119,803 and is divided into 29,119,803 no-par value bearer shares. The change is attributable to capital increases from Authorized Capital I and Authorized Capital II.

As of September 30, 2010, the Company had authorized capital of EUR 5,462,088. Authorized Capital I declined by EUR 2,484,897 and now amounts to EUR 4,553,103. A cash capital increase was implemented in the second quarter of 2010 while disapplying shareholders' preemptive rights by issuing 559,555 new no-par value bearer shares. This became legally effective on its entry in the commercial register on May 7, 2010. A cash capital increase was also implemented with preemptive rights for the shareholders at a ratio of 14:1 by issuing 1,925,342 new no-par value bearer shares. This change was entered in the commercial register on June 3, 2010.

Authorized Capital II declined by EUR 325,812 to EUR 908,985. There were four capital increases due to the exercise of employee options: February 5, 2010 (EUR 25,500), April 13, 2010 (EUR 60,639), June 3, 2010 (EUR 71,836) and September 29, 2010 (EUR 167,837).

The Company's conditional capital remained unchanged compared with December 31, 2009. Its share capital has been increased contingently by up to EUR 92,917 in order to issue 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.

Stock option plans

Option activity under the plans was as follows:

| Nine months ended September 30, | 2010 | | 2009 | |
|--|---|---|---|--|
| | Number of shares outstanding (in thousand) | Weighted average exercise price (EUR) | Number of shares outstanding (in thousand) | Weighted average exercise price (EUR) |
| Outstanding at beginning of period | 2,861 | 1.27 | 3,307 | 1.35 |
| Granted | - | - | - | - |
| Exercised | (300) | 1.05 | (53) | 1.00 |
| Forfeited | (35) | 1.75 | (144) | 2.59 |
| Outstanding at end of period | 2,526 | 1.30 | 3,110 | 1.30 |
| Exercisable options at end of period | 2,374 | 1.25 | 2,445 | 1.24 |
| Weighted average fair market value of options granted during the year | - | - | - | - |

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 September 30, 2010:

| Range of exercise price | Number of options outstanding | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable on Sept. 30, 2010 | Weighted average exercise price |
|----------------------------|-------------------------------------|---|---------------------------------------|--|---------------------------------------|
| (in EUR) | (in thousand) | (in years) | (in EUR) | (in thousand) | (in EUR) |
| 1.00 - 1.50 | 1,659 | 0.3 | 1.02 | 1,595 | 1.01 |
| 1.51 - 2.50 | 781 | 0.8 | 1.71 | 759 | 1.71 |
| 2.51 - 3.50 | 83 | 1.9 | 2.84 | 18 | 2.86 |
| 3.51 - 3.61 | 3 | 2.1 | 3.61 | 2 | 3.61 |
| | 2,526 | 0.5 | 1.30 | 2,374 | 1.25 |

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

| | | Bandwidth form/to | |
|-------------------------|----------|-------------------|-------|
| Expected term | in years | 1.00 | 5.00 |
| Risk-free interest rate | in % | 2.71 | 4.43 |
| Expected Volatility | in % | 70.00 | 96.14 |
| Dividend yield | in % | 0.00 | 0.00 |
| Exercise price | in Euros | 1.00 | 3.61 |
| Market price | in Euros | 1.00 | 3.61 |
| Option value | in Euros | 0.56 | 3.37 |

In first nine months of 2010, the Company recognized expenses of EUR 39 thousand relating to the stock option plans. These expenses amounted to EUR 137 thousand in the first nine months of 2009.

Other operating income

Other operating income includes government grants amounting to EUR 153 thousand, which were issued in the first nine months of 2010. These grants relate to research and development projects supported by the Federal Ministry of Education and Research.

Earnings per share

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

| In EUR thousand | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Basis for calculating basic earnings per share (Earnings after tax attributable to Intershop shareholders) | 611 | (797) | 1,006 | (203) |
| Basis for calculating diluted earnings per share | 611 | (797) | 1,006 | (203) |

The number of shares is calculated as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Weighted average number of ordinary shares used to calculate basic earnings per share | 28,954 | 28,954 | 27,226 | 27,226 |
| Dilutive effect of potential ordinary shares: | | | | |
| Weighted average number of options outstanding | 668 | 702 | 668 | 702 |
| Weighted average number of ordinary shares used to calculate diluted earnings per share | 29,622 | 29,656 | 27,894 | 27,928 |

The earnings per share is calculated as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Calculation of earnings per share (basic) | | | | |
| Basis for calculating basic earning per share (in EUR thousand) | 611 | (797) | 1,006 | (203) |
| Weighted average number of shares (basic) | 28,954 | 28,954 | 27,226 | 27,226 |
| Earnings per share (basic) (in EUR) | 0.02 | (0.03) | 0.04 | (0.01) |
| Calculation of earnings per share (diluted) | | | | |
| Basis for calculating diluted earnings per share (in EUR thousand) | 611 | (797) | 1,006 | (203) |
| Weighted average number of shares (diluted) | 29,622 | 29,656 | 27,894 | 27,928 |
| Earnings per share (diluted) (in EUR) | 0.02 | (0.03) | 0.04 | (0.01) |
| Adjustment of earnings per share (diluted) (in EUR) | 0.02 | (0.03) | 0.04 | (0.01) |

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

Segment Reporting

Three months ended September 30, 2010

| in EUR thousand | Europe | U.S.A | Asia/ Pacific | Consoli- dation | Group |
|---|--------------|--------------|------------------|--------------------|---------------|
| Net Revenues from external customers | | | | | |
| Licenses | 538 | 80 | 0 | 0 | 618 |
| Consulting and training | 2,643 | 2,485 | 963 | 0 | 6,091 |
| Maintenance | 1,111 | 296 | 872 | 0 | 2,279 |
| Online Marketing | 1,131 | 0 | 0 | 0 | 1,131 |
| Other | 300 | 102 | 0 | 0 | 402 |
| Total net revenues from external customers | 5,723 | 2,963 | 1,835 | 0 | 10,521 |
| Intersegment revenues | 148 | 215 | 0 | (363) | 0 |
| Total net revenues | 5,871 | 3,178 | 1,835 | (363) | 10,521 |
| Result from operating activities | (173) | 549 | 346 | 0 | 722 |
| Financial result | | | | | (1) |
| Earnings before tax | | | | | 721 |
| Income taxes | | | | | (110) |
| Earnings after tax | | | | | 611 |

Three months ended September 30, 2009 (adjusted)

| in EUR thousand | Europe | U.S.A | Asia/ Pacific | Consoli- dation | Group |
|---|--------------|------------|------------------|--------------------|--------------|
| Net Revenues from external customers | | | | | |
| Licenses | 787 | 0 | 0 | 0 | 787 |
| Consulting and training | 2,018 | 252 | 609 | 0 | 2,879 |
| Maintenance | 1,541 | 149 | 760 | 0 | 2,450 |
| Online Marketing | 674 | 0 | 0 | 0 | 674 |
| Other | 103 | 98 | 12 | 0 | 213 |
| Total net revenues from external customers | 5,123 | 499 | 1,381 | 0 | 7,003 |
| Intersegment revenues | 0 | 218 | 0 | (218) | 0 |
| Total net revenues | 5,123 | 717 | 1,381 | (218) | 7,003 |
| Result from operating activities | (896) | (9) | (29) | 0 | (934) |
| Financial result | | | | | 15 |
| Earnings before tax | | | | | (919) |
| Income taxes | | | | | 10 |
| Earnings after tax | | | | | (909) |

Nine months ended September 30, 2010

| in EUR thousand | Europe | U.S.A | Asia/ Pacific | Consoli- dation | Group |
|---|---------------|--------------|------------------|--------------------|---------------|
| Net Revenues from external customers | | | | | |
| Licenses | 1,383 | 468 | 0 | 0 | 1,851 |
| Consulting and training | 7,172 | 4,743 | 2,589 | 0 | 14,504 |
| Maintenance | 3,487 | 956 | 2,612 | 0 | 7,055 |
| Online Marketing | 2,904 | 0 | 0 | 0 | 2,904 |
| Other | 935 | 408 | 25 | 0 | 1,368 |
| Total net revenues from external customers | 15,881 | 6,575 | 5,226 | 0 | 27,682 |
| Intersegment revenues | 265 | 547 | 0 | (812) | 0 |
| Total net revenues | 16,146 | 7,122 | 5,226 | (812) | 27,682 |
| Result from operating activities | (702) | 1,029 | 815 | 0 | 1,142 |
| Financial result | | | | | (2) |
| Earnings before tax | | | | | 1,140 |
| Income taxes | | | | | (134) |
| Earnings after tax | | | | | 1,006 |

Nine months ended September 30, 2009 (adjusted)

| in EUR thousand | Europe | U.S.A | Asia/ Pacific | Consoli- dation | Group |
|---|----------------|--------------|------------------|--------------------|---------------|
| Net Revenues from external customers | | | | | |
| Licenses | 2,254 | 57 | 117 | 0 | 2,428 |
| Consulting and training | 6,470 | 1,175 | 1,465 | 0 | 9,110 |
| Maintenance | 4,318 | 544 | 1,617 | 0 | 6,479 |
| Online Marketing | 1,844 | 0 | 0 | 0 | 1,844 |
| Other | 478 | 217 | 44 | 0 | 739 |
| Total net revenues from external customers | 15,364 | 1,993 | 3,243 | 0 | 20,600 |
| Intersegment revenues | 158 | 527 | 0 | (685) | 0 |
| Total net revenues | 15,522 | 2,520 | 3,243 | (685) | 20,600 |
| Result from operating activities | (1,012) | 177 | 207 | 0 | (628) |
| Financial result | | | | | 128 |
| Earnings before tax | | | | | (500) |
| Income taxes | | | | | 31 |
| Earnings after tax | | | | | (469) |

Litigation

The following changes occurred in the first nine months of fiscal year 2010 with respect to the litigation described on pages 70 and 71 of the 2009 Annual Report: In the second of the listed legal disputes, a further hearing was held in April 2010 regarding a claim brought against the Company by a contractual partner in fiscal year 2006. The claim was for the reversal of the contracts, the repayment of the purchase price, and the payment of compensation. Following this, the Company is of the opinion that the legal dispute is unlikely to be settled in the near future. Further hearings are scheduled for the first half of the next year. As a precautionary measure, a provision in the lower six-figure euro range was therefore already established in the second quarter of 2010.

In addition to the litigation described in detail in the Annual Report, the Company is a defendant in various other actions arising from the normal course of business. Although the outcome of these actions cannot be forecast with certainty, the Company believes that the outcome of the actions will not have any material effects on its net assets and results of operations.

Related party disclosures

As of the interim reporting date, Intershop had relationships with consolidated subsidiaries and one company that is invested in Intershop. In the first nine months of the 2010, revenues generated with the investor amounted to EUR 3.1 million. Outstanding receivables as of September 30, 2010 amounted to EUR 1.4 million.

Directors' holdings and Securities transactions subject to reporting requirements

As of September 30, 2010 the following members of the Company's executive bodies held INTERSHOP Communications AG ordinary bearer shares:

| Name | Function | Shares |
|---------------------------------|--|--------|
| Bernhard Wöbker | Chairman of the Supervisory Board | 58,928 |
| Peter Georg Baron von der Howen | Deputy Chairman of the Supervisory Board | 100 |

In the first nine months of 2010, the members of the Company's executive bodies made the following purchases and sales of Intershop ordinary bearer shares:

| Name | Date | Type of security | Amount | Total value (EUR) |
|---------------------------|----------------|------------------|---------|-------------------|
| Supervisory Board: | | | | |
| Bernhard Wöbker | May 12, 2010 | Purchase | 55,000 | 100,000 |
| | June 8, 2010 | Purchase* | 3,928 | 5,578 |
| Management Board: | | | | |
| Peter Mark Droste | April 13, 2010 | Sale | 100,000 | 185,000 |

* Purchase via exercising the subscription rights of the capital increase

Intershop-Shares

| Stock Market Data on Intershop Shares | |
|---------------------------------------|---|
| ISIN | DE000A0EPUH 1 |
| WKN | A0EPUH |
| Stock market symbol | ISH2 |
| Admission segment | Prime Standard / Regulated market |
| Sector | Software |
| Membership of Deutsche Börse indices | CDAX, Prime All Share, Technology All Share |

Intershop shares began the year at EUR 1.70 on January 4, 2010, and closed at EUR 1.70 on September 30, 2010. They reached a high of EUR 1.92 in first nine months of 2010, and recorded a low of EUR 1.52. The average trading volume was around 37,000 shares.

| Key figures for Intershop shares | | September 30, 2010 | September 30, 2009 |
|----------------------------------|-------------------|--------------------|--------------------|
| Closing price | In EUR | 1.70 | 1.69 |
| Number of shares outstanding | Number (thousand) | 29,120 | 26,239 |
| Number of shares – diluted | Number (thousand) | 29,120 | 26,239 |
| Market capitalization | In EUR million | 49.5 | 44.3 |
| Market capitalization – diluted | In EUR million | 49.5 | 44.3 |
| Free float | In % | 63 | 87 |
| Shareholder Equity | In Mio, EUR | 23.0 | 16.1 |
| Earnings per share | In EUR | 0.04 | (0.01) |

¹ In Xetra

Contact



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This interim 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.