INTERSHOP COMMUNICATIONS AG
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Intershop Third Quarter 2003 Report

INTERSHOP Communications Aktiengesellschaft

(Name of Registrant)

INTERSHOP Communications Stock Corporation
(Translation of registrant's Name into English)

Intershop Tower
07740 Jena
Federal Republic of Germany
(011) 49-3641-50-0
(Address and Telephone Number of registrant's Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F [X] Form 40-F [_]

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the SEC pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes [ ] No [X]

If "Yes"is marked, indicate the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Group Management Report for the Nine Months Ended September 30, 2003

This report contains forward-looking statements regarding future events or the future financial and operational performance of Intershop. Actual events or performance may differ materially from those contained or implied in such forward-looking statements. Risks and uncertainties that could lead to such difference could include, among other things: Intershop's limited operating history, the unpredictability of future revenues and expenses and potential fluctuations in revenues and operating results, significant dependence on large single customer deals, limited access to capital, consumer trends, the level of competition, seasonality, risks related to electronic security, possible governmental regulation, and general economic conditions. Additional information regarding factors that potentially could affect Intershop's business, financial condition and operating results is included in Intershop's filings with the

Securities and Exchange Commission, including the Company's Form 20-F dated June 6, 2003.

Market Environment

In the first nine months of 2003, Intershop Communications AG Group s (Intershop , the Company , or the Intershop Group) business continued to be impacted by weak demand for enterprise software, resulting from corporate information technology (IT) spending constraints.

Revenue

Due to continued weakness in corporate IT spending, revenue for the first nine months of 2003 decreased to €18.5 million, compared with revenue of €33.1 million in the first nine months of 2002. License revenue in the first nine months of 2003 totaled €5.0 million, compared to €16.0 million in the prior year comparable period. Service revenue (including consulting, customer support, maintenance, and other revenue) totaled €13.5 million in the first nine months of 2003, compared to €17.2 million in the first nine months of 2002.

With a large installed base across the region, Europe remained the Company s primary market in the first nine months of 2003, accounting for €15.5 million in total revenue, or 83% of total worldwide revenue, as compared to €24.3 million in total revenue or 73% of total worldwide revenue in the first nine months of 2002.

In the Americas region, Intershop generated €2.6 million in total revenue, or 14% of total global revenue in the first nine months of 2003, compared to €7.6 million in total revenue, or 23% of total global revenue in the first nine months of 2002.

In the Asia Pacific region, Intershop generated €0.4 million in total revenue in the first nine months of 2003, representing 3% of total global revenue for that period. This compares to €1.3 million in total revenue or 4% in the first nine months of 2002.

In the first nine months of 2003, Intershop sold 34 Enfinity configurations (i.e., Enfinity platforms and solutions as well as Enfinity MultiSite) bringing the total number of Enfinity configurations sold to date worldwide to 446 since the fourth quarter of 1999. In comparison, Intershop sold 61 Enfinity configurations in the first nine months of 2002.

In the first nine months of 2003, the Company continued to use cost-effective indirect sales channels through its partners. Business with Intershop s partners generated approximately 11% of license revenue in the first nine months of 2003, as compared to 68% in the first nine months of 2002. The decline in revenue generated through partners largely reflects the overall weak demand for online commerce software, resulting from reduced corporate IT spending.

In further developing its indirect sales channels, Intershop expanded its partner network, including new partnerships with CaContent GmbH, the Bertelsmann subsidiary Arvato Systems and the software provider Avail Intelligence.

Gross Margin

Gross profit generated in the first nine months of 2003 was €8.8 million versus €17.9 million in the first nine months of 2002. Gross margin on sales for the first nine months of 2003 was 47%, as compared to 54% in the first nine months of 2002. This decrease in gross margin was primarily due to both the absolute and relative declines in high-margin license revenues.

The Company s license gross margin in the first nine months of 2003 was 92%, as compared to 93% in the first nine months of 2002.

The Company s service gross margin (including consulting, customer support, maintenance, and other revenue) was 31% in the first nine months of 2003, as compared to 18% in the first nine months of 2002. This improvement in Intershop s service gross margin as compared to the comparable period in 2002 was driven primarily by a better utilization of service personnel in conjunction with a reduction in the service workforce.

Expense and Income

Due to efficiency gains from a number of restructuring initiatives throughout the first nine months of 2003, Intershop reduced total operational costs (cost of revenue and operating expense) by 37%, from €60.3 million in the first nine months of 2002 to €37.8 million in the first nine months of 2003.

On January 21, 2003, the Company announced that it planned to reduce its total operational cost base to a quarterly run rate of approximately €13 million from the second quarter of 2003 onwards. In accordance with the cost saving plan, the Company reduced its global workforce from 479 full-time equivalent employees as of December 31, 2002 to 445 full-time equivalent employees as of June 30, 2003.

Due to revised revenue expectations of € 20 to € 25 for fiscal year 2003, ending December 31, 2003 on July 2, 2003 Intershop announced significant restructuring initiatives, including a reduction of its worldwide headcount in line with revised revenue expectations for fiscal year 2003. Headcount reductions were expected to impact most areas of the Company, with the least impact expected in research and development as the Company seeks to preserve its core technological expertise. The Company also announced that, outside of Germany, it would sell its products primarily through distribution partners.

At the end of the third quarter 2003, Intershop had 326 full-time equivalent employees worldwide, of which 297 were located in Europe, 20 in the Americas, and 9 in the Asia Pacific region. As of September 30, 2003, Intershop employed 217 full-time equivalents in technical departments (research and development, services), 65 full-time equivalents in sales and marketing, and 44 full-time equivalents in general and administrative functions.

As a result of executing its cost savings measures, the Company recorded restructuring charges of €3.2 million in the first nine months of 2003, driven primarily by severance payments to former employees and facility-related charges. By comparison, the Company recorded restructuring costs of €5.4 million in the first nine months of 2002.

In line with further workforce reductions in the research and development (R&D) department, Intershop s R&D costs decreased from €5.8 million in the first nine months of 2002 to €5.0 million in the first nine months of 2003.

Primarily due to lower revenue-dependent commission payments to sales employees as well as an improved cost structure in the sales and marketing department, in both the sales and the marketing departments, sales and marketing expenses were further reduced in the first nine months of 2003. Sales and marketing expenses decreased from €22.4 million in the first nine months of 2002 to €12.9 million in the first nine months of 2003.

Included in the Company s sales and marketing expenses for the first nine months of 2003 were costs for the 2003 CeBIT trade fair in Hannover, Germany as well as costs for a marketing campaign to roll out Unified Commerce Management (UCM), a best-practices corporate IT strategy enabling enterprise clients to centrally manage all online commerce initiatives from a single point of control by integrating online commerce processes across disparate countries, markets, business units, applications, and systems. Intershop currently supports the UCM strategy with its unique Enfinity MultiSite technology.

Due to the Company s efforts to streamline the corporate structure and consolidate the corporate operations needed to support Intershop s business model, general and administrative (G&A) expenses decreased from €11.4 million in the first nine months of 2002 to €7.0 million in the first nine months of 2003.

Depreciation and amortization charges were €2.9 million in the first nine months of 2003, compared to €7.3 million in the comparable time period in 2002. The period-over-period change was due primarily to lower depreciation charges for purchased customer relationship management software in the first nine months of 2003. Investments in the first nine months of 2003 were focused on capital replacements to adequately support the Company s ongoing operations in line with reduced business activities and restructuring measures.

Due primarily to the significant reduction in total operational costs, Intershop reduced its operating loss to €19.3 million for the first nine months of 2003, as compared to an operating loss of €27.2 million for the first nine months of 2002, despite a decline in revenue over the corresponding period.

Reflecting significant cost reductions, Intershop reduced its net loss from €26.5 million or a net loss of €1.39 per share for the first nine months of 2002 to a net loss of €18.7 million or a net loss of €0.92 per share for the first nine months of 2003.

Liquidity and Balance Sheet

Net cash usage related to operating activities decreased from €25.6 million in the first nine months of 2002 to €11.1 million in the first nine months of 2003, primarily driven by lower net losses from operating activities and by reduced net working capital requirements in the first nine months of 2003 as compared to the first nine months of 2002.

Investing activities provided a total of €4.1 million in the first nine months of 2003, largely driven by proceeds from the sale of marketable securities. This figure compares to net cash provided to the amount of €13.9 million in the first nine months of 2002, which was also primarily related to proceeds from the sale of marketable securities. Cash generated in the year-to-date 2002 and 2003 periods reflects re-classifications between balance sheet positions cash and cash equivalents and marketable securities , which together with the balance sheet position restricted cash comprise the Company s total liquidity.

No cash was generated by financing activities in the first nine months of 2003 compared with €10.0 million in cash generated from financing activities in the first nine months of 2002. Nearly all cash generated from financing activities in the first nine months of 2002 stems from the cash investment by Stephan Schambach, an executive management board member and co-founder of the Company, through a private equity placement of Intershop common bearer shares.

Cash, cash equivalents, marketable securities, and restricted cash as of September 30, 2003 totaled €10.9 million, compared to €22.5 million as of December 31, 2002. Intershop is in active negotiations with a number of international financial and strategic investors in order to improve its cash position and capital resources.

Days sales outstanding (DSO) decreased from 86 as of December 31, 2002 to 61 as of September 30, 2003, reflecting early payments by two large customers in the third quarter of 2003.

Trade receivables as of September 30, 2003 were €4.4 million, compared to €11.1 million as of December 31, 2002. The decrease was driven primarily by reduced sales in the first nine months of 2003 as compared to the comparable prior-year time period as well as lower DSO as of September 30, 2003, compared to December 31, 2002.

Intershop had short-term deferred revenues of €6.1 million as of September 30, 2003, compared to €6.3 million as of December 31, 2002. The modest decrease in short-term deferred revenues reflects lower service revenues.

Capital Structure

Effective January 1, 2003, Intershop s common bearer shares were admitted to the Prime Standard trading segment of the Frankfurt Stock Exchange. The Prime Standard trading segment, newly created at the beginning of 2003, essentially replaced the former Neuer Markt trading segment on which Intershop s common bearer shares had previously been traded. With admission to the Prime Standard, Intershop complies with the comprehensive transparency standards of the Prime Standard trading segment, including quarterly financial reporting, use of internationally accepted accounting standards (e.g., US GAAP), publication of a financial calendar, at least one analyst conference per year, ad-hoc disclosures and ongoing financial communication in both German and English.

On January 14, 2003, the Company announced an effective date of January 17, 2003 for the technical execution of the reverse stock split approved at the Company s Special Stockholders Meeting held on October 30, 2002. As a result of the reverse stock split, five old Intershop common bearer shares were exchanged for one new Intershop common bearer share. The reverse split became legally effective upon registration with the Local Court in Gera, Germany on December 12, 2002 and was technically implemented after the close of trading on January 17, 2003. The converted Intershop common bearer shares were traded for the first time on January 20, 2003. Following the stock split, the International Securities Identification Number (ISIN) of Intershop Communications AG s common bearer shares changed from ISIN DE 0006227002 (equivalent to German Securities Identification Number WKN 622700) to ISIN DE 0007472920 (equivalent to German Securities Identification Number WKN 747292), and the ticker symbol of Intershop s common bearer shares traded on the Prime Standard segment changed from ISH to ISH1.

Subsequent to the one-for-five reverse stock split of Intershop s ordinary common bearer shares traded in Germany, a change of the ratio of Intershop s American Depositary Shares (ADS) quoted on Nasdaq National Market to the underlying common bearer shares traded in Germany was effected on February 6, 2003. After the ratio change, 1 ADS evidenced 1 Intershop common bearer share instead of 5 Intershop common bearer shares before the ratio change. The ratio change did not affect the value of an investor s ADS holdings.

On June 18, 2003, Intershop confirmed that the share exchange announced on January 23, 2002, under which Intershop executive management board member and co-founder Stephan Schambach would exchange his shares in subsidiary Intershop Communications, Inc. for common bearer shares in the parent Company, Intershop Communications AG, had been completed. Under the transaction, Mr. Schambach exchanged his 4,166,665 shares in Intershop Communications, Inc., the US subsidiary that prior to the share exchange had been majority-owned by Intershop Communications AG, for 2,499,999 common bearer shares of Intershop Communications AG. To this end, Intershop Communications AG issued 2,499,999 new common bearer shares from Conditional Capital III. As of September 30, 2003, an application for admission of these shares to trading at a German stock exchange had not been filed.

Similarly, on June 17, 2003 Burgess Jamieson, a Member of the Supervisory Board at Intershop Communications AG, exchanged his 381,500 shares in Intershop Communications, Inc. for 228,900 new common bearer shares of Intershop Communications AG. To this end, Intershop Communications AG issued 228,900 new common bearer shares from Conditional Capital III. As of September 30, 2003, an application for admission of these shares to trading at a German stock exchange had not been filed.

The transaction by Mr. Schambach increased the number of shares of Intershop Communications AG that have been issued by 12.8%, from 19,535,300 before the implementation of the share swap to 22,035,299 afterwards. The Company expects the transaction will dilute the consolidated earnings per share for fiscal year 2003 by approximately 6%. As a result of the exchange, Mr. Schambach s interest in the capital of Intershop Communications AG increased from 8.93% before the implementation of the share swap to 19.26% afterwards.

The share swaps by Messrs. Schambach and Jamieson represent a consolidation of the shareholder structure within the Intershop Group between one of the subsidiaries and the parent Company, Intershop Communications AG. The transaction facilitates the consolidation of the ownership structure that arose following the Company s IPO in 1998. In the course of the preparations for the IPO of the newly founded Intershop Communications AG in 1998, both Mr. Schambach and Mr. Jamieson were granted the right to exchange their interests in Intershop Communications, Inc. for common bearer shares of Intershop Communications AG within a period of five years. As a result of the exchanges, Mr. Schambach s and Mr. Jamieson s entire stakes in Intershop Communications, Inc. were transferred to Intershop Communications AG, which holds 100% of the common stock of Intershop Communications, Inc. following the completion of the transaction.

On July 24, 2003 Intershop announced the Company was planning to merge all assets of its wholly-owned subsidiary Intershop Software Entwicklungs GmbH with the assets of Intershop Communications AG. All operating functions as well as the intellectual property rights of Intershop Software Entwicklungs GmbH will be merged into Intershop Communications AG, which in the past has exclusively acted as the holding entity for the Intershop Group of companies. Intershop s stockholders were notified in the German Federal Bulletin (Bundesanzeiger) pursuant to section 62, paragraph 3 of the German law regulating the transformation of companies (UmwG) on July 25, 2003. The merger of Intershop Software Entwicklungs GmbH into Intershop Communications AG was effected on October 1, 2003 by entry in the commercial register at the Local Court of Gera, Germany. Preceding the completion of this merger, the merger of Intershop Communications GmbH, a formerly wholly-owned subsidiary of Intershop Communications, Inc., with Intershop Software Entwicklungs GmbH was effected on September 25, 2003, by entry in the commercial registration at the Local Court of Gera, Germany.

In the first nine months of 2003, no employee stock options were exercised and exchanged for Intershop Communications AG common bearer shares.

Organizational Changes

On March 31, 2003 Dr. Harald Rieger was appointed by the Local Court in Gera, Germany, to the position of Member of the Supervisory Board. Dr. Rieger is currently a Managing Partner at the law firm Kaye Scholer (Germany) in Frankfurt, Germany as well as a Member of the Supervisory Board at KirchMedia i.L. and Gontard & MetalBank AG i.L. Dr. Rieger previously held several positions at Metallgesellschaft AG, including General Counsel, Executive Vice President, and Member of the Executive Board responsible for Legal Affairs and Human Resources.

On July 14, 2003 Intershop announced that, upon approval by the Supervisory Board, the Company s founder Stephan Schambach had handed over the position of Chief Executive Officer (CEO) and Chairman of the Management Board to Intershop s Chief Financial Officer (CFO) and Member of the Management Board to Dr. Juergen Schoettler, effective July 14, 2003. Stephan Schambach remains a Member of the Management Board focusing on strategy and product development. The Company further announced that Dr. Schoettler, who had served as Intershop s CFO and as a Member of the Management Board since joining the Company in April 2002, would jointly perform the tasks of CEO and CFO.

On July 16, 2003 Intershop announced that, for personal reasons, Werner Fuhrmann had asked the Supervisory Board to be immediately released of his duties as a Member of the Management Board and as President Europe, Middle East, and Africa (EMEA). The Company s Supervisory Board accepted Mr. Fuhrmann s decision. Since joining Intershop in July 2002, Mr. Fuhrmann had served as a Member of the Management Board and President EMEA, in which role he was responsible for sales in the region of Europe, Middle East, and Africa. The Company announced that, for the time being, Mr. Fuhrmann s position would not be filled and that Intershop s sales management would report directly to Dr. Juergen Schoettler, Chairman of the Management Board and Chief Executive Officer.

Subsequent Events

On October 30, 2003, Intershop announced its intention to terminate its American Depositary Share (ADS) facility and the listing of its ADSs on the Nasdaq National Market (Nasdaq) in the United States within the next six months.

The ADS facility accounts for a relatively low volume of total holdings of Intershop s equity securities, and that low volume is also relatively illiquid. Intershop believes that the low trading volume of ADSs on the Nasdaq reflects that institutional investors prefer to hold Intershop common bearer shares directly and to trade such shares on the more liquid Prime Standard trading segment of the Frankfurt Stock Exchange, resulting in low institutional ownership in the United States of the ADSs. Therefore, the Board of Directors of Intershop sees no significant benefit to continuing either the Company s ADS program or the Nasdaq listing.

Moreover, in light of the limited existing shareholder base for Intershop ADSs and shares in the United States and the increasing costs and complexity of complying with the US reporting and other obligations under the Securities Exchange Act of 1934 (the Exchange Act), Intershop will seek to deregister the shares underlying the ADSs and the ADSs under the Exchange Act within the next six months.

The Company has carefully reviewed a number of possible means of realizing a delisting and deregistration. As an intermediate step in the delisting and deregistration process, Intershop may amend its Deposit Agreement to adjust the ratio of its ADSs to Intershop common bearer shares. Any fractional ADSs thus created would be redeemed by the depositary bank for the price that the depositary bank is able to obtain for the underlying Intershop common bearer shares on the Frankfurt Stock Exchange. This ratio adjustment would likely take effect prior to December 31, 2003.

Intershop s plans to withdraw from the US capital markets do not reflect its commitment to its US operations, which it plans to continue. Intershop s total number of shares outstanding and the listing of its common bearer shares on the Prime Standard will not be affected by the planned actions.

Business Outlook

Against the backdrop of a weak global IT spending environment and weaker than expected first half of 2003 financial results, Intershop expects estimated full-year 2003 total revenue in the range of approximately Euro 23 million to Euro 25 million. Total operational costs including restructuring costs are expected to be approximately Euro 44 million for fiscal year 2003, with fourth quarter 2003 total operational costs further reduced sequentially to about Euro 6.5 million.

Intershop Communications AG
Consolidated Balance Sheets (U.S.GAAP)
(in thousands €, except share and per-share amounts)

	September 30, 2003 (unaudited)	December 31, 2002
ASSETS	€	€
Current assets		
Cash and cash equivalents	4,223	11,303
Marketable securities	-	4,172
Restricted cash	6,701	7,073
Trade receivables, net of allowances for doubtful accounts of		
€5,929 at September 30, 2003 and €7,511 at December 31, 2002, respectively	4,437	11,131

Intershop Communications AG Consolidated Balance Sheets (U.S.GAAP) (in thousands €, except share and per-share amounts)		
Prepaid expenses and other current assets	7,561	7,427
Total current assets	22,922	41,106
Property and equipment, net	1,821	4,301
Other assets	570	2,268
Goodwill	4,473	4,473
Total assets	**29,786**	**52,148**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current debt and current maturities of long-term debt	5	98
Accounts payable	911	840
Accrued restructuring costs	3,725	4,881
Other accrued liabilities	11,525	13,472
Deferred revenue	6,054	6,295
Total current liabilities	22,220	25,586
Long-term liabilities, net of current portion	-	152
Deferred revenue	25	38
Total liabilities	**22,245**	**25,776**
Shareholders' equity		
Common share, stated value €1-authorized: 78,567,219 shares;		
outstanding: 22,035,299 shares at September 30, 2003 and 19,306,400		
shares at December 31, 2002, respectively	22,035	19,306
Accumulated deficit	(17,329)	4,124
Accumulated other comprehensive income	2,835	2,942
Total shareholders' equity	**7,541**	**26,372**
Total liabilities and shareholders' equity	**29,786**	**52,148**

Intershop Communications AG Consolidated Statements of Operations (U.S.-GAAP) (In thousands €, except per-share amounts, unaudited)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	€	€	€	€
Revenues				

Intershop Communications AG
Consolidated Statements of Operations (U.S.-GAAP)
(In thousands €, except per-share amounts, unaudited)

Licenses	2,195	3,517	5,021	15,969
Services, maintenance, and other	4,342	5,395	13,520	17,173
Total revenues	**6,537**	**8,912**	**18,541**	**33,142**
Cost of revenues				
Licenses	140	463	396	1,173
Services, maintenance, and other	2,670	4,156	9,383	14,063
Total costs of revenues	**2,810**	**4,619**	**9,779**	**15,236**
Gross profit	**3,727**	**4,293**	**8,762**	**17,906**
Operating expenses				
Research and development	1,497	1,526	4,985	5,804
Sales and marketing	2,660	6,502	12,873	22,389
General and administrative	1,411	2,959	6,980	11,446
Restructuring costs and asset impairment	2,261	1,067	3,218	5,441
Total operating expenses	**7,829**	**12,054**	**28,056**	**45,080**
Operating loss	**(4,102)**	**(7,761)**	**(19,294)**	**(27,174)**
Other income (expense)				
Interest income	47	201	202	433
Interest expense	-8	-21	-25	-23
Other income (expense), net	310	101	393	246
Total other income (expense)	**349**	**281**	**570**	**656**
Net loss	**(3,753)**	**(7,480)**	**(18,724)**	**(26,518)**
Basic and diluted loss per share	**(0.17)**	**(0.39)**	**(0.92)**	**(1.39)**
Shares used in computing:				
For basic and diluted loss per share	22,035	19,306	20,347	19,010

Intershop Communications AG
Consolidated Statements of Cashflows (U.S.GAAP)
(in thousands €, unaudited)

	Nine months ended September 30,	
	2003	2002
	€	€
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(18,724)	(26,518)
Adjustments to reconcile net loss to cash used in operating activities		

Intershop Communications AG
Consolidated Statements of Cashflows (U.S.GAAP)
(in thousands €, unaudited)

Depreciation and amortization	2,893	7,258
Provision for doubtful accounts	(1,292)	(711)
(Gain) loss on disposal of marketable securities	(40)	152
(Gain) Loss on disposal of property and equipment	(35)	251
Changes in operating assets and liabilities		
Accounts receivable	7,739	204
Prepaid expenses and other current assets	(273)	3,261
Other assets	1,609	286
Accounts payable	89	(2,129)
Deferred revenue	(73)	(1,502)
Accrued restructuring costs	(1,156)	(3,317)
Accrued expenses and other liabilities	(1,797)	(2,817)
Net cash used in operating activities	**(11,060)**	**(25,582)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	371	-
Proceeds on disposal of equipment	116	536
Purchases of property and equipment, net of capital leases	(494)	(648)
Proceeds from sale of marketable securities	8,294	42,327
Purchases of marketable securities	(4,162)	(28,328)
Net cash (used in) provided by investing activities	**4,125**	**13,887**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for unregistered stock	-	10,009
Net cash provided by financing activities	**-**	**10,009**
Effect of change in exchange rates on cash	(145)	(140)
Net change in cash and cash equivalents	(7,080)	(1,826)
Cash and cash equivalents, beginning of period	**11,303**	**9,107**
Cash and cash equivalents, end of period	**4,223**	**7,281**

Intershop Communications AG
Consolidated Statement of Shareholders Equity
(in thousands €, except share data)

	Common Shares	Common Shares Stated	APIC	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders'

Intershop Communications AG
Consolidated Statement of Shareholders Equity
(in thousands €, except share data)

		Value				
Balance, January 1, 2001	**88.003.016**	**88,003**	**168,585**	**(84,329)**	**1,709**	**173,969**
Other comprehensive loss:						
Net loss				(131,798)		(131,798)
Foreign currency translation adjustments					837	837
Unrealized gain (loss) on available for sale security, net					348	348
Comprehensive loss						(130,613)
Exercise of stock options	188,306	188	330			518
Appropriation of paid in capital			(155,495)	155,495		
Balance, December 31, 2001	**88.191.322**	**88,191**	**13,420**	**(60,632)**	**2,894**	**43,874**
Other comprehensive loss:						
Net loss				(27,555)		(27,555)
Foreign currency translation adjustments					157	157
Unrealized gain (loss) on available for sale security, net					(109)	(109)
Comprehensive loss						(27,507)
Exercise of stock options	6.678	7	(3)			4
Private placement of common stock,	8.334.000	8,334	1,667			10,001

Intershop Communications AG
Consolidated Statement of Shareholders Equity
(in thousands €, except share data)

net						
Allocation of par value resulting from reverse stock split	(77.225.600)	(77,226)	77,226			
Appropriation of additional paid-in capital			(92,310)	92,310		
Balance, December 31, 2002	**19.306.400**	**19,306**	**-**	**4,124**	**2,942**	**26,372**
Other comprehensive loss:						
Net loss (unaudited)				(18,724)		(18,724)
Foreign currency translation adjustments (unaudited)					(105)	(105)
Unrealized gain (loss) on available for sale security, net (unaudited)					(2)	(2)
Comprehensive loss						(18,831)
Conversion of common stock of subsidiary						
to common stock of parent (unaudited)	2.499.999	2,500		(2,500)		
Conversion of preferred stock of subsidiary						
to common stock of parent (unaudited)	228,900	229		(229)		
Balance, September 30, 2003	**22.035.299**	**22,035**		**(17,329)**	**2,835**	**7,541**

Intershop Communications AG and Subsidiaries

Notes to Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Börsenordnung für die Frankfurter Wertpapierbörse . Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report for the fiscal year ended December 31, 2002. The unaudited condensed consolidated financial statements included herein reflect all adjustments (which include only normal, recurring adjustments) which are, in the opinion of management, necessary to state fairly the results for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the fiscal year ending December 31, 2003.

2. Accounting Policies

The consolidated financial statements presented are prepared in conformity with U.S. generally accepted accounting principles (U.S.-GAAP). The principle accounting policies adopted by the Company are as follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain financial statement captions, that are prepared using estimates where it is reasonably possible that these estimates will change in the near term, include allowance for doubtful accounts and restructuring accruals.

Revenue Recognition

The Company generates the following types of revenue:

Licenses. License fees are earned under software license agreements primarily to end-users, and to a lesser extent resellers and distributors. Revenues from licenses to end-users are recognized upon shipment of the software if persuasive evidence of an arrangement exists, collection of the resulting receivable is probable and the fee is fixed and determinable. If an acceptance period is required, revenues are recognized upon the earlier of customer acceptance or the expiration of the acceptance period.

Service and maintenance. Services consist of support arrangements and consulting and education services. Support agreements generally call for the Company to provide technical support and provide certain rights to unspecified software updates to customers. Revenue on technical support and software update rights is recognized ratably over the term of the support agreement. The Company provides consulting and education services to its customers; revenue from such services is generally recognized as the services are performed.

For arrangements that include multiple elements, the fee is allocated to the various elements based on vendor-specific objective evidence of fair market value established by independent sale of the elements when sold separately.

Stock-Based Compensation

The Financial Accounting Standards Board (FASB) issued SFAS No. 123, Accounting for Stock-Based Compensation, in October 1995. This accounting standard permits the use of either a fair value based method of accounting or the method defined in Accounting Principles Board Opinion 25, Accounting for Stock Issued to Employees (APB 25) to account for stock-based compensation arrangements. The Company has elected to continue to account for its stock-based compensation arrangements under the provisions of APB 25, and, accordingly, has included in Note 12 to the consolidated statements within the annual report for financial year ended December 31, 2002 the pro forma disclosures required under SFAS No. 123. If compensation cost for the Plan had been determined based on the fair value at the grant dates for the awards calculated in accordance with the method prescribed by SFAS No. 123, the impact on the Company's net loss and net loss per share would have been as follows (in thousands of €, except per-share amounts):

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net loss attributable to common shareholders				
As reported	(3,753)	(7,480)	(18,724)	(26,518)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(99)	(136)	(168)	(1,201)
Pro forma	(3,852)	(7,616)	(18,892)	(27,719)
Basic and diluted loss per share				
As reported	(0.17)	(0.39)	(0.92)	(1.39)
Pro forma	(0.17)	(0.39)	(0.93)	(1.46)

The following assumptions have been made to estimate the fair value of the options:

	2003	2002
Risk-free interest on the date of grant	3.0	3.9
Assumed dividend	0	0
Volatility	110%	99%
Expected option lives (years)	3.7	3.9

Goodwill

Since the beginning of 2002, the Company has adopted the accounting standard SFAS No. 142, Goodwill and Other Intangible Assets, which was published in June 2001. Under SFAS No. 142, goodwill will no longer be amortized, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. The Company identified indicators of impairment under SFAS No. 142 to be the same as under SAB No. 100. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined by SFAS No. 131 as an operating segment or one level lower. The Company markets its products and services in one segment and thus allocates goodwill to one reporting unit. Therefore, impairment is tested at the enterprise level using the Company s market capitalization as fair value. Goodwill will no longer be allocated to other long-lived assets for impairment testing in accordance with SFAS No. 121.

A full description of the accounting policies adopted by the Company can be found within the Company s annual report for the financial year ending December 31, 2002.

3. Comprehensive Income

Comprehensive income includes foreign currency translation gains and losses and unrealized gains and losses on equity securities that are reflected in stockholders' equity instead of net income.

The following table sets forth the calculation of comprehensive income for the periods indicated (in thousands of €):

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net loss	(3,753)	(7,480)	(18,724)	(26,518)
Foreign currency translation gains/losses	9	(3)	(105)	(43)
Unrealized loss on available-for-sale securities	-	(238)	(2)	(246)
Total comprehensive loss	(3,744)	(7,721)	(18,831)	(26,807)

4. Earnings Per Share

Basic net loss per common share is presented in conformity with Statement of Financial Accounting Standards (FAS) No. 128 "Earnings Per Share" for all periods presented. Basic net loss per share is computed using the weighted-average number of vested outstanding shares of common stock. Diluted net loss per share is computed using the weighted-average number of vested shares of common stock outstanding and, when dilutive, unvested common stock outstanding, potential common shares from options and warrants to purchase common stock using the treasury stock method and from convertible securities using the as-if-converted basis. 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 common shares have been excluded from the computation of diluted net loss per share for the periods presented because the effect would be antidilutive.

The following table sets forth the computation of basic earnings per share for the periods indicated (in thousands of €, except per share data):

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net loss attributable to common shareholders	(3,753)	(7,480)	(18,724)	(26,518)
Basic and diluted net loss per share				
Weighted average common shares outstanding				